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[Compliments of Robert L. Owen.]

Amendment to the National Banking Laws.

SPEECH

OF

HON. ROBERT L. OWEN,

OF OKLAHOMA,

IN THE SENATE OF THE UNITED STATES,

Tuesday, February 25, 1908.

The Senate having under consideration the bill (S. 3023) to amend the national banking laws—

Mr. OWEN said:

Mr. PRESIDENT: In commenting on the financial bill, and in suggesting improvements in it, I do so with hesitancy and diffidence. I feel, however, that the long experience I have had in such matters justifies me in the hope that my comments upon this measure may not prove to be without some service to the Senate in a proper determination of this exceedingly important question.

In discussing this matter, Mr. President, it should always be kept in mind that it is not the welfare of the bank or of the depositor, however desirable these questions are in fact, that should be considered, but the real question to be considered is—

*The prevention of panic.*

*The protection and promotion of our National commerce.*

*The firm establishment of stability in business affairs.*

*The maintenance in active operation of the productive energies of the Nation.*

Panic is like a stampede in a theater at the cry of "fire." The remedy is, first, a fire-proof building; second, abundant avenues of escape, wide open.

Mr. President, I am in favor of a bond-secured emergency currency under an interest charge high enough to compel automatic contraction of such issue, and favor this principle in the measure reported by the committee.

I have listened with great interest to the explanatory comments of the chairman of the Committee on Finance in relation to the Senate bill 3023, as reported, and have studied with care and interest the bill which has been so submitted to the Senate by that committee.

There has been no subject of greater importance before Congress in years.

It is impossible to exaggerate the evil consequences to the commerce and industries of the United States by the four great panics we have had since the war—the panic of 1873, the panic of 1884, the panic of 1893, and the panic of 1907—and the various smaller financial disturbances of the same character, but not of the same violence, which have occurred from time to time.

FOUR STROKES OF NATIONAL COMMERCIAL PARALYSIS.

The disastrous effects of the panic of 1893 lasted for five distinct years.

These great financial disturbances not only ruin hundreds of thousands of individuals and destroy their financial and commercial life individually, but they exercise a wonderful repressing power on enterprises and make men unwilling to engage in enterprises of any kind because of the terrific history that can not be forgotten, where thousands of honest, industrious, prudent, and enterprising men have been ruined through no fault of their own.

There can be no greater evil to a land than the discouragement of individual enterprises extending wholesale throughout its boundaries. There can be no greater evil to a commercial nation than the paralysis of the productive energies of its individual members.

I am told that now in Pennsylvania one-half of the industries of that great State are silent and unemployed, losing millions of dollars that ought otherwise to be made, and which would

be made except for the paralysis that has fallen upon that State, and other States in the Union are affected in like manner.

I deeply appreciate the great financial crisis from which the country is slowly emerging, and agree with the distinguished chairman of the Finance Committee that this panic of 1907 "was the most acute and disastrous in its immediate consequences of any which has occurred in the history of the country;" that "the shrinkage in values of securities and property and the losses from injury to business resulting from and incident to the crisis amounted to thousands of millions of dollars."

I agree with him that "a complete disruption of the exchanges between cities and communities throughout the country took place."

That "it is impossible to estimate the losses which were inflicted by this suspension of payments by the banks and the resultant interruption of exchanges."

I pause to say that the actual contraction of exchanges in the panic of 1893, and in the panic of 1884, amounted to 50 per cent of the normal volume of exchanges. An examination of the reports of the Comptroller of the Currency exhibits this remarkable fact. When those exchanges are shrunken in that manner, it means the most serious consequences to the commerce of this country, because the exchanges which are now current in ordinary times will amount to nearly two thousand million dollars a day. I have tried to get the Comptroller of the Currency to make a proper inquiry into the volume of this exchange so that it might be definitely ascertained. It has not yet been done, but it ought to be done, as one of the facts essential to a proper comprehension of this great question. When we have a shrinkage of what might be called an ephemeral currency in the form of those exchanges of two thousand million dollars, it means an infinitely greater difficulty in getting hold of the dollar. It means that the dollar has a new purchasing power. It means that property loses its measure of value in relation to dollars.

I agree with the distinguished chairman of the Committee on Finance in describing the recent financial panic, that "there was financial embarrassment on every hand and an impossibility of securing the proper funds to move crops or to carry on the ordinary business of the country."

That "the suspension or disarrangement of business operations threw thousands of men out of employment and reduced the wages of the employed."

I agree with him that "if the business interests of the country are left defenseless through the inaction of Congress the most serious consequences may follow."

That it is "the imperative duty of Congress in their wisdom to provide some means of escape from another calamitous crisis."

But I do not agree with his conclusion, that, because a comprehensive plan of legislation and reorganization of our entire banking system may not be conveniently entered upon at this time, the proposed remedies should be confined within the very narrow limits of the bill proposed by the Committee on Finance.

The arguments of the chairman of the Committee on Finance, showing the great evils which we have endured in the recent panic, and the serious consequences which must necessarily follow it, instead of laying a foundation for a very limited remedy gives the best of reasons why the remedy should be made as complete as possible. I confess that I feel deeply disappointed in the bill reported to the Senate.

The bill reported by the Chairman of the Committee on Finance provides for bond-secured emergency circulation under a 6 per cent penalty, but confines the banks which may receive its benefits to only certain of the national banks, and to them only in a very limited way.

It makes the emergency notes national-bank notes in form without any wise reason.

It contains provisions for using railroad bonds for the basis of these notes, which I do not believe to be fair and just to the people of the United States, and it omits several provisions of the most important character which I deem of the highest consequence to the financial and commercial welfare of the United States.

Mr. President, I have submitted an amendment intended to be proposed by me which sets forth a fuller plan of relief, which I believe to be far superior to that offered by the Finance Committee, and to the provisions of which I earnestly invite the attention of the Senate.

While I shall insist upon the amendment which I intend to propose, believing that its provisions are of the greatest importance, I shall nevertheless feel impelled to give my vote to the bill as drawn by the Finance Committee, except its railroad-bond feature, if the Senate rejects the suggestions offered in the substitute I propose. I shall do so, Mr. President, however, on the ground that the committee bill does offer some measure of relief. It is better than no relief. The privilege given to railroad bonds is, however, entirely unjustified and utterly indefensible. I can not agree to give to railroad bonds a property denied to United States bonds. The committee measure gives to railroad bonds—mere bonds of corporations, owned by private persons—a value which ought to be given exclusively to public bonds, and denies this privilege to United States bonds. I deny that there is any justification for the introduction of railroad bonds in this bill. I deny the right of the Senate or of Congress to give away public values to private interests, and insist that such a policy is utterly indefensible. While this is true, Mr. President, it is also probably true that the harm done by the giving of this public value to private interests is less than the harm which would be done if this country should be left without any relief against future panic, and, at least, we shall have the opportunity of correcting this feature of the bill at some future time, if it be not now amended.

I shall, however, insist upon the amendment of the committee bill in this particular at the proper time.

A VALUABLE PRINCIPLE OF THE COMMITTEE MEASURE.

Mr. President, the principle of the committee bill which really has value, and the only principle which is of importance, is "emergency notes, secured by bonds, under a penalty higher than the normal rate of interest."

This is the essential and vital feature of the committee measure which gives it value, and this is the only principle of the bill which gives it value. This principle of finance has long been well understood and has long been in force in Europe.

In 1896 I studied this question and endeavored to write into the Democratic platform in Chicago the principle of currency notes to be issued against bonds as a remedy against panic.

The matter proceeded so far that the proposition was voted into the platform by the committee on resolutions and then was voted out because of the argument made against it that it was a novel proposition and untried.

There is no partnership in a measure of this character. It is purely an economic matter, or should be, and I should not be willing to have it assume a partisan form. I am referring to the position of the Democrats on that resolution committee. I do so, I think, to that extent, to the discredit of the intelligence of that committee on resolutions. But it lies with equal force against the other party and all parties in this country, that there has been no provision made for the maintenance of our commerce against this periodic disturbance, and what might be regarded by some and was regarded by the Senator from Maryland [Mr. WHYTE] as a necessary periodic question. I think it proper to call attention to the fact that the periodicity of panics in Europe, where they have a remedy similar to that now proposed by this committee, has ceased. There is no periodicity of panics there. You can have periodicity of panics whenever you allow a bear movement to agitate the country and have the country itself unprepared against the necessary excitement which that movement may create.

Subsequently to 1896 I gave this subject careful study, feeling a deep interest in the evil consequence of the panic of 1893. In 1898, in London, I discussed with the governors of the Bank of England the methods by which they controlled panic, and in Berlin consulted the officials of the Imperial Bank of Germany as to the method of avoiding panic in the German Empire. It was in this way I learned the complete efficiency of emergency notes which would automatically retire under a proper penalty. (See Appendixes A and B.)

Germany and Austria permit their Government banks to issue legal-tender emergency notes under penalty of 5 per cent, which is higher than the normal rate of interest, thus procuring automatic contraction of such emergency money.

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In England, by ministerial permit, the Bank of England has been on several notable occasions, when panic threatened, authorized to issue emergency notes against other securities than gold in violation of the English bank act of 1844, and such emergency notes, being used in violation of the statute, necessarily are withdrawn at the first moment possible to the public safety.

When the Senator from Rhode Island, on the 18th of December, in answer to the Senator from Texas, said that "legislation can not prevent the recurrence of similar crises in the future," I was astonished, Mr. President, because the sentiment expressed by the Senator from Rhode Island was at variance with the experience of the leading nations of Europe and was contrary to sound reason.

I have long been thoroughly satisfied that it is a perfectly easy matter to prevent panics in this country. I have observed, however, Mr. President, with interest that the chairman of the Committee on Finance had evidently changed his views with regard to this matter when he introduced a bill on January 7, 1908, for the avowed purpose of preventing panic and was gratified when the chairman of the Committee on Finance, on February 10, said:

But the serious defect of our monetary system, as disclosed by our recent bitter experience, is the fact that we have no means whatever for providing the additional issues necessary to meet or to prevent panic conditions.

And when he further said, in closing his remarks, that—

If we should fail to take some effective action to provide against such crises such as that through which we have just passed, we should assume a grave responsibility.

Mr. President, the measure proposed by the chairman of the Committee on Finance was particularly interesting to me because it contains the correct principle, to wit, quick emergency money on bonds under a penalty which would insure its automatic contraction.

Mr. President, the favorable view of the chairman of the Committee on Finance on this subject, is a matter of the greatest value to the country, and I call his attention to the fact that he has adopted the essential principle in the bill reported by his committee, which was contained in an amendment which I had the honor to draft, and which was introduced in the United States Senate on February 6, 1900, by Hon. James K. Jones, and which was proposed as an amendment to the financial bill in charge of the Senator from Rhode Island, then as now, chairman of the Finance Committee.

Mr. President, I send to the Clerk's desk a letter from Senator Jones, with a copy of amendment referred to, which I shall ask the Clerk to read:

The VICE-PRESIDENT. Without objection the Secretary will read as requested.

The Secretary read as follows:

[Law offices of James K. Jones, James K. Jones, jr., James K. Jones, 621, 622 Colorado Building. Telephone Main 638.]

WASHINGTON, D. C., February 11, 1908.

Hon. ROBERT L. OWEN, *United States Senate, City.*

DEAR SENATOR: I inclose a copy of the amendment which I offered to the financial bill on February 6, 1900 (CONGRESSIONAL RECORD, p. 1534).

You will, of course, recall the fact that you prepared the original draft of this proposed amendment, which I introduced in almost, if not in exactly, the form submitted by you. I think you will find the debate on that bill at that time quite interesting.

If that amendment had been adopted at that time and had been written in the law, it would, in my opinion, have prevented the late panic.

I am glad to see that at last the principle of an emergency currency properly secured is recognized and that the Committee on Finance of the Senate indorse it.

Congratulating you on your early connection with this idea, I am,

Very sincerely, yours,

JAMES K. JONES.

Amendment proposed by James K. Jones, February 6, 1900:

That the Secretary of the Treasury is hereby directed to have printed and to keep on hand United States Treasury notes under a special account to be called the "emergency circulation fund." Such notes shall be full legal tender. Any citizen of the United States shall have the right to deposit United States bonds under rules and regulations to be prescribed by the Secretary of the Treasury, and to receive from such fund 90 per cent of the face value of such bonds in United States Treasury notes, and shall have the right at any time within twelve months to redeem such bonds by repaying in United States Treasury notes the amount so received by him on account of such bonds, with interest at the rate of 6 per cent per annum on such amount. Failure to redeem such bonds within the limit of twelve months shall operate as a forfeiture of such bonds to the United States, and such bonds shall be sold to the highest bidder in the open market, and the balance, after the payment of the principal of the amount advanced, the interest on the same, and the expenses, shall be paid to the former owner of such bonds. Any moneys received from such sale may be exchanged with other moneys in the Treasury so that this fund shall consist alone of Treasury notes. The principal of all sums so advanced when repaid shall be returned to the "emergency circulation fund," and all interest upon such sums shall be passed to the credit of the Treasury under miscellaneous receipts.

The actual amount of notes held in the "emergency circulation fund" shall never be less than \$50,000,000 in excess of any outstanding advances. Said fund shall neither be increased nor diminished except in the manner provided.

Mr. President, the amendment then proposed by Senator Jones contains every essential feature which now gives value to Senate bill 3023, reported by the Committee on Finance, and just in degree as the committee bill has departed from the principles of this original proposition, just in that degree has it lost value.

The original proposition provided for United States notes directly, and not the awkward, irksome, obstructive use of the pretended national bank notes of 6,600 intermediary national banks.

The original proposition provided that any citizen of the United States had the right to obtain emergency notes upon proper security of bonds, while the committee measure denies the citizen and denies 18,000 banks and trust companies and only permits some of the national banks to have this right, and only permits such special national banks to have a very limited amount of such notes, under additional restrictions by States, which, in my judgment, greatly diminishes the value of the proposed remedy. The restrictions go further and limit the amount of notes given to particular States, which is a serious additional restriction upon the means of escape from the danger of financial panic by emergency notes.

The original proposition compelled the return of the emergency notes within twelve months, which the committee measure does not do, and loses force by not making the return of emergency notes necessary and compulsory within a given time.

The original proposition provided that the emergency currency should never be "less than fifty millions in excess of any outstanding advances;" in other words, it was not limited, as the committee measure now proposes, to the inadequate sum, as I shall presently show, of \$500,000,000. It took over two thousand million dollars to meet this last panic, and then the panic was not successfully met.

The original proposition imposed a tax of 6 per cent on such emergency notes, as does the committee measure now submitted.

The original proposition allowed emergency notes to the extent of 90 per cent in emergency notes of the face value of such bonds (United States bonds) and the committee measure, in like manner, provides 90 per cent in emergency notes of the value of bonds offered as security.

The committee measure enlarges the volume of securities available, which, I think, is highly judicious and proper.

You will observe, Mr. President, that this proposition then submitted to the Senate contains the very essence of the bill now under discussion. It proposed bond-secured currency advanced upon the security of bonds under a tax of 6 per cent per annum, and that the advance should not exceed 90 per cent of the value of such bonds.

Mr. President, if the chairman of the Committee on Finance had, at that time, 1900, been conscious of the great value of the suggestion contained in the then proposed amendment, he was in a position, at that time, to have written into the statutes of the United States the very safeguards against panic which he now, with such force, declares essential. If he had then patiently listened to this suggestion he would have saved the people and the business interests of the United States what he himself now describes as the "most acute and disastrous panic which has ever occurred in the history of the United States."

I pause to say that, if any Senator [looking at Mr. ALDRICH] wishes to interrupt me at any time, it will not disconcert me in the least.

The Senator from Rhode Island would have saved his country and millions of its people the enormous shrinkage of values of securities and property and the loss from injury to business resulting from and incidental to the crisis amounting, as he himself now declares, "to thousands of millions of dollars."

He would have prevented "the suspension or disarrangement of business operations which threw thousands of men out of employment and reduced the wages of those who were still employed."

He would have prevented the fear and distrust which has now paralyzed and makes unproductive the energies of hundreds of thousands of men and holds idle many thousands of factories and business enterprises.

Mr. President, I rejoice that the principle of good government and of sound finance which was presented then has now been adopted by the Committee on Finance and is about to become established as a part of our law.

I trust the Senator from Rhode Island will agree with me now that if the present plan of emergency money had been provided in 1900 by the amendment he was then unwilling to ac-

cept we would have avoided the enormous injury of the panic of 1907-8.

I regret, however, that in adopting the principles which were submitted in the amendment proposed to the financial bill of 1900 the Senator from Rhode Island has not improved the original suggestion, but has weakened its effectiveness in various important ways, as I shall hereafter point out.

I submit my observations on the pending measure, Mr. President, in the earnest hope that they may persuade the Senator from Rhode Island and other Senators of this body to consider the present bill with dispassionate care and without economic prejudice and with the greatest thoroughness before it is finally passed, so that the bill when completed shall be drawn as perfectly as the wisdom and patriotism of this body make possible.

Mr. President, this Congress has abundant time in which to perfect this bill. There is no need for haste, and those expressions in the public prints when Congress met, that there was no need for haste, met my approval, because I have observed that, if there is one thing which has been thoroughly well established, it is a perfect divergence of opinion on every kind of proposition relating to this question. The only thing which has been thoroughly well established, I think, is lack of knowledge and of coherent opinion on the part of many of the statesmen of this country with regard to this great remedial legislation now proposed. This condition of uncertainty justifies and it imposes the duty upon every man who owes allegiance to his State and who represents his State on this floor, to study this great question and determine it according to those correct principles which have been demonstrated by those older nations of the world, who, under their experience, have learned a lesson which our younger nation appears not yet to have acquired. Congress has not only abundant time, but it has at its disposal every essential fact upon which to make up its judgment.

It not only has the time and facts available, but it has all the wisdom and intelligence necessary for the framing of a perfect statute, and I earnestly insist that the measure to be adopted by the Senate of the United States shall be drawn so as to remedy at least those defects in our present national banking act which are perfectly palpable and obvious to every thoughtful student of finance.

#### THE PRINCIPAL CAUSES OF PANIC.

Mr. President, in drawing a measure of relief against panic, which this bill avowedly is, it is of the highest importance to determine what the causes of the panic are. I do not sympathize with the chairman of the Committee on Finance when he speaks of the causes of panic being an academic question. It is a practical business question, upon which this Senate has a right to have all of the facts available; but there are some facts which are so patent that they need no assistance to be made perfectly clear to the knowledge of this body. When the causes are clearly discovered, a remedy can be more easily provided. I shall, therefore, endeavor to point out the principal causes of panic.

The primary cause of panic is the fear of the people of the insolvency of the banks.

The real cause of a panic is when the depositors, who number millions upon millions of people, go into a bank, draw out their small deposits of forty or fifty or a hundred dollars, carry them home, lock them up in a trunk, and hide them away. There is the chief evil of a panic. The depositors drew out of the New York banks two hundred millions of dollars within a week, and they drew out of the banks of the country an infinitely greater sum. I have felt great pride in the people of Oklahoma that they had the nerve to stand firm and not withdraw in any serious way their money for hoarding.

The causes leading to the fear of the people are:

First. The rumors of bear manipulators alleging "tight money," "high interest," and "impending panic," and rumors of threatened insolvency of banks, caused and promoted by those engaged in the manufacture of bear markets, and of panics, whether small or great, as a chief agency in compelling a bear market. These rumors and thousands of others intended to disturb confidence flow in endless stream from the gamblers on the stock exchange, the great panic breeder.

Second. These rumors have sound foundation if those engaged in producing panic are strong enough to cause tight money, high interest, and the constriction of credits in the great money centers; if they can and do withdraw at will millions for hoarding; or if they can and do call "demand loans" for immediate payment, when they have already put a strict limit on the extension of credits by the great controlling banks; if they force into bankruptcy and ruin individuals, banks, and trust companies, or commercial enterprises whose property they covet,

they can cause insolvency and produce that fear in the minds of the people which causes hoarding and panic.

Third. These rumors, causing the fear of the people, easily gain force, because—

(a) The banks know that the country's reserves in New York are tied up in gambling operations on the stock exchange in so-called "quick assets" but which are not really available to any great extent (because it would mean panic to force the quick liquidation of such loans). There is a world of men who have "got to be helped" in such times, as the bankers say, and those loans are carried over.

(b) The banks know there is only 7½ per cent of money in total reserves in all of the banks in the United States in currency, and that if the fear of the people is aroused, and that if 5 per cent of their depositors demanded their deposits in any one week there would be a fearful panic, and the banker's fear is hypnotic of the people and excites the fear of the people in ways too numerous to mention—e. g., by

1. Refusing good loans, well secured.
2. Forcing solvent debtors to urgent settlement.
3. Talking hard times and tight money, etc.

All of those things make the banker himself the medium of emphasizing these conditions and bringing about the very condition which creates and makes panics. Any business man in this Senate knows that I speak the truth when I call attention to these things. I have helped guide the leading bank in my State through two panics, and I understand the anxieties, and I think I understand the causes of panics.

(c) The banks know that the 15 and 25 per cent reserve in lawful money is largely artificial and does not exist in lawful money, as a matter of fact, and that their showing of reserves is only a pretense of a strength that does not exist.

These sentimental influences lead with certainty to the fear of the people, and then we have as the final consequence the deadly evil of the hoarding of currency by the common people. Fourteen dollars so hoarded by each one of the people would not leave a dollar apiece in any one of the 23,000 banks of the United States.

The hoarding by the common people, Mr. President, is not the primary cause of panic, although a secondary cause, which intensifies and makes panic peculiarly dangerous. *Hoarding is the effect as well as cause of panic.* It is the necessary immediate consequence of fear or panic and becomes a factor in panic of supreme importance.

Fear is the soul of a panic, and fear may be founded on any of a number of things.

It may be due to some national calamity which paralyzes credit and excites public alarm.

It may be due to the wholesale speculative loans of the depositors' money, or to distrust engendered in the integrity of the financial world from any cause. In 1893 the panic was artificially produced by circular letters sent out all over the country suggesting the constriction of credits; by repeated suggestions in the public press that the European investor was selling American securities; that gold was leaving the country; that the gold reserve was going down day by day, and that we were on the very verge of panic.

If you tell a depositor in a great variety of ways, and with sufficient insistency, that we are on the verge of a panic, finally the more timid of the depositors will actually withdraw their deposits for hoarding, and when this takes place the bankers take fright, and the alarm passes like an electric shock from man to man until the depositors who are poor or cowardly take out their deposits for hoarding on a vast scale.

The cause of the panic of 1907 in like manner was very similar. It was the result of a high market in stocks and bonds steadily manipulated for several years, raising the booming cry of "prosperity" and exciting the people into speculative buying of stocks, and then the change of tune and the reiterated talk and suggestion of panic made either by those who had in view the creation of panic and its consequent benefits to them, by those called "bear operators" or the bigger men whose satellites they are, or to the thoughtless talk of people who were indifferent to the result or ignorant of the hypnotic power which repeated public suggestion exercises over the minds of the people.

These constant suggestions of impending panic were sufficient to create a panic regardless of other contributing causes, and it is well known to everybody that these continued suggestions finally led to a general belief that a panic was impending. As a necessary consequence there was more or less disturbance in the mind of the average depositor, and only some incident, such as the Knickerbocker Trust run, was necessary to start a violent panic under conditions of general apprehension stirred up in this way.

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The causes of panic, Mr. President, which excite the fear of the people may be various, but the fear of the depositor, from whatever cause, is the real factor with which we must deal.

The fear of the depositor must be abated if we wish to prevent hoarding of the currency, which is so essential to the stability of our commerce, to the healthfulness of our banking institutions, and to the welfare of our business people.

Two things are essential to prevent the fear of the depositor:

(a) He must be assured that his deposit is safe, even if the bank be found insolvent, and this remedy may be easily, economically, and abundantly provided by a guaranty fund available from the taxes now paid into the United States Treasury by the national banks on their circulation. It is thirty-five times more than is necessary, according to our statistics.

(b) It is not entirely enough to satisfy the depositor that his deposit is safe against the insolvency of the bank of deposit, but he must be assured that he can get his money in currency whenever he wants it.

Banks confessedly solvent in the last panic, from the Atlantic to the Pacific, about 23,000 of them, although solvent, refused to pay currency to their depositors for the simple reason, Mr. President, that the banks of the United States have only about \$7.50 with which to pay \$100 of their deposits, if the depositors should suddenly want their money in currency. The banks know this in a general way, and for that reason when New York suspended currency payment in October last almost every bank from the Atlantic to the Pacific followed this example within twenty-four hours. New York held the reserves of the banks of the United States, and when New York refused currency other banks felt compelled to do so.

The banks of Oklahoma, Mr. President, paid \$40 a thousand to New York banks for currency when the New York banks had on hand the reserves of the Oklahoma banks.

I believe, however, that the New York banks went out into the open market on the street and bought hoarded currency; I do not think they took it from their own money. So that they are not to be understood as speculating upon their correspondents. I believe they did the best they could under a very bad condition.

Mr. President, the first essential is the security of the bank depositor.

The second essential is emergency circulation, and both are essentials to the stability of our commerce.

Under our present banking system the national bank deposits are entirely safe, but the ordinary depositor does not realize this.

The report of the Comptroller of the Currency, 1907, page 28, shows the net loss to creditors of the insolvent banks since 1898, as follows:

1898	\$42,796
1899	361,181
1900	None.
1901	117,569
1902	1,113
1903	34,458
1904	201,084
1905	4,767
1906	None.

An average of about \$85,000 per annum against net deposits, August 22, 1907, \$5,256,000,000, a loss to the national bank depositors of only about one dollar in sixty thousand dollars per annum.

There never was in the history of man a finer record of integrity, of intelligence, and of good business than is shown by this record of the national banks, and this country has a right to be proud of that record.

If the future losses should average thirty-five times this amount annually, the present tax on circulation paid by the national banks would be more than sufficient to meet it, because—and I call your attention to the fact—2 per cent on over six hundred million dollars makes an annual tax on the national bank circulation of more than three million dollars with which to pay the average loss of eighty-five thousand dollars. The depositors are safe now comparatively, and it is only for the moral effect after all that the insurance of these deposits will prove to the country to be of great value.

The security of the bank depositor (by permitting the present tax on circulation to be used for the insurance of his deposit) would prevent such depositor from losing confidence and hoarding his deposit.

There would be a much smaller need for emergency circulation if this self-insurance plan were provided. The emergency currency is intended to restore to circulation the money withdrawn from commerce and hoarded by the frightened depositor. If the depositor has the assurance of safety in his deposit he will not be frightened and he will not hoard his money, and there will be, probably, but little need for emergency currency.

Both provisions, however, Mr. President, I regard as essential, because the national banks comprise only 6,600 institutions out of 23,000 banks. The national banks have only one-third of the banking deposits of the country, and emergency currency is necessary, therefore, to protect the country against the fear and the consequent hoarding of the depositors of the other banking institutions of the country who keep their reserves with the national banks.

Mr. DOLLIVER. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Iowa?

Mr. OWEN. Certainly.

Mr. DOLLIVER. Has the law of Oklahoma for the guarantee of deposits been put into operation?

Mr. OWEN. It has.

Mr. DOLLIVER. I should like to ask the Senator how it has operated as respects the situation of the national banks? As I understand, the law is applicable only to the State banks.

Mr. OWEN. The Senator is mistaken with regard to the law being applicable only to the State banks. It is also applicable to national banks where they choose to use their undivided profits for the purpose of buying insurance under the State plan, which, I think, they can do by the consent of their stockholders.

Mr. DOLLIVER. Now, if the Senator will pardon the interruption, as he is evidently an expert in practical banking matters, what would be the effect upon the national banks of Oklahoma provided they were not permitted to take shelter under that State law?

Mr. OWEN. It depends upon the condition of the bank. If there is a national bank in a small town where there is no State bank, it would not affect it. If in a small town there are national banks, and there is a little State bank across the street with a big sign in gold letters that its deposits are guaranteed, it would make the national bank lose deposits, and the national bank would be compelled to take out a State charter. If, however, in a larger town, where a national bank was thoroughly well established and its lines of business long continued, such as the bank with which I have had the honor to be connected—the First National Bank of Muscogee—I do not think it would have any appreciable effect.

Mr. DOLLIVER. Now, if it will not interrupt the Senator, what practical effect would it have on State and private banking institutions of the country if a national law should guarantee the solvency of national bank deposits?

Mr. OWEN. If that were done it would impose upon the State the duty of doing that which I now insist this Government should do—insuring the deposits of national banks or providing for self-insurance. If this Government should now pass an act insuring the deposits out of the tax proposed—it is self-insurance by the banks, not insurance by the Government—if that were done, it would then have the effect upon State banks such as the Oklahoma law now has on national banks. In the substitute which I have proposed, I have arranged that it shall not go into operation for two years, so as to give opportunity to the other States in the Union to establish a similar insurance plan within their respective limits. The substitute which I have proposed only goes into immediate operation where the State has already established a plan of insurance for the State banks.

Mr. DOLLIVER. Now, Mr. President, if the Senator will permit me one more question, I will not interrupt him any further.

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Iowa?

Mr. OWEN. I will be delighted to answer.

Mr. DOLLIVER. What effect would it have upon solid, conservative, well-managed banks if an act of Congress were to put all national banks upon exactly the same level so far as their ability to pay their depositors is concerned? What effect would that have upon the solvent, well-managed banks as against irresponsible, or more or less irresponsible and speculative banking institutions, offering large sums as interest upon deposits, and otherwise making themselves attractive to the community?

Mr. OWEN. I am delighted to have the Senator ask the question, and I think I can answer it. The Senator from Iowa assumes that there is a class of speculative, reckless bankers under no restraint who might rush in and acquire the deposits of the unsuspecting. By what argument is a deposit to be brought to a bank conducted by a speculator or a reckless, irresponsible man? Everybody who is acquainted with the banking business knows that the depositor first wants to know above all other things that the bank at least is conducted in a conservative and in a reasonable and proper manner, and when a depositor makes—

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Mr. DOLLIVER rose.

Mr. OWEN. I will answer the question if the Senator will permit me. I have not gotten to the answer yet. I am laying my premises. I will answer it if the Senator will have patience. He has asked me a question and I will answer it to his satisfaction, unless he wants to ask me another question.

Mr. DOLLIVER. I just desired an answer to my question.

Mr. OWEN. I am going to answer the Senator's question completely.

You are assuming in your question that the irresponsible, reckless banker is going to attract the depositor. I therefore go directly to the causes which lead a depositor to make his deposit. What are those causes? The first thing he wants to know is that the banker is a decent and an honorable man, and under our system of banking we have the most abundant provisions thrown around the ordinary banker. I take it that the State of Iowa has a proper law requiring a reasonable control and requiring reasonable compliance with those provisions found necessary to sound banking.

But I want to call attention to the fact that under our system of government any man who is guilty of fraud as a banker is guilty of a criminal offense, and is restrained by the criminal code. Under the substitute which I have suggested here, the insurance plan only goes to the noninterest-bearing deposits and the man who wants to invite into the bank deposits by giving interest and paying people to make deposits with him, the deposit being otherwise guaranteed, has no foundation on earth to invite those deposits except his own bad character; and that is not a good magnet with which to attract deposits. When he established his bank he must comply in the first place with the law and he must put up his money to establish his bank. The smallest of the national banks must have \$25,000 of capital and the stockholders are liable for a like amount, making a bond of \$50,000 standing between the depositor and loss. Therefore these objections which are made that it will encourage reckless banking have no genuine foundation.

Mr. SMITH. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Michigan?

Mr. OWEN. I am delighted to yield.

Mr. SMITH. I should like to ask the Senator from Oklahoma whether he knows of any State in the history of our Government that has guaranteed deposits except his own?

Mr. OWEN. I do not know of any State that has guaranteed deposits. I understand in the history of the past that there have been some such experiences, which were based upon an insufficient foundation.

Mr. SMITH. I should like to say to the Senator from Oklahoma that as I am informed the State of New York once tried an experiment of that kind, extending over a period of about twelve years, and that it resulted most disastrously to that part of the safety fund, and that they failed to raise enough to pay the bad debts of the banks which were members of that so-called organization, and that they fell shy several million dollars of being able to pay out finally.

Mr. OWEN. If the Senator from Michigan will make his suggestion sufficiently definite I will undertake to get the statistics and account for the reason why they failed, but I am now talking about a modern condition and I am not talking about the poor and ineffective kind of government we had in the days of our ancestors.

Mr. SMITH. For the information of the Senator from Oklahoma, if he is willing—

Mr. OWEN. I am delighted.

Mr. SMITH. I may further say that the legislature of the State of New York did, under considerable pressure, pass a law providing that all banks seeking recharter and all banks newly organized should contribute to a safety fund one-third of 1 per cent upon their capital, and that from that source for a period of twelve years a large fund was set aside for the purpose of paying the bad debts of the banks of that State. As I said a moment ago, that ran along from perhaps 1830 to 1845, when the statute was repealed, the practice was discontinued, and banking was left, as it ought to be left, to the individual initiative and to the individual responsibility or the corporate responsibility, whichever you may see fit to denominate it.

Mr. OWEN. That is no doubt an interesting historical circumstance. It arose in a time when there were no railroads, when there was no means of communication, when it took a week to get a letter from one end of New York to the other, when there were no newspapers worth mentioning, no telephone, no telegraph, no public schools, a very defective Government; when they had no sufficient and proper means of examination

of the banks; and we have to go back to such conditions in order to justify us in adopting the experiences of that date as a guide for the present. There is no true parallel. To-day we have the most perfect banking system in the world in the national banks of this country, I think. Their losses to their creditors during the last nine years have averaged only about one dollar in seventy thousand a year. There were losses of eighty-five thousand per annum only, out of nearly six thousand million of deposits; and shall we go back and point to 1830, the days of our great grandfathers, and have it said that we shall not avail ourselves of modern knowledge and modern appliances? We have improved since that day, and we can improve still more.

Mr. BAILEY. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Texas?

Mr. OWEN. Certainly.

Mr. BAILEY. I suggest that when the Senator from Oklahoma undertakes the New York investigation, if he will extend his research a little, he will find that the State of Michigan once enacted almost precisely the same kind of law in regard to the insurance of State bank notes, and that it failed.

Mr. OWEN. That justifies the Senator from Michigan. [Laughter.]

Mr. SMITH. It may justify the Senator from Oklahoma.

Mr. OWEN. There are some obvious defects in our national banking system, which have been factors in producing the panic of 1907-8, which ought to be remedied. For example—

(a) The tying up of the resources and reserves of the banks of the United States in loans for speculative purposes when their resources should be available for legitimate commerce, for manufacturing and industrial enterprises, for moving the agricultural, mineral, and manufactured products of the country.

(b) The loaning of funds to active officers of a bank without proper safeguards should be forbidden.

(c) The cash reserves should be strengthened.

All of these things are advisable safeguards against panics, and should be provided for now while a bill is pending the declared purpose of which is to prevent panic.

Mr. President, I wish to point out clearly what the bill reported by the Finance Committee contains and in what way it is objectionable in its present form.

Second, Mr. President, I wish to point out what this bill ought to contain and what the substitute therefor, which I propose to submit as an amendment, does contain.

#### WHAT THE COMMITTEE BILL CONTAINS.

First, Mr. President, while the committee bill recognizes the importance of emergency money, it limits the issue to \$500,000,000 of emergency notes, which has been demonstrated with great force by the chairman himself to be insufficient in volume, and then imposes restrictions that will prevent any but a fractional issue of the volume suggested, and closes every door to relief until the Secretary of the Treasury declares an emergency. The Secretary of the Treasury should have no authority to refuse relief or to defer it because within a few days irreparable damage may be done the bank on which a heavy run may be precipitated.

You take such a case as that of the run on the National Bank of Commerce in Kansas City, a bank which had nearly \$40,000,000 of resources and which stood up and paid \$18,000,000 to its depositors before it pulled down its flag in surrender. There was a case where an emergency might not be declared by the Secretary of the Treasury as a national matter, and yet it was an emergency of a critical character for that great institution and for the entire Southwest. The remedy ought to be left wide open so that any bank that wants relief shall be able to get it, and get relief immediately.

Second, the committee bill makes the emergency notes national-bank notes in form, requiring 6,600 varieties of notes without sound reason, when these notes are really made United States notes payable in gold or its equivalent.

Third, the national banking associations are not permitted to take advantage of this bill unless they come within certain rigidly described classes, thus limiting the efficiency of the proposed remedy and preventing its full and free exercise.

(a) No national banking association which has less circulating notes outstanding than 50 per cent of its capital is permitted to have the benefit of relief against panic.

(b) No national bank which has a surplus of less than 20 per cent is permitted to have relief against panic.

(c) In no event is any national bank to have any relief in emergency notes exceeding a gross amount of its outstanding notes, whether normal or emergency, in excess of the capital and surplus of such bank.

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(d) Even under these unnecessary, vexatious, reactionary limitations, the national banks within the classes described are only permitted to have relief of a limited amount of these emergency notes, apportioned off to each of the several States, regardless of the national exigency.

Fourth, no State bank, no trust company, no savings bank, no private bank, is permitted to have the benefit of this remedy against panic, although holding two-thirds of the banking capital of the United States and less than 4 per cent currency reserve, and, therefore, peculiarly dangerous to our financial stability.

Mr. FLINT. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from California?

Mr. OWEN. Certainly.

Mr. FLINT. I wish to ask the Senator from Oklahoma if he intends to make any observations with reference to the limitation on the issue to the various States? If not, I should like to ask him a question, as I am somewhat in accord with him in reference to the matter of limiting the issue to the entire country.

Mr. OWEN. California could get only twelve million dollars under this bill.

Mr. FLINT. I understand. But assuming that a condition existed like that in the last panic and there is this limitation of \$500,000,000, and the currency is all issued in the State of New York, California would not get any.

Mr. OWEN. It would under my plan, but it would be better to supply enough to New York to prevent panic in the first place, and still not deny California what it needed.

Mr. FLINT. If the stock market were eliminated, I would be perfectly willing to provide in this bill that the amount of currency should not be limited. But if a condition should arise such as existed in the late panic, I think it should be limited as to the States, so that the entire amount should not be issued to the banks in the State of New York.

Mr. OWEN. I shall discuss that further along. But I will in brief make this answer: I do not think the emergency currency should be limited in issue at all. If New York needs \$500,000,000, I think New York ought to have \$500,000,000, without denying to San Francisco one hundred million at the same time, if it proved to be necessary. Why is this relief denied? What is the purpose of it? We are trying to provide against panics, are we not? What is the sense, the common sense, of denying a sufficient issue to make panics impossible?

Mr. FLINT. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield further to the Senator from California?

Mr. OWEN. Certainly.

Mr. FLINT. While we are desirous of stopping panics, it may be that we are not desirous of encouraging a condition of affairs in the New York stock market where speculators will have this money issued and go on and deal in stocks and have the prices advance four or five times their real value, which has been the result when the money has all been concentrated in the city of New York. The purpose of this bill, as I understand, is to prevent such a condition, and the reason the amount is left to the Secretary of the Treasury or to the commission composed of the Comptroller and the Secretary of the Treasury is that the New York banks can not themselves determine when they will promote stock-gambling propositions with this money, but rather that the money shall be used to stop panics throughout the country and to relieve a condition that we know exists in the West, and not only in the West, but in the South, each year; and that is that we require more money at certain periods of the year. If this was not left to the Secretary of the Treasury, and if it was left unlimited, the entire amount, as I have said, would be issued in the city of New York at times and not used to stop a panic, but used to continue a stock-gambling operation that has existed there from time to time.

Mr. OWEN. The purposes of the Senator from California and my own are the same. We are in exact accord in purpose. The proposed substitute that I offer does not limit the emergency issue to \$500,000,000. It puts no limit on it. The limit proposed is the necessity of the country alone. In this last panic we required more than a thousand millions. The estimate made by the chairman of the Committee on Finance overlooks the most important item. We required over a thousand millions in this last panic, and that did not control it. Why shall we now limit it to five hundred millions, and then limit that amount in such a manner as not to make it available where it is required?

More than that I agree with the Senator from California with regard to the control of the New York Stock Exchange, and I introduced a bill to-day proposing to remedy that evil in some degree; that bill proposes that no Stock Exchange quota-

tions shall have access to our national mails except under the supervision and control of the Department of Commerce and Labor under proper safeguards to prevent gambling and fraud. That will put a stop to the gambling which robs the innocent and unprotected in this country.

But I propose more in this substitute which I offer now to the Senate. I propose that the New York Stock Exchange gambling shall be limited by a provision on this bill forbidding the national banks to use their depositors' money in making loans for the speculative buying of stocks and bonds on that market. They recently tied up all our national reserves when they were needed to move the cotton crop; the wheat crop; needed to run the factories of New England and needed to run the coal mines and the great works in Pennsylvania and the other eastern States. It is high time that this country was advised as to its rights and that the Senate should put a stop to such practices; and I believe from the opinions which I know the Senator himself entertains from his questions that he will be in accord at least with the purposes of the suggestions I make.

Mr. FLINT. I am not prepared to commit myself to the measure, but I am prepared to commit myself to the views.

Mr. OWEN. I said the purposes, Mr. President.

Mr. FLINT. I want to ask the Senator another question, as he has given some study to this matter and as he now refers to the condition of affairs in the New York market and the loan of money there deposited by the various banks throughout the country. I desire to ask him whether or not he has given any study to the conditions that have existed since the panic, to ascertain whether the same banks which complained that they could not obtain their money from the banks in New York have not again deposited the money in New York, and are doing it now, so that they have to-day a far larger percentage on deposit in the New York banks than the condition of the country would justify.

Mr. SMOOT. More than they had before.

Mr. FLINT. And more than they had before.

Mr. OWEN. I think that undoubtedly is the case. They are piling up money there now, and the money is coming out of hoarding. Now that the opportunity has been presented by a bear market to buy cheap stocks there is a strong demand in our financial centers.

Mr. FLINT. What I wanted the Senator to answer is not whether the money was coming out of hoarding, but whether the banks in the South and the Middle West and the Pacific Coast States which complained that they could not get their money and said they would not deposit in New York again, did not immediately after this panic was over deposit their money in the New York center.

Mr. OWEN. I am not aware what the statistics would show with regard to the redeposits since the panic in New York. I do not think there could have been a very great deal of redepositing. Since the Southern and Western banks could not get their money out when they wanted it they probably have left it where it was. They could not get it when they wanted it, and I guess they have left it there. [Laughter.]

Mr. FLINT. I am directing the attention of the Senator not only to the fact that they left it there, but that immediately after the panic they deposited more at the very place from which they could not get it during the panic.

Mr. OWEN. I will answer the Senator by saying that the substitute I propose requires them to keep it at home.

Mr. FLINT. That is the very question I wanted the Senator to answer, whether he had studied that question, and whether he did not think it was necessary to have some legislation which would compel the banks to keep their money nearer home or in their vaults?

Mr. OWEN. Undoubtedly.

Mr. SMOOT. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Utah?

Mr. OWEN. With pleasure.

Mr. SMOOT. I should like to ask the Senator if he does not know, as I believe every other Senator in this Chamber knows, that banks in the South and banks in the West send their money to New York for the purpose of receiving interest on their daily balances, and also because the money can be used better in New York than if it was left in their own vaults at home. A draft upon New York is good anywhere in this country.

Mr. OWEN. Except in panics.

Mr. SMOOT. It is for that reason that the money was there.

Continuing along the line of the remark of the Senator from California, I will state that the deposits in New York by the banks of the West and also the South are greater to-day than

they were at the time of the panic, and those banks are sending the money to New York because they have confidence in the New York banks and they receive interest upon those deposits on their daily balances. The New York banks should not be charged with this. The bankers in the West and in the South want their money deposited in New York.

Mr. OWEN. I have no special concern at this time with what the bankers want. I think it is a matter of small concern what the bankers want, or where they send their money for interest. They do send their money to New York for interest and they do send it there under the invitation of our notional-bank act, which requires the reserves to be kept in large measure in these so-called central reserve cities, a word that ought to be struck out of our statute, in my opinion.

Mr. SMOOT. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield further to the Senator from Utah?

Mr. OWEN. Certainly.

Mr. SMOOT. I fully agree with the Senator from Oklahoma in that regard. I believe with all my heart that our reserves ought to be kept largely in the banks at home, and I offered an amendment here the other day for that very purpose, requiring them to be kept there.

Mr. OWEN. I agree.

Mr. SMOOT. I do not want the New York banks to be found fault with when they should not be, and when the business men of this country themselves have brought about the conditions complained of.

Mr. OWEN. I am not registering any complaint against the New York banks. I am discussing a principle of finance and of law on the floor of the Senate. I have made no complaint against the New York banks. I am obliged to refer to the New York banks in discussing this matter because they are the central reserve agents practically to whom flow the reserves of this nation, and when they use those reserves for speculative loans they use them to the injury of my State and of my section and of my country—the United States.

I have provided a carefully drawn plan in the substitute which I propose, and in my remarks I submit a careful table showing how the plan will work out which I have suggested with regard to these reserves, and I commend it to the attention of the Senator, because I am sure he will agree with me. I am sure that our objects are the same, our purposes are the same, and we ought to be careful not to be drawn in conflict over words nor over the mere form of this proposed law. I have no attachment to form. It is substance that I want. I want these reserves kept where they belong, so that when our cotton crop needs to be moved it shall move, and so that our factories shall be employed and give the means of livelihood to the men and women of my State; so that our people shall not be denied their daily bread as the result of the thoughtless speculation of anybody. I have no feeling of hostility even to the gambler, but when we discuss principles of law we have a right to refer to those conditions which are before our eyes.

I call attention to the fact that this bill refuses any relief to the State banks and to the trust companies and to the savings banks, although they occupy and control two-thirds of the banking field in the United States. What is the reason for that? Look at the Knickerbocker Trust Company with its sixty-seven millions of deposits. There was no relief possible to that company, and yet the run on that company helped to precipitate the panic which locked up the currency of our great Republic from the Atlantic to the Pacific in an incredibly short time, within twenty-four hours.

This committee bill is defective in these particulars, and as it is seriously defective in these particulars, I insist upon it that it shall be amended so as to meet the conditions of this country. It is further defective in the following particular:

UNITED STATES BONDS DENIED THE PRIVILEGE GIVEN RAILROAD BONDS.

Fifth, in the committee bill United States bonds are not permitted to be used as a basis for emergency currency notes, while this privilege is given to railroad bonds, and language is used throughout this measure by which to make effective this distinction in favor of railroad bonds against United States bonds. Railroad bonds should not have this public function, and United States bonds should have it.

Sixth, the committee bill to prevent panic removes every limitation on the contraction of \$600,000,000 of our normal national bank currency, when some reasonable limit is necessary, unless by inviting unlimited contraction of this currency we wish to prolong low prices of commodities and prevent a prompt reaction from the effects of the present panic.

Mr. ALDRICH. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Rhode Island?

Mr. OWEN. With pleasure.

Mr. ALDRICH. Does the Senator think if a bank had a hundred thousand dollars of United States bonds it would not take out a hundred thousand dollars in circulation at a half of one per cent tax instead of taking out ninety thousand dollars and paying six per cent tax?

Mr. OWEN. I will answer that question. If I understand this bill as drawn by the committee, while, of course, any bank may use United States bonds for normal currency, yet nearly all of our banks have their normal currency, particularly the small banks—our Western banks. They have in large measure, many of them, up to the face of their capital, and the emergency notes possible under the committee bill are only as to the surplus. Take a bank with \$100,000 capital, for instance. Its circulation is \$100,000 of normal notes secured by United States bonds at one-half of one per cent tax. And this bill denies such a bank the right to use United States bonds for emergency currency and invites the use of railroad bonds instead.

Mr. SMOOT. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Utah?

Mr. OWEN. Certainly.

Mr. SMOOT. I suppose the Senator has noticed the report of the Secretary of the Treasury, which shows that they only have 67 per cent of the circulation they are entitled to.

Mr. OWEN. The New York banks, the Eastern banks, and the banks in the big cities are the ones which are deficient. The little banks in the country have very nearly their quota.

Mr. ALDRICH. The average is about the same throughout the country.

Mr. OWEN. Whether it is or not is entirely immaterial, the point I call attention to is that a national bank which has \$100,000 of capital, with \$100,000 of normal notes issued against United States bonds, is confined by this bill to the \$20,000 of surplus, if it has \$20,000 of surplus, and on that \$20,000 of surplus it may issue emergency notes, and those emergency notes so issued shall not be issued against United States bonds, but may be against railroad bonds. Such a bank can not use United States bonds for emergency currency and can use railroad bonds for such purpose. Am I right?

Mr. ALDRICH. The number of banks in the United States that have the total amount of their circulation outstanding are a negligible quantity. I would not undertake to say for the moment how many there are, but I think less than 100 in the whole United States.

Mr. OWEN. You have not answered the question.

Mr. ALDRICH. Undoubtedly, if they had the full amount of their circulation outstanding they could not take out any further amount under this bill, except for the amount of the surplus.

Mr. OWEN. Why does the Senator from Rhode Island evade my question? Why does he refuse to them the use of United States bonds as to the surplus when he permits railroad bonds?

Mr. ALDRICH. Because, as I say, the number of banks which have the total amount of their circulation outstanding is so small that it is not necessary to make an exception, in my judgment.

Mr. OWEN. It is a very remarkable exception. It is an exception that I do not approve. A United States bond ought not to be given second place to a railroad bond for any purpose whatever, much less in a statute drawn in the Senate of the United States. In this case, when I ask the Senator whether or not the United States bonds can be used in that instance for emergency notes against that surplus, the Senator says, no, that the United States bonds can not be so used, and I ask him why?

Mr. ALDRICH. I tried to answer.

Mr. OWEN. The effort of the Senator from Rhode Island to answer was a failure. The answer is insufficient. His suggestion that United States bonds can be used for normal circulation is no reply to the question why *United States* bonds can not be used for emergency circulation when *railroad* bonds are given that preferential distinction.

Seventh, the committee bill to prevent panic makes no provision for forbidding national banks tying up their resources in speculative loans, which was notoriously one of the important factors in the recent panic.

Eighth, the committee bill to prevent panic makes no provision to prevent improper loans by active bank officers to themselves, which practice proved one of the well-known recent contributing causes that precipitated panic in New York. Witness, the Morse banks and allied institutions.

Ninth, the committee bill to prevent panic is defective because it does not make a proper provision for the maintenance of

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actual cash reserves in the manner which our present knowledge justifies and requires. It leaves the present fictitious reserves uncorrected.

Tenth, the rate of interest of 6 per cent is hardly high enough to insure and compel prompt retirement. (Six per cent bonds could be used without loss and inflate the currency 75 per cent of their value without cost and with profit in some parts of the country.) The tax on emergency currency should be progressive and high enough to enforce its prompt contraction.

Eleventh, above all, Mr. President, the committee bill to prevent panic is most seriously defective because it provides no plan of insurance to the depositor of the national banks when the lack of such assurance permits the fear of the depositors to be excited and thus engenders national panic.

In discussing these objections, Mr. President, I shall do so with the greatest brevity consistent with clearness.

PROPOSED ISSUE SHOULD NOT BE LIMITED IN AMOUNT.

First. The first objection, Mr. President, which I make to the committee bill is the limitation of the proposed remedy to five hundred millions, when the chairman of the Committee on Finance has himself submitted figures showing that \$467,000,000 of public money, clearing-house certificates, checks intended to be used for currency, and compulsory additional bank-note circulation and forced gold importations were required in the effort to control in any substantial degree the last panic.

Mr. President, the gross estimate of these issues by the chairman is too small. There were a great number of devices used of which there is no record, and all of these remedies combined really failed to prevent the United States having the most disastrous panic in its history.

A greater volume than \$500,000,000 was required in 1907 to control this panic.

We are now proposing a remedy which shall take the place of clearing-house certificates, of private checks, of enforced enlargement of normal national bank note circulation, and of forced gold importation, and when we do provide this remedy we ought not only to make it large enough, as shown by the volume demonstrated to have been necessary in 1907, but we should remember that in another twenty years our banking capital, if it continues with the same average growth in the future which it has in the past, will be far in excess of twice what it is now, and the proportionate demand for a remedy of this character may on some day be more than twice what it was in 1907. We, therefore, should put no limit upon this remedy, for the substantial reason that it violates sound reason and our immediate experience to limit the remedy. The remedy itself involves the Government in no responsibility and really provides a substantial profit to the Government, just in degree as it may be utilized. Why should we limit our water supply for extinguishing a national financial conflagration when the water not only costs us nothing, but will be profitable to the public purse?

Second. The second objection I make to the bill is that it provides that these emergency notes shall be issued under the form and pretense of being national-bank notes, when by sections 6 and 7 of the committee bill they are unquestionably United States notes, payable in gold or its equivalent, at the Treasury. The plan of the committee would require 6,600 different plates to be used by the Bureau of Printing and Engraving for the printing of these notes, and we should go through the absurdity of calling these notes national-bank notes, when, in point of fact, they are really United States notes, payable by the United States in gold, as they ought to be, and are issued by the United States upon the security of first-class bonds as collateral, 10 per cent in excess of the value of such notes, and upon the further security of being a first lien on the assets of the bank to which they have been loaned by the Treasury of the United States.

The issue of these Treasury notes in this form is objectionable, first, for the reason that the note which pretends to be a national-bank note is really a United States note while it simulates the form of a national-bank note.

I do not like the pretense, and if these emergency notes are made "circulating notes of national banking associations," so as to justify section 7 in the sweeping provision that all "circulating notes of national banking associations" shall be redeemed in "lawful money" instead of exchangeable in United States notes as provided (sec. 3, act June 20, 1874), I think the plan is unnecessary.

I should favor section 7, without regard to the emergency notes, because it is of the greatest importance that every dollar which is used in our country should have the same purchasing power in the market and should be the equivalent of our national standard, the gold dollar.

But I very seriously object to the issue of these notes under a

pretended form of being national-bank notes, when, in point of fact, they are not national-bank notes, but are United States notes.

Mr. President, I object to section 6 of the committee bill, which amends section 5172, for the reason that the issue of over six thousand different forms of so-called national-bank notes (really United States notes, redeemable in gold) does not depend upon the solvency or the insolvency of the bank of issue, but depends upon abundant collateral required by law to be deposited with the Treasury of the United States.

This cumbersome, irksome, awkward, unreasonable method would require 6,600 varieties of engraved plates, expensive to make, to keep, and to use.

It would require accounts to be kept with 6,600 banks as to their emergency circulation outstanding. It would require many extra employees and cause large unnecessary expense.

If the emergency money consisted simply of the United States notes, but one form of plate would be required and confusion and expense would be avoided. The administration would be comparatively simple and economical.

Mr. President, the reasoning of the chairman of the Committee on Finance is entirely insufficient to justify any such cumbersome method. His reasoning is as follows:

The majority of the committee were of the opinion that further issue of United States notes at this time *would establish a dangerous precedent*, and that the approval of their issue, even for temporary and limited purposes, would *lead ultimately to a public demand for a continual enlargement of the issue* whenever a reasonable pretext could be found.

In other words, Mr. President, the only justification for this cumbersome and unreasonable method is the fear that this *emergency currency*, if issued as United States notes, although the law be so drawn that such emergency notes can never become a part of our permanent circulation, nevertheless might "lead ultimately to a popular demand for a continual enlargement of the issue."

I confess, Mr. President, that I see no reason whatever to fear that the occasional use, once in ten years, of this emergency currency. It never would be used as a matter of fact. I agree with the argument of the chairman of the Committee on Finance in that respect, that these emergency measures hardly ever will be used at all, because when you have the remedy provided and safety assured, the danger would not occur, and there would be no substantial use for any of these notes—but if they were used once in ten years, in case of some threatened financial disaster, that would certainly not lead to any popular demand for the enlargement of the issue, provided the emergency issue arranged in the first case is found large enough when put to future test.

The intention should be to make it abundant enough in the first case, and there can then be no excuse whatever to make it more abundant. If we do make it abundant enough, then no enlargement is desirable by anybody.

If this were an addition to our normal circulation, there might be force in the suggestion, but it is not an addition to our ordinary normal circulation and will probably never be needed hereafter at all, for the reason that the existence of the remedy *will remove the fear of the people* and make its actual future use entirely unnecessary.

And there will be hundreds of these banks whose emergency notes are printed and put in the subtreasury that will be out of business before an emergency will ever arise again in this country. I greatly hope that we shall not have in this century another panic.

I believe that the sovereign right of issuing money belongs exclusively to the United States.

I regard the present national-bank note not as a national-bank note, but as a United States note issued through one of its agencies. The United States is responsible for the national-bank note on the honor of its own bond, and, in my judgment, it would be well to retire these national-bank notes and issue in lieu thereof Treasury notes, payable in gold, at the option of the holder. This is what the committee bill does in fact, because it makes these notes of emergency, as well as the national-bank notes now outstanding, payable "in lawful money" on demand to the holder, which means legal tender, which means gold or its substantial equivalent.

I call attention to section 7 of the committee bill, which makes all of these outstanding notes practically redeemable in gold. So my suggestion has no farther reach than that which is contained in the committee measure.

Since they are to be made payable in gold by this committee measure, why should not the United States substitute for all these national-bank notes, now outstanding notes, Treasury notes—payable in "lawful money," as provided by section 7 of the committee bill?

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It will not do to say that the country could not conveniently absorb so large a volume of Treasury notes. It has already absorbed precisely the same volume of national-bank notes without difficulty and which have not heretofore been redeemable in "United States notes," but are made by the committee bill redeemable in "lawful" money, which means redeemable in money having a legal-tender quality—that is, in gold coin, in standard silver dollars, subsidiary silver, minor coins, or in United States notes and Treasury notes of 1890.

I believe that every dollar of the United States should be legal tender, especially the gold and silver certificates, and that there should be no evasion of this principle. The United States has the power and credit to make every dollar used as currency the equivalent of the gold dollar which we have made our national standard.

We have in the United States Treasury \$150,000,000 gold as a reserve fund, but we have in addition to that over one thousand millions of gold and silver (on bullion basis), against which there are outstanding gold and silver certificates.

Mr. President, I think that this reserve fund of one hundred and fifty millions should by statute be added to by the gradual retirement of the gold certificates, issuing Treasury notes in lieu of such gold certificates when they come into the Treasury, and adding the gold thus released to the reserve fund in the division of redemption.

The effect of the present gold coin in the Treasury, with the gold certificates outstanding, is to provide an enormous fund of gold, amounting to \$815,000,000, which is available for the use of those who wish to have gold coin.

This demand could be easily supplied through United States notes payable in gold, and instead of \$815,000,000 gold certificates there would be \$815,000,000 United States notes secured by an additional reserve fund of \$815,000,000 of gold coin. We should then have about one thousand million of gold with which to redeem a smaller amount of Treasury notes, and this great fund of gold would go far to impress the nations of the world with the financial strength and power of this Government. It would then be an asset of our Treasury. It is now a liability.

Of course the Treasury notes outstanding would be a liability also; so that after all it comes merely to a question of form. In the present form of our gold notes, they serve a useful purpose and practically constitute a gold buffer between our redemption fund of \$150,000,000 and any demand whatever for gold. So the available gold in the Treasury for commerce—the eight hundred and fifteen millions—is available before there is any use whatever in touching our \$150,000,000 of gold reserve.

Our national bank notes outstanding would make \$600,000,000 of Treasury notes additional, or a total of \$1,400,000,000 Treasury notes, every dollar of which is urgently needed for our daily commerce, and which for that reason would not be presented for redemption. Against these notes of \$1,400,000,000 we would have in available gold about \$1,000,000,000 in coin and bullion, or 70 per cent gold reserve, nearly double the usual reserve of the Bank of England. We would save \$12,000,000 a year in interest on the bonds retired.

Mr. President, I am not one of those who have the slightest fear of the people of the United States or of their conservatism. I have no fear that they will ever make the gross error of issuing any promise to pay, whether in the form of a Treasury note or of a bond, which they will not be abundantly able to pay according to the strictest letter of the contract.

I do not agree with the opinion that the so-called "national-bank note," supposed to be issued by the national banks, is in fact any grant of the sovereign power of issuing money to the national banks. The actual issue of these notes is in every instance made by the United States, and controlled by the United States in the minutest particulars.

The United States in this national-bank note issue merely uses the national bank in whose name the note is issued as a medium for the issuance of the note.

If these national-bank notes were immediately withdrawn and United States notes issued in lieu thereof, it would save the United States and the people of the United States the amount of \$9,000,000 annually now paid in net interest on the bonds held in the vaults of the Treasury for the safety of these pretended national-bank notes. The whole plan of issuing these national-bank notes which are now in our permanent circulation appears to me merely a device for giving to the 6,600 national banks a profit measured precisely by the interest on the \$600,000,000 2 per cent bonds less the one-half of 1 per cent tax.

It might be said that this quality of being used for the issuance of money raises the value of these bonds, but if the bonds

were out of existence there would be no occasion for raising their value.

The operation of this method of issuing national-bank notes against United States bonds seems to me absurd. For example, Mr. President, when the financial bill passed in 1900 if I had been in the national banking business, and had had a capital of \$1,000,000 I could have converted my capital into national-bank notes and thereafter I would have received from the Treasury of the United States 1½ per cent net on \$1,000,000 for having loaned my valuable money to the Treasury and issuing a similar amount of currency in my name of the same value. This means a net bonus of \$15,000 per annum for \$1,000,000 of inflation. This system means \$9,000,000 a year bonus for \$600,000,000 of inflation. This 2 per cent in the instance cited would thus make me an income of \$20,000 a year, less a tax of \$5,000, which the people of the United States are compelled to pay without any consideration.

Who pays the bill, Mr. President? It is very largely the farmer and producer whose lack of intelligence appears to be relied upon never to discover it nor to complain; it is the producing masses who pay this tax of nine millions a year and this tax is collected from them or from the proceeds of their labor in whatever concrete form it may present itself. I do not think this good legislation. I do not think it a necessity and I do not believe in taxing those who are weak and ignorant for the benefit and privilege of those who are rich and powerful.

I certainly do not believe we should enlarge the issue of national-bank notes, so called, or that the urgent necessity of emergency currency and relief from panic should be used as a pretext for enlarging such so-called "national-bank currency."

DENYING STATE BANKS AND TRUST COMPANIES EMERGENCY NOTES AND RESTRICTING NATIONAL BANKS SEVERELY LIMITS THE VALUE OF THE PROPOSED REMEDY.

Third. As to the third objection which I submit to the committee bill, the various limitations which it makes by restricting the classes of banks, and the extent to which banks are permitted to obtain these emergency notes, I wish to call attention to the fact that these emergency notes are better protected than our normal national-bank currency, which the distinguished chairman of the Committee on Finance declared to be as good as gold.

(a) Mr. President, why should a national bank be denied its right of protection against panic merely because it has not 50 per cent of its own notes outstanding? Does it strengthen a bank to have a larger measure of notes outstanding than if it had a smaller liability of this character? Evidently not.

Why should a national bank, furnishing the proper collateral, be limited in the amount of emergency notes it is permitted to receive in time of panic? *Much less should it be penalized for its conservatism*, and punished because it has not issued 50 per cent of its capital in its own notes.

(b) Why should a national bank, which has not 20 per cent surplus, be denied this right of protection against panic, merely for this reason, when such a bank is able to furnish first-class collateral, 10 per cent in excess of the relief proposed?

Why should it be denied emergency notes essential to its welfare when the relief puts the Government in no danger whatever, and is serviceable to the Government itself to the extent of an interest charge of 6 per cent, and when the proposed remedy may be of the highest importance to the welfare and safety of some industrial center, or to the safety and commercial stability of the United States?

There can be no good reason, Mr. President, why this relief should be denied, and there is no good reason for any such limitation.

The committee will not pretend and does not pretend that the value of these emergency notes is due to the credit of the bank to which such notes are advanced, but the safety of such notes depends upon abundant collateral of first-class bonds required by the Government before such notes issue.

The Government makes an actual profit from such emergency notes, and no one will seriously contend that any loss from such issue of emergency notes is possible.

(c) Under the committee measure, if a national bank has a gross amount of notes, normal and emergency, equal to the capital stock and surplus of such national bank, it is then denied any further relief in the way of emergency notes.

For what reason, Mr. President, is this limitation imposed? Such a bank offers abundant collateral in first-class bonds and makes the Government secure; and it offers the Government 6 per cent profit.

The relief sought by such a bank may be of serious importance to some manufacturing center; may be of serious importance to the stability of the commerce and of the success and happiness of the business men of that immediate locality.

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Since the Government is safe, and since the Government will make a profit, why should such a bank be denied its most reasonable demand?

Under this proposed limited remedy the great National Bank of Commerce, of Kansas City, run to its death recently by an unfounded suspicion, would be limited in emergency notes obtainable by this bank to \$2,000,000 (its surplus), and yet this same bank had on hand nearly \$7,000,000 of bonds, \$14,000,000 of cash, which includes accounts with other banks, of course, and deposits of \$35,000,000. Their loans and discounts were only about 50 per cent of their deposits, and yet they were driven to ruin by the baseless rumor of a circular letter questioning their solvency.

This magnificent institution paid out \$18,000,000 before closing its doors against a panic and a run that was absolutely senseless and idiotic.

The institution, I am thoroughly satisfied, is solvent to-day, and no question could ever have justly arisen as to its conservative management, except from the envy and malice of enemies.

And yet under this bill this institution, with assets of \$40,000,000, would not be allowed emergency notes on good bonds for over \$2,000,000, even if their necessities compelled them to have \$17,000,000 more to pay their depositors in full.

If it had been known that the National Bank of Commerce could have obtained emergency notes on good bonds the depositors would never have made the run, because the only reason the depositor has for drawing his money out is the fear that he can not get money in case of his own necessity.

The bank of which I had the honor to be president ten years withdrew from the National Bank of Commerce over \$150,000 in a few days because of this terrible rumor, which was spread broadcast by a circular letter. We knew it meant the ruin of that bank and that we were not strong enough to sustain them against the hurricane of panic.

I confess I was ashamed of the transfer, and yet if the deposit referred to had remained it would have made no difference in the result.

But, Mr. President, an opportunity is afforded me now to insist upon a remedy broad enough to protect a like institution in the future against the terrible danger of panic, and I deem it a serious duty to insist upon the fullest measure of protection, because the welfare of the banks, the stability of our national commerce, depends upon it. The harm done to the Southwest by the closing of the doors of the National Bank of Commerce can not be measured by the few millions involved in the closing of this bank. The confidence of the people for the future in the stability of our institutions has been tremendously impaired by this wreckage of what was regarded the most conservatively managed bank in the Southwest. It avails nothing to say that the wreckage of this bank was cunningly contrived by enemies who wanted the deposits of this institution. The terrible fact is, our people are thus taught to distrust the strongest, and distrust and suspicion are deadly enemies to our growth and development. This distrust may endanger, and does endanger, any bank and any enterprise.

It is a deep disgrace and dishonor to this Government that such a condition of peril should exist under our statutes, and I shall not be a party, Mr. President, to its continuance.

Indeed, I wipe my hands of any responsibility, because eight years ago I caused an adequate remedy to be offered to the chairman of the Committee on Finance and to this honorable body, and it passed unnoticed. And now that I repeat the suggestion, as a Member on this floor, I pray the interest, the attention, and a proper action on the part of the Senate of the United States.

(d) Mr. President, the committee bill puts a further limitation upon the proposed relief. It proposes that the emergency notes shall be issued only proportionately to certain States of the Union. If California were in great need and the balance of the country were in no need whatever, the relief afforded California would be equivalent to its proportionate part, although the balance of the country was not in any immediate need, or about one-fortieth part of five hundred millions, approximately, or about twelve millions to meet another financial earthquake.

Mr. FLINT. Mr. President—  
The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from California?

Mr. OWEN. Certainly.

Mr. FLINT. I will ask the Senator this question. If the financial troubles were purely local, as the Senator mentions, referring to my own State, would there be any difficulty in his opinion in banks in the State of California obtaining all the money they desired from other States of the Union, from other financial centers?

Mr. OWEN. I think not.

Mr. FLINT. Then why is there any trouble about limiting the amount to my State or any other State to the sum of \$12,000,000 on the proposition that a local condition exists, as far as the financial situation is concerned?

Mr. OWEN. I think it ought not to be limited.

Mr. FLINT. I will ask the Senator what objection there is to limiting it when it is a local proposition. The banks can draw money from other centers at a less rate of interest than the 6 per cent required under this bill.

Mr. OWEN. You are not providing merely for local, but for general panic. If you put a limitation upon the issue you weaken your opportunities when you are making provision against a general panic. You are making provision against such a situation as we had in 1907, when, on October 26, the panic swept from one end of the country to the other suddenly, and in making provision it should be made as broad as possible with no limitation to the sum of \$500,000,000.

Mr. FLINT. As a panic sweeps across the country, under this bill, as I understand it, starting with California, in each locality they would be issuing their money until under the bill the full \$500,000,000 had been issued.

Mr. OWEN. Well, I will answer that by stating just what has occurred recently. Here was the case. If you will observe, the national banks and all other banks issued clearing-house certificates, issued cashiers' checks, and issued these various devices to the amount of hundreds of millions for their own relief. These various banks resorted to that practice which we are told by the chairman of the Committee on Finance will not be endured again; that the country will not stand it another time—although the country will, all right. The country will stand it and will thank God that the banks violate the laws of this country, as we all have done heretofore. When the New York banks, the Boston banks, and the Philadelphia banks issued clearing-house certificates, we all knew it was a violation of the law, and we thank the good Lord that they had the nerve to violate the laws as they were written; and I, for one, commend them for it, as I would commend the suspension of habeas corpus under sufficient public danger or a vigilance committee when common sense requires it.

But in such a panic as this last, if there were to be no other relief than this measure proposes, New York would be confined to a hundred million dollars, a sum entirely insufficient to control a panic there. When a panic starts in New York it ends in San Francisco, and the time to stop it is when it starts. It is precisely like a fire which starts in a block of buildings. When the fire is starting is the time to put it out and to use a sufficient amount of water then and there to extinguish the conflagration, which would never be extinguished by applying a little water at different places along the line.

Mr. FLINT. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from California?

Mr. OWEN. Certainly.

Mr. FLINT. The proposition as stated by the Senator from Oklahoma I would answer by saying that, if the New York banks had been able to issue a hundred million dollars when the panic started, so far as the New York situation is concerned it would have been settled immediately. The next day or the day after it followed in Pittsburg, and if Pittsburg could have issued its proportion of money as provided in this bill it would have stopped that panic in Pittsburg. Then it would have crossed, as it did, to Chicago, and it would have stopped it there. Next it would have stopped the panic in Kansas City, and the situation would not have been that a great bank in Kansas City would have been closed for the reason that at the time the panic had reached Kansas City it would not only have had the aid of the \$2,000,000, but those other cities would then have been able to respond and to send money to Kansas City to save that bank from closing its doors, which should not have been permitted. Then the panic would have been continued from the eastern end of the country until it reached my own State, as the Senator has said; and by that time this sum of \$500,000,000 would have been issued. As stated by the Senator in the commencement of his remarks, the fact that the people of the country would know that the emergency had been met in each one of those cities, the panic never would have spread across the country, but it would have stopped after it reached one or two cities.

Mr. OWEN. I am in entire sympathy with the spirit of the argument of the Senator from California, and I will agree with him that California, Arizona, New Mexico, Colorado, Missouri, and the other States of the Union each ought to have what they require; but I differ from him in the idea that New York ought to be denied if she requires more than this bill provides. I

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think New York ought to have all that she wants and that nobody ought to be denied.

Mr. TILLMAN. Will the Senator from Oklahoma permit me?

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from South Carolina?

Mr. OWEN. Certainly.

Mr. TILLMAN. I understood the Senator to make a vicious, fierce, and justifiable attack upon stock gambling in New York. Am I correct?

Mr. OWEN. I think stock gambling should be controlled.

Mr. TILLMAN. Agreeing with the Senator's view in that, and in urging anybody and everybody who can do so to suggest a remedy that will be adequate, I want to ask the Senator this question: If his policy should be followed, of allowing New York to have all the currency she sees fit at any time she may say she needs it, and New York inflates the currency two or three or five hundred millions of dollars, thereby putting prices up, so that the stock gamblers will have an opportunity to unload on the lambs or innocent purchasers, and New York turns around in one night and contracts the currency by five hundred millions, what happens then? Do not all those poor wretches go to the devil? [Laughter.] In other words, the Senator is arguing against his own contention. In one part of his speech he argues admirably from my point of view, and I agree with him entirely, and then he turns around, and in another place in his remarks he seems to have lost sight of his previous argument.

Mr. FLINT. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from California?

Mr. OWEN. After I shall reply to the Senator from South Carolina I will yield to the Senator from California.

Mr. FLINT. Very well.

Mr. OWEN. The Senator from South Carolina [Mr. TILLMAN] asked me a question and I wish to reply to it. In the measure which I have proposed the national banks, which carry the reserves of the country in New York, are forbidden to lend that money for the making of speculative loans in the stock exchange. In the bill which I introduced to-day as an independent measure the quotations of the stock exchanges, until they shall have been approved and placed under the supervision of proper safeguards by the Department of Commerce and Labor, are not to be admitted to the mails.

Mr. TILLMAN. What about the telegraph?

Mr. OWEN. That is another question. We can not manage all the earth at once. If the quotations are under proper control before entering the mail, and gambling prevented, the telegraph is not important.

Mr. TILLMAN. I know; but the stock market quotations go by telegraph and not by mail. Most of the speculation is done by telegraph.

Mr. OWEN. The chief mischief is through the public press sent by mail, but, nevertheless, for full measure, I will accept the Senator's amendment. But what I want to say is, that in this proposed substitute the New York Stock Exchange can not avail itself of the reserves of this country hereafter, as it has done in the past, provided that the Senate and House of Representatives give approval to this substitute I propose, which prevents the deposits of the banks being used for gambling purposes.

Mr. TILLMAN. But I was calling attention to the fact that the Senator is allowing the New York banks to issue \$500,000,000 in emergency currency; that it would not be emergency at all, but it would be simply giving those buccaneers and pirates over there the opportunity to inflate the currency ad libitum, then suddenly collapse or contract it and run prices up or down to suit their speculative purposes.

Mr. OWEN. If the Senator will only permit me to answer, I will be glad to do so.

Having taken these precautionary steps to prevent the national banks from using their depositors' money for the making of these speculative loans, I call your attention to the fact that the New York Stock Exchange can not, for their own purposes, expand the currency through the banks for such uses. That is a complete answer to the suggestion which has been made by the Senator from South Carolina.

Mr. TILLMAN. Then we will have to take the whole bottle of your remedy at once.

Mr. OWEN. Yes. And I want you to do it. That is what I am on this floor for.

Mr. SMOOT. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Utah?

Mr. OWEN. With pleasure.

Mr. SMOOT. I should like to ask the Senator from Oklahoma if the national banks of New York are prevented from

making loans upon stocks which are quoted upon the stock board in New York, where are they going to loan their money, and how are they going to loan it in order to make interest upon it?

Mr. OWEN. I would suggest that they lend it to those industries of this country which are now paralyzed and dead.

Mr. SMOOT. I will say that before the panic began—and I fully agree with the Senator as to why it was brought on—any industry in the United States that wanted money very easily got all it needed, and not only did the banks loan money for such industries, but they made loans and took as security for those loans those stocks to which the Senator now objects. I have wondered, so long as money is to be placed in New York, to whom the banks would make loans if the law should prevent them from taking stocks as securities.

Mr. OWEN. I will suggest that they might use such funds for the purpose of promoting commerce, and not for promoting gambling.

Mr. SMOOT. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Utah?

Mr. OWEN. Certainly.

Mr. SMOOT. I believe the Senator has had some experience in the banking business, and I suppose he has passed on a good many loans—that is evidently so from his remarks here to-day—and I believe he will say that, so far as loans are concerned, if these stocks were put up as collateral security for such loans they would be just as safe loans as a bank could possibly make. Does not the Senator think so?

Mr. OWEN. I will answer the Senator from Utah by saying that undoubtedly a good stock is good collateral, and it is an advisable collateral for these loans where they are legitimately made. The prohibition which I call attention to is a prohibition of loans for speculative purposes.

Mr. SMOOT. Mr. President, I agree with the Senator from Oklahoma so far as speculation is concerned.

Mr. OWEN. Then you agree with me all the way through, because that is the only contention I make.

Mr. FLINT. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from California?

Mr. OWEN. With pleasure.

Mr. FLINT. I should like to ask the Senator from Oklahoma whether he simply limits his prohibition to speculation in the stock market of Wall street, and does not limit it throughout the country; to speculation in town lots and cattle, as such speculation goes on in the Western States? There is just as much speculation in stock, cattle, and town lots carried on by means of loans made by the banks as there is in the city of New York on loans made there on stocks and bonds.

Mr. OWEN. So far as this bill is concerned, I would not propose to control the gambling at a faro table, or roulette or any ordinary gambling device, which amuses and robs men; but when this gambling is of a nature to cause a panic, to paralyze the commerce of this country and destroy our business stability, so that an honest, hardworking man is unable to make his livelihood, it is high time to draw the line; and it is for that purpose, and that purpose alone, that I have offered my substitute. It is not on account of banks or bankers. I am not considering primarily the banker or the depositor; I am considering the men who earn their daily bread for themselves, their wives, and their children by the sweat of their faces, and who now walk our streets by countless thousands, having been driven out of employment as the result of this gambling on Wall street.

Mr. HOPKINS. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Illinois?

Mr. OWEN. With pleasure.

Mr. HOPKINS. I wish to ask the Senator this question in order to understand his position. Is it the Senator's idea when a customer comes to a bank to borrow money that the bank should decline to lend it unless the man makes affidavit that he is not going to use it for speculative purposes?

Mr. OWEN. I have been long in the banking business, and I will answer the Senator.

Mr. HOPKINS. That is what I asked the question for.

Mr. OWEN. I will answer the Senator's question. I say that any banker who is a prudent banker ought to know the business of his borrower. He ought to know where that money is going. He ought to know that the money will be returned. If he knows that that money is going to be used in a culpable business, in a dangerous transaction, in a business that is harmful to the country, it is his bounden duty, as a patriotic citizen

in the first place and as a good banker in the second place, to say to the borrower: "I want to know where you are going to use this money?" I will say more, that if this bill is amended, as I think it ought to be, it will become the legal duty of the banker to so inquire.

Mr. HOPKINS. Well, then, the Senator's position is, that in every instance the banker should know before he lends the money passed over his counter to the customer what that customer is going to do with the money?

Mr. OWEN. He should know that it is not going to be used in the gambling business.

Mr. HOPKINS. Is it the Senator's position that the banker should know before the money passes over the counter to the customer that that customer is going to use it for some purpose which the banker thinks is a legitimate business?

Mr. OWEN. The question the Senator asks ingeniously embraces within its scope a multitude of immaterial propositions. [Applause in the galleries.]

The VICE-PRESIDENT. The Chair must admonish the occupants of the galleries that applause is not allowed under the rules of the Senate.

Mr. HOPKINS. A suggestion of that kind by the Senator from Oklahoma does not answer my question at all. The proposition I make is a clear one. The Senator has been arguing that this money must be used for legitimate purposes. In order to make this perfectly clear to the Senate, I asked my question so that we might know, and the Senator can say whether or not that is his purpose and understanding.

Mr. OWEN. I have already answered the Senator that his question embraces a number of immaterial matters, because he asked in fact whether the banker must know precisely what is going to be done with the money, notwithstanding the fact that under this bill, if it becomes a law, as I propose, the banker would be required to know in fact that the money is not going into this form of gambling. The only question he would be concerned with under the proposed statute would be whether or not this money was going to be used in violation of a statute of the United States. That is the question that will be before him. But when the Senator asks the question whether the banker must know precisely what is going to be done with the money which he lends, how much the borrower is going to spend for groceries, and how much for drink, he puts into his question immaterial matters.

Mr. HOPKINS. Oh, Mr. President, my question does not comprehend that at all. The question I put to the Senator is an entirely different proposition. Suppose the customer who goes to your bank desires to buy railroad stock through the stock exchange in New York, would you, under your arrangement, decline to allow a loan if the party brought good security?

Mr. OWEN. Not at all if the customer is going to buy the stock for investment. If he is buying it for the purpose of gambling, I would.

Mr. HOPKINS. Suppose he was buying that stock and paying for it for the purpose of a rise in the market, would you then refuse the loan?

Mr. OWEN. Undoubtedly, when he borrows money for his gamble on "a rise in the market."

Mr. HOPKINS. That is what I wanted to know.

Mr. OWEN. Well, the Senator knows. [Laughter.] That is the very thing that the banker ought to be forbidden to do. This thing of making the market go up and making the market go down is the means by which this country is being robbed continually. Take the stock market as it is now and as it has been for the last seven years—and I will submit a table in the course of my remarks showing the fluctuations in these stocks. Take such a stock as Amalgamated Copper, which was at 130 at one time and down to 33 at another time, used for the purpose of being a sponge, which has its filaments extending out through the country to every little hamlet, and coming to—

Mr. HOPKINS. Oh, no, Mr. President—

Mr. OWEN. If the Senator will wait a moment until I get through—

Mr. HOPKINS. That does not touch the subject at all.

Mr. OWEN. I decline to be interrupted.

Mr. HOPKINS. That does not touch the subject—

Mr. OWEN. I decline to be interrupted.

The VICE-PRESIDENT. The Senator from Oklahoma declines to yield.

Mr. OWEN. It is just like a huge sponge, with its filaments extending along the telegraph wires, going to every little village, connecting with every little bucket-shop, and persuading the immature youth of the country, unlearned people, and women to go in and buy a little stock on the proposed rise, inducing them to gamble away their property, and when the market has gone up to a high price it is then put down, down, down until

they are frightened out of their foolish wits, and those more learned, richer, and more skillful and unscrupulous than they accumulate and cash in their property, not to the extent of a few hundred dollars, as on a horse race, but to many hundreds of millions, and, I believe, to the extent of thousands of millions.

Mr. HOPKINS. Now, Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Illinois?

Mr. OWEN. With pleasure.

Mr. HOPKINS. The Senator from Oklahoma has created a bogeyman that has no relation whatever to my question. My proposition was as to whether he would refuse to make a loan to a party that desired on the stock exchange to buy stock and hold it, or to buy Government bonds or municipal bonds or any other kind of bonds. That is what I wanted to know. The Senator runs off on another proposition that nobody defends.

Mr. OWEN. I am glad that nobody defends it; but I want to say to the Senator from Illinois that there is a wonderful number of people who practice it.

Mr. HOPKINS. They may in Oklahoma, but it is not so in my section of the country.

Mr. OWEN. The Senator's observation is more humorous than exact.

If the State of Washington needed immediate relief the limit under this bill would be approximately about four millions; Oregon might possibly obtain two millions; Idaho might possibly obtain one million; Maine and New Hampshire or Vermont or Rhode Island might receive a benefit of two millions, and the forty-six States an average of about \$11,000,000 only obtainable through the difficulty of as many hurdles and obstructions.

It is true that, in case States contiguous might not within a certain time demand a similar relief, the relief may be extended to the banks of the applicant State, but the relief against panic in order to be effective ought to be instantaneous, just as the relief offered a burning building should be by the instantaneous application of water; it serves but little purpose to offer water to a building after it is fatally involved.

While the intention of this limitation of a proposed remedy to States is evidently good, its purpose appears to be upon the theory of giving each one of the children a piece of pie of the same relative size. This conception of the equitable distribution of a remedy of this character contains a very serious error, because the principle which should control emergency currency is the same as the principle of applying water to one of a number of burning frame buildings in a block of buildings. The water necessary to put the fire out in the first building should be available instantaneously, without any delay whatever.

If New York needs five hundred millions within twenty-four hours to completely put out the fire of panic, New York ought to have relief to that extent and within the limit of a single business day.

The remedy ought not to be limited to the State, or in the other restrictive ways suggested by the committee measure.

Is there wisdom in restricting the remedy?

Would it be justified, Mr. President, to say that a house on fire should only receive a limited amount of water, even if the danger of its destruction was very great?

Would the owners of the frame buildings in a block think it wise to limit the water to be supplied to put out the first house on fire, in order that they might subsequently, when the conflagration had become enormous, have a like limited supply which would then be ineffectual to suppress the common danger?

Mr. President, the Senator from Rhode Island, in his remarks on February 10, 1908, described the terrible consequences of financial panic.

And having with great force described the destructive consequences of this financial conflagration from which we are just emerging, the evil effects of which are not yet fully realized, he advises a remedy which he demonstrates by his own remarks to be insufficient in volume.

He paints a picture of the destructive effects of a national conflagration, earnestly recommends water with which to put out the fire and to provide against future destructive fires, and having done so, he recommends as a remedy a limited amount of water, to be used by a limited number of firemen, and by each one with a very small hose, in a limited way, and confines the operations of each to a limited district.

Mr. President, the water should be abundant. Any fireman willing to use it should be permitted to do so, and he should not be limited in water nor in the place where he will render service in helping to extinguish the conflagration which would otherwise easily extend itself.

The committee bill limits the amount to a total of five hundred millions, when far more than five hundred millions were

necessary in the panic which has just passed. The committee recommends that even this limited supply should only be advanced as a total to certain national banks, under numerous reactionary restrictions, when all the national banks combined comprise only one-third of the banks of the country.

The committee recommends that even these particular national banks shall be limited still further as individuals and be advanced only a very limited amount of emergency notes.

And even these limitations are further limited so as to confine the remedy to the limited district of the States severally, according to their proportionate banking capital, measured by the national banks within that State. These emergency notes ought to be as broad as possible, available to any and every bank, and available in any quantity necessary, and available in any place which requires it.

Mr. President, I earnestly call the attention of the Committee on Finance to the inexpediency of limiting the amount of notes to be furnished to any national bank.

I respectfully submit that no national bank should be denied any amount of these notes for which they furnish the required collateral, for the obvious reason that the redress from panic ought to be made as abundant as possible consistent with the safety of issue.

And when these notes are secured by bonds of the first quality, far in excess of the value of the notes themselves, and the additional but useless security of being a first lien against the assets of the bank is required, there can be no good reason for withholding the amount of these thoroughly secured notes which the threatened danger of panic may make necessary.

I regret exceedingly to see this bill omit the State banks and the trust companies. These great financial institutions may at some time be sadly in need of this relief. Look at the Knickerbocker Trust Company, with its \$67,000,000 of deposits, ruined by a run upon the institution when by a proper conservation its condition might have been relieved and great loss to the people avoided. The Knickerbocker Trust was like a detonating cap, causing the explosion of a train of powder ready to set off.

I think that the committee's bill ought to provide that any bank putting up the proper security might have this relief, not for the sake of the bank, not for the sake of the depositor, but for the sake of our national commerce, for the stability of our country, and for the welfare of those millions of poor human beings who depend upon this Congress for wise laws to protect them in their quiet, simple lives of faithful, willing labor. They can not act for themselves. They leave it to this body to care for them, and, it seems to me, the Senate ought to feel a sense of providence, as a father would for a weak child; that we ought to take care of the poorer and weaker elements of our country, doing it consistently with the principles of good government; dealing justly also with the great financial institutions, and never treating any of them harshly or unjustly in any degree.

I have no hostility to any of our great stock exchanges. They have a sphere of legitimate use, but I disapprove their practices when their practices prove dangerous to this country; and I think that we have a right to put proper restraints upon them so that they shall not abuse the power which they have, because these great national banks and trust companies are the purveyors of credit in our country. They have in their hands the giving and the refusing of credit. I call your attention to the fact that when they freely extend credit, when, for example, they loan \$100 a share on Amalgamated Copper stock, copper goes up, and when they refuse to lend on Amalgamated Copper stock, copper goes down. They can bull the market and they can bear the market by their giving or refusing credits. Since they have that power and since they have used it to the damage and ruin of this country, it is high time that the Senate should take proper steps to control them in a wrongful exercise of the tremendous power which is vested in their hands.

WHY ARE STATE BANKS, TRUST COMPANIES, AND SAVINGS BANKS DENIED THIS REMEDY AGAINST PANIC WHEN THEY OFFER ABUNDANT SECURITY?

Fourth. But, Mr. President, the State banks and the savings banks and the loan and trust companies and private banks, about 17,000 banks, have an amount of banking capital twice as great as the national banks; their capital stock is nearly twice as great as the national banks, and their individual deposits are more than twice as great, and yet these enormous financial agencies of our country are refused by this bill the relief of emergency circulation.

These great State organizations, with twice the deposits of the national banks and with twice the number of individual depositors, have only one-half of the currency kept by the national banks, and therefore for this reason it is the more important from a standpoint of public exigency that they should have the right of receiving this relief against panic.

It is not for the sake of State banks, trust companies, and savings banks and private banks alone that I wish this done, Mr. President, but it is for the credit and stability of our national commerce, upon which must depend the welfare of every man in the business of manufacturing, mining, agriculture, transportation, or merchandise, and upon which our national credit before the civilized world depends.

The deposits of the State, savings, private, and loan and trust companies for the year 1907 was \$8,776,755,207 (Comptroller of the Currency, p. 35), and the cash on hand was only \$391,000,000, while the national banks, with individual deposits of \$4,319,000,000, had only \$721,000,000 in cash, and owed to the State banks and trust companies over seven hundred millions of cash.

I insist, therefore, Mr. President, that the State banks and trust companies and the savings banks, who shall offer the proper collateral, shall also be allowed to receive emergency currency, not for their sake alone but for the sake of the stability of the commerce of the United States. These emergency notes are abundantly secured. They pay a tax which would make their issuance profitable to the Government, and the more limitations you put upon this remedy the more ineffective you make the remedy. Mr. President, there is no sound reason whatever in limiting this relief to certain States, in the proportion that the capital and surplus of national banks of that State bear to the capital and surplus of the national banks of the United States; but this remedy should be applied in the fullest measure necessary to give relief wherever the relief is needed, and since it is always in New York that panics begin, I am not in favor of limiting the proposed relief in the manner indicated.

If New York should need five hundred millions of these emergency notes to prevent panic, to relieve a panic on Wall street, I am in favor of the issue to that extent then and there, for the disease from which New York occasionally suffers is contagious as far as the Pacific coast and vitally affects Oklahoma and every Western State as it does every other State in the Union.

The chairman of the Committee on Finance wisely points out that \$467,000,000 in currency, clearing-house certificates, and checks were put in circulation for the relief of the panic, a large part of which was poured out in New York without stopping that crisis, and yet, by this bill he would limit New York to the relief of emergency notes on its proportionate part, as proposed, to less than one hundred millions. There is no wisdom in this limitation. It would be far better to put as few limitations upon the emergency notes as is practicable. If New York had been furnished with abundant currency, Oklahoma would have gotten currency from her New York correspondent without difficulty and without cost. In fact, Oklahoma would have needed little currency except for the panic and excitement in New York, the contagion of which was instantly and injuriously felt.

THE OBJECTIONS MADE TO EMERGENCY CURRENCY BASED ON BONDS WITHOUT FORCE.

Some say that the bonds available will be held by a few banks. The answer to this is that it is not true in the first place, and in the second place, that it is not material who holds the bonds, for if they are available for currency and the currency is needed, the bonds will be found and will be available wherever required.

The emergency plan, however, should provide that each bank should carry a reasonable proportion of these bonds, available for emergency currency.

Others, objecting, say that this plan would be to favor the bondholders. Yes; this is possibly true; but the banks ought to be the bondholders to the extent of their necessities and under their reasonable relation as curators of our commerce. The objection, however, is much like the man complaining, whose health should be in serious danger without a remedy, that the remedy proposed meant compensation to the druggist who kept the remedy available. The objection is idiotic.

RAILROAD BONDS PREFERRED TO UNITED STATES BONDS.

Fifth. I vigorously protest, Mr. President, against the committee bill in so far as it denies to United States bonds the privilege of being used as a basis for emergency notes, while this very important and valuable privilege is given to railroad bonds.

It is well known that the privilege of being used as a basis for currency, redeemable in United States notes, given to the 2 per cent bonds of the United States, has made those bonds worth as high as 10 per cent above par, and this privilege has probably made those bonds easily worth 20 per cent higher than they would be if those bonds were not available for currency.

The very moment that you give this sovereign right to the

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bonds of the railroad corporations owned by private persons you transfer a public property of the greatest financial value from public hands to private hands.

Mr. President, I regard this proposed legislation as injudicious in the highest degree.

I should almost as readily give my vote for appropriating a given number of dollars out of the public Treasury to private interests without consideration as to give my vote for this transfer of public values to private interests.

Has not this country gone far enough in using the public property for private purposes? Will the enormously rich never be content with the skillful plunder of the people?

And shall we initiate a new method of diverting public values to private persons?

Mr. President, I inclose a list of railroad bonds, many of which come within the scope of this bill, and suggest that this bill, if amended, should read on its face: "A bill appropriating certain sums of unknown value to the following bonds held by private persons to us unknown, but with whom we are on relations of amity."

I call attention to the great fluctuation of these bonds under the influence of the Stock Exchange.

Mr. NELSON. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Minnesota?

Mr. OWEN. With pleasure.

Mr. NELSON. I trust the Senator will allow me to interrupt him a moment in connection with the question propounded by the Senator from Illinois (Mr. HOPKINS) a moment ago, to read from what ex-Secretary Gage has said on this subject. In the hearings before the committee of the House, ex-Secretary Gage used this language:

A borrower came to the bank and wished to make a loan. He could not avail himself of the result of the credit if placed on the bank's book and availed of by his checks, which would be transferable in the field of circulation which limited the bank's business horizon. In such a case circulating notes or currency could be perhaps utilized for the borrower's purpose, and perhaps to the advantage of the bank, and the question always arose, "What do you want to do with the proceeds of this credit?" If the man wanted to borrow and buy securities with the money, if he wanted to borrow and pay a note in the next town, the bank would not issue to him its notes; it would not give him credit upon its books. In short, it would not exchange its credit for his, because it was easily seen that through the instrumentalities which he would use, whether by his checks or by the notes which they would give him, he would attack and deplete by so much the cash reserve which supported and protected the whole line of liability. The notes would attack the reserve situation by going strictly to the redemption agent in New York and there be redeemed. His check would exhaust the reserve by being collected in the next town where he gave his check in payment for his notes.

But if it appeared, as in very many cases it did appear, that the man wanted currency for some of the commercial or industrial uses of life, like the payment of employees, like going up into the "north woods," as we called it then, to pay men for getting timber and doing a logging business, or going into Indiana to buy wheat, or into Wisconsin for that same purpose, or into Ohio for the purchase of wool, and all those miscellaneous purposes which go to make up the products of industry, and start them forward to market, then by the power that the bank had to issue its unissued notes, which might still lie unused, the bank was glad to make that transaction, and the money (bank notes) was available to the man if his credit was good so that the bank was willing to take the risk.

That is the language of ex-Secretary Gage, at one time president of the First National Bank of Chicago, who says that in all these cases they made a point of inquiring what the depositor wanted money for. If he wanted it for legitimate commercial purposes, they would make him the loan; if he wanted it for speculative purposes, they would not.

Mr. OWEN. The law of reserves requires it. The law of reserves permits a bank to buy exchange against products going to market, even when the reserve is down below the point required by law. The statement read by the Senator from Minnesota [Mr. NELSON] answers the objection of the Senator from Illinois [Mr. HOPKINS] most perfectly.

Mr. HOPKINS. Mr. President—

The VICE-PRESIDENT. Does the Senator from Oklahoma yield to the Senator from Illinois?

Mr. OWEN. Yes.

Mr. HOPKINS. Not an objection of mine. I was simply inquiring as to the attitude of the Senator from Oklahoma. I was not stating what my position was at all. I was simply calling for information to have him develop still further his position.

Mr. OWEN. I am very much obliged to the Senator from Illinois.

I call attention to the great fluctuations in the price of railroad bonds since this bill was proposed in the Senate. It has been said, in answer to the suggestion which I make, that the railroad bonds ought not to be given this money value as a basis for emergency currency, that it would not make any material difference. I call the attention of the Senate to the fact that it

has made a material difference in the month of January, since the plan of the chairman of the Finance Committee was exploited. I will insert here a table of bonds, with their rise in value during January. I will not stop to read it, but if any Senator cares to see it the table will speak for itself.

Mr. President, since this proposition to use railroad bonds for the basis of issuance of emergency notes has been talked about and advocated it has had the effect of raising the market value of these securities, when all of such increase should attach and belong exclusively to bonds issued by the people of the United States for public purposes.

I inclose a list showing the rise of value of a few of these railroad bonds within the dates indicated.

Name of bond.	Price in December.		Price in January.		February 14.
	December 2.	December 31.	January 2.	January 31.	
Ann Arbor first general 4's	74	77	76	82	80
A. T. and S. F. general 4's	95½	96½	96½	100½	99½
Atlantic Coast Line	84½	87½	88	89½	87½
B. and O. prior lien 3½'s	86	92½	90½	92	92
Can. So. first 5's	104½	104½	104½	104½	104½
Ches. and O. gold 6's	99½	101½	100½	101½	101½
C. and A. general 3's	64	73	70½	76	76
Chic., Mil. and St. P.	99	102½	99	102½	103
Chic. and N. W. consolidated 7's	111	114	114	116½	118
Chic., R. I. and Pac.:					
6's		110	106½	112½	113
General 4's	92½	97	98½	100½	97
Erie, first exchange gold 4's	95	98½	96½	100	100
Buff., N. Y. and Erie, first 7's	108½	114	108	114	114
Ill. Central first general 4's	97	108½	100	102	102
Long Is. general consolidated 5's	108½	110	111	114	114
M., K. and T. first 4's	94	94½	94	97½	98
Mo. Pacif. first consolidated gold 5's	103	105	105	109	109
N. Y. Cen. and Hud. River gold mortgage 3½'s	88½	89½	87½	90½	90½
Lake Shore 3½'s	73	74	75½	80½	77
Lake Shore and Mich. 3½'s	87	91	89½	92	92
N. Y., Chic. and St. L. first gold 4's	93	95½	95½	99	98½
No. Pacif. prior liens 4's	98	100	100	101½	100½
Reading Co., general 4's	94	95½	93	96½	95
So. Pac. 4's gold Cen. Pac	78	82	81	87	85
Wabash first gold 5's	101½	105½	105½	109½	107

The prospect seems to have given value to all except Canadian Southern first 5's, which are not available.

Mr. President, I feel the greatest respect for and interest in our transportation companies. I desire that they shall receive the most considerate and the fairest treatment at all times, and yet, Mr. President, I think that this Senate has no right to give them, by legislation, values which belong alone to the people of the United States, who have trusted this body with temporary authority.

CONTRACTION OF NORMAL NATIONAL-BANK CURRENCY SHOULD NOT BE MADE UNLIMITED BY THIS COMMITTEE BILL.

Sixth. Mr. President, I think it is unwise to allow the withdrawal of the normal bank currency without any limitation. I think there should be at least some limitation upon the withdrawal of normal national-bank currency, and I should be willing to nine millions per month; but I do not think, Mr. President, it is prudent to provide unlimited contraction by this statute, as it might bring about the same evil consequences which are produced by the hoarding of currency, and which has proved very disastrous in the recent panic.

I do not think, Mr. President, our normal national-bank notes should be withdrawn without limit, as it is better for the country that the currency of the United States should remain as nearly as possible within stable equilibrium.

Let the banks give up their Federal deposits if they have too much currency.

While our country is reacting from the terrible panic inflicted on us by the gamblers of New York, every dollar available should be left in circulation as a stimulus to renewed courage and enterprise.

Contraction means falling prices, and commodities have been falling steadily. Merchants do not buy readily on a falling market. Factories are checked or stopped by a falling demand and a bad market. Contraction will raise the interest rates, but we do not need higher interest. We need lower interest, renewed activities, sustained commodity values, so that idle men and machinery may be got to work again. C. T. Libby well says in regard to contraction: "If that policy is to be again employed, it should be over the mangled corpses of every merchants' association, chamber of commerce, and board of trade in this country."

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NATIONAL BANKS SHOULD NOT BE PERMITTED TO USE THEIR DEPOSITS FOR SPECULATIVE LOANS.

Seventh. The committee bill, Mr. President, makes no provision for forbidding national banks from using their depositors' money for speculative loans.

We all know that the New York banks hold in their hands twelve hundred millions of deposits, including the deposits and reserves of the national banks and of the State banks and of the trust companies throughout the Union from California to Maine.

And yet we also know that more than one-half of these deposits put with the New York banks for reserves were tied up and crystallized in loans for the speculative buying and selling of stocks, while one-fourth only is held as a cash reserve, so that the money needed, or, I should rather say, the bankable credit needed for the transaction of our commerce was made unavailable last fall by the loans for speculation on the stock exchanges of New York.

The chairman of the Committee on Finance advised the Senate on December 18, 1907, that—

No committee can ascertain \* \* \* "the precise causes of any financial crisis which has taken place in the history of this country."

He also said:

It is the facts that we want with reference to this crisis—what the operations of the Treasury have been; what the operations of the banks have been, and what other facts there are in existence that bear upon the crisis as it actually took place.

There may be a dozen reasons why this panic occurred, which may have no bearing upon legislation.

Mr. President, one of the reasons why this panic occurred, which does have bearing upon legislation, was the tying up of the bank credits placed with New York for reserves, was in making loans for the speculative buying or handling of stocks, and they are still tied up in large measure. I call the attention of the chairman of the Committee on Finance to this well-known fact, and invite him now to amend his bill so that the reserves of all of the banks of the United States placed in New York shall no longer be used for gambling purposes, but shall be used only for the legitimate commerce of our people.

The honorable Secretary of War, in speaking at Detroit, Mich., February 13, is reported to have explained the reason of panic and to have said:

It is due, if students of finance are to be trusted, to the gradual exhaustion of all the free capital held in enterprises which have not been so profitable as it was expected they would be. Now, we must wait, the whole world must wait, until we can earn more free capital.

The only thing, Mr. President, which we need to wait for is to have our available reserves in New York made *free capital* by withdrawing these loans from speculative purposes and to hereafter confine the use of our national reserves placed with the New York banks to their legitimate commercial purposes and forbid the embarrassment of our national-bank deposits by being employed in the notorious gambling palace called the "New York Stock Exchange."

The banks of our country are in fact our national purveyors of credits. Their depositors place with the banks certain cash and credits, and exchange these cash credits from one individual to another by means of checks and drafts. The banks of the United States keep their reserves in a large measure in the form of credit placed with New York banks, and when the New York banks tie these credits up in speculative loans and loan out these credits for gambling purposes on the stock exchange they divert the credits which ought to be available for commerce and place such credits where they are capable, on the contrary, of doing the most serious harm to the people of the United States. It leads, as all gambling leads, to skillful knavery by which the artful and ingenious arrange devices through which weaker and less intelligent people are drawn into the game and fleeced of their property. It affords a peculiar field where those, who are enormously rich and powerful already, can, by manipulation, even drag down and absorb fortunes which elsewhere would be themselves regarded as gigantic.

Mr. President, it was the judgment of the moral sentiment of the people of the United States that the Louisiana Lottery should be suppressed. In this well-known game of chance it had at least in its favor reasonable assurance of integrity of management. It did not use marked cards or loaded dice, but the distribution was made according to the element of chance with an assured degree of fairness. In the New York Stock Exchange manipulations, nobody pretends there is any

degree of integrity. The most ingenious lies are circulated as the truth for the purpose of "bulling" and "bearing" stock.

Men are invited into contracts and the most artful and crafty manipulations thereafter designed and executed to make their compliance with their contracts impossible, and in that way take from them their property under the forms of law.

Men are induced to invest their property in stocks on a high market and credits extended to them so that they may carry the speculative loan, and then the credit is slowly and gradually put through a series of reductions, not necessarily reducing the loan, but demanding more collateral, and finally when the victim or his idiotic successor has all his wealth upon the table, credit is denied and he is compelled to deliver. The moral sentiment of the people of the United States is against the gambling on the stock exchange and against its simlar, but not more criminal imitator, the bucket shop, and I believe, Mr. President, that since the gambling on the stock exchange was undeniably a potent influence in producing panic, it should be suppressed as far as the United States has power, and certainly within the limits of this committee bill the national banks should be forbidden to use the reserves of the people of the United States for the promotion of the speculative buying and selling of stocks on these exchanges.

In New York the banks are used as convenient tools for the most gigantic gambling the world has ever known.

The world's greatest gambling house is the New York Stock Exchange—"an unincorporated, irresponsible institution." (Creelman.)

According to James Creelman's statistics, 286,418,601 shares of stock of par value of \$25,000,000,000, besides 665,000 of thousand-dollar bonds, were "sold" in 1906 on the Stock Exchange; and on the Consolidated Exchange 136,000,760 shares of stock, besides 21,569,178 shares of mining stock and 193,884,000 bushels of wheat. This does not include curb sales. Over \$30,000,000,000—four times the value of the products of all the farms of the United States.

I submit as Appendix C to my remarks a sketch by the New York World, of January 7, 1908, on this subject.

The overcertification of checks, for the convenience of the gamblers, by the national banks is prohibited by law (section 5208), but I am advised this is evaded on a vast scale every day, the broker getting his check certified, when he has no deposit and no security, in order to buy the security, which is then placed as collateral to his demand note.

I understand the law is evaded by putting up a demand note secured by the stock named, and then before business hours close the collateral is bought and delivered to the bank extending this advance credit. This practice, being a part of the gambling machinery, should be forbidden by law, because it is one of the potent agencies by which this gambling is successfully carried on.

Mr. President, this recent panic was undoubtedly promoted by the speculations in stock in New York and by the great "bull" movement which had been engineered through several years and a more recent but equally great "bear" movement, which resulted in the ruin of hundreds of thousands of small financiers and of thousands of other business people and of some financiers who were not small.

It is a very easy thing, Mr. President, for a bank to loan money on the security of stocks of a definite market value, which are attractive because they are regarded as quick assets. This process had become a fixed practice in New York, so that over one-half of the deposits in New York were loaned out to the speculative buyer of stocks; but every bank in the United States has a deposit in New York, every bank looks to New York as a place from which it may obtain money in time of need, every bank keeps its reserve in New York on the implied contract that if the depositing bank needs a credit or currency, it is entitled to demand it and to receive it.

Obviously this implied contract is impossible of fulfillment if the New York bank lends over one-half of these credits to the speculators on the stock exchange. It follows that the use of these credits on the stock exchange really necessitates the withdrawal of such credits from the channels of trade, from the uses of commerce, from the service of the manufacturer, the producing classes in agriculture and in mines, and from the merchants and the transportation companies, and involves the breach of the implied contract with the depositing banks of the nation.

If these funds had not been loaned out for speculative purposes on the stock exchange, they would have been available

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for our national commerce, where these funds properly, justly, and wisely belong.

It was our excess of exports at last, from September to December, 1907, that saved the country from a worse calamity. (S. Doc. 208, 60th Cong., 1st sess., 16.)

Any adequate measure for the protection of this country against future panic should forbid the national banks who operate under the charter of the United States from loaning the national deposits and reserves in their hands for the speculative buying of stocks, agricultural or food products.

The committee bill entirely ignores this obvious necessity.

And the chairman of the Committee on Finance invites us to be content with a very small measure of relief on the ground that a small measure of relief is all that we could expect at this time.

Mr. President, the country expects as substantial a measure of relief as we have the wit and patriotism to devise.

Does the chairman of the Committee on Finance think the national banks should be allowed to crystallize our national reserves in speculative buying on the stock exchange? Does he think Congress will or should refuse this obvious measure of justice to the commerce of the nation?

Does he think that the country will be content to allow the national reserves to be withdrawn from the legitimate demands of commerce, from the legitimate demands of the manufacturers, producers, and merchants of this country and for dangerous and vicious gambling purposes?

Will he refuse this remedy against the evil condition from which this country has just emerged? As the Senator from Rhode Island and as chairman of the Finance Committee, does he favor the continuance of this monstrous evil?

The banks of New York, which in October last held a large part of the national reserves, refused to pay currency, refused their depositors their just demands, and, with the reserve funds of the whole of the United States in their hands, they were compelled to decline the demands of their depositors, even where the money was needed for moving the crops. Oklahoma cotton could not be paid for and shipped to market promptly because currency was denied on Oklahoma's New York reserves.

Mr. President, I know that the New York banks failed in this particular most reluctantly. I believe they did their best to deliver themselves from the conditions in which they had placed themselves and to deliver the country from the ruinous condition to which they had exposed the country by this dangerous practice; but, Mr. President, their critical condition, their complete panic, was due to the fact that over one-half of the enormous deposits in their hands were tied up in loans for the speculative buying of stocks which they dared not liquidate.

If they had compelled the borrower to have sold these stocks on the open market for cash, the stocks would have been broken to a point which would have ruined the good name of this Republic throughout the civilized world.

I believe the New York banks did wisely not to press their borrowers on stocks to instant bankruptcy.

The speculative buyers of stocks and bonds, as it was, have been pushed in many instances to the point of severe liquidation, to the utter ruin of thousands of them financially and in other ways. Many men have committed suicide because of this panic, as did the president of the Knickerbocker Trust Company.

But, Mr. President, the fact remains that all of these evils have flowed directly from the loaning of the national deposits for stock gambling, and I earnestly insist that no measure intended to protect this country against future panic is adequate which fails to provide a check on the use of our national deposits and reserves for the speculative buying of stocks, bonds, and agricultural products.

Even from the point of view of those who operate on the exchanges, it is better for them to check these dangerous practices and save them from themselves, for the great majority drift ultimately to ruin, and those who succeed by successfully appropriating by artifice the property of their fellows will surely find but little happiness in such successes, and their great intelligence could be made very useful in other lines of endeavor that would promote the common good.

#### STABILITY OF COMMERCE.

Mr. President, the most important element of our continued national prosperity is to obtain stability of commerce. A man engaged in business where conditions are stable can forecast his business future. He can make definite plans. He can foresee the results of industry, providence, and integrity.

Where conditions are unstable, industry and integrity avail nothing, and conditions are unstable in a country where custom and usage has established the giving and receiving of credit as a necessary part of its commerce. Conditions in the United States have proven to be less stable, perhaps, than in any of the great civilized nations of the world, and the reason for this is that there has been no law preserving the country from panic and no law establishing a proper correlation between the banks and our commerce.

Mr. President, the first duty imposed by the charter of the Bank of France is that which directs the governor of that bank to see that the "bank performs its duty to the state and toward the commerce and industry of the country." Moreover, the executive officers are appointed by the political head of France, "the President of France." Financiers form a minority and the members of the commercial and manufacturing classes and government officials a majority of the board of directors.

The banks of the United States also owe a duty to the state and toward the commerce and industry of the United States which the law should enable and require them to perform. It has long been the custom of the Bank of France to let the French people have money at the unvarying rate of 3 per cent, believing that *stability in the rate of interest gives stability to commercial enterprise and promotes the welfare of commerce and industry of the country, which is the chief duty of the Bank of France.* How does this compare with the rate of interest permitted and encouraged and established by usage, under our national laws, by the banks of New York, which hold our national reserves? Our ubiquitous, omniscient press advises the country to-day that money on call in New York is 2 per cent, to-morrow 8 per cent on call, the next day 25 per cent, and the next day 60 per cent on call, or perhaps 100 per cent. The most violent and unreasonable fluctuations of interest are announced in the public press and sent broadcast to every city, town, village, and hamlet in the land.

It avails nothing to say, Mr. President, that this violent fluctuation of interest is due to gambling on the stock exchange, using the reserves of the United States for this purpose. What I wish to point out is that this violent fluctuation of interest due to gambling disturbs the peace and confidence of the country. It disturbs and makes impossible that stability in the financial and commercial world which is essential to the peace and prosperity of this Republic. We permit this gambling to go on and raise no voice against it, and yet, when these gambling elements create a stupendous panic that shocks the world the Treasury of the United States is called upon to throw itself into the breach and save the country from the necessary consequences of this imprudent, improper, and scandalous condition permitted by our Government. Mr. President, I do not believe that I shall stand in the minority in this Senate in the demand that the gambling in the reserves of the United States shall be stopped on the stock exchanges.

I shall make no present objection to those who are fond of gambling if they gamble with their own money and gamble with each other, but when they gamble with my money which I have put in the New York banks as my reserve, for my uses, and when they allure into their gambling dens the untried youth and the ignorant adults of the country and rob them of their property, of their peace of mind, and their self-respect, and destroy the stability of the commerce of this country by a panic which their unwise and vicious conduct produces, I feel it my duty to enter an earnest protest.

I demand, Mr. President, a statute which shall summarily end these evil and dangerous practices.

**BANK OFFICERS SHOULD BE RESTRICTED IN LOANING MONEY TO THEMSELVES.**

Eighth. Another one of the reasons why this panic occurred may be found in certain New York banks where the acting bank officers made improper loans of money to themselves, and although this contributing cause is well known, the committee bill makes no provision forbidding its repetition. This is said to have been the ruin of the Walsh bank and kindred institutions in Chicago and of the Morse banks and allied concerns in New York.

Mr. President, with the example of Chicago and the great bank failure there, due to the unwise loan of the depositors' funds by the active president of the bank to himself, and with a like notable illustration in New York, it seems to me that this cause which has contributed to disturbing confidence should be removed. The violence of this recent panic was precipitated in New York, when conditions were otherwise critical, principally by the charge and belief that the active officials of certain banks and great financial institutions had abused their positions of trust in this respect.

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What objection can there be to forbidding an active official of a bank loaning himself the money trusted to his charge, except under the strictest safeguard! The reason of this, Mr. President, is so obvious, that an objection to it would seem to be absurd. I do not think it necessary to do more than to mention the necessity of this action, since the fault to be corrected is one of the recognized contributing causes of panic. There can be no excuse to omit this precaution.

**COMMITTEE BILL DOES NOT REQUIRE A PROPER ADJUSTMENT OF THE BANK RESERVES.**

Ninth. The committee bill, while at first proposing that the national banking associations outside the reserve cities should keep 10 per cent of their deposits in legal money, finally struck out this provision and failed to insert any equivalent of the proposition requiring the banks to strengthen the interior reserves, but does insert a provision requiring no reserve against \$250,000,000 of Government deposit, all of which ought to be held as reserve either by the banks or by the United States Treasury.

The chairman of the Committee on Finance argues with great earnestness and with convincing force the absolute necessity of a proper cash reserve, and finally contents himself with making no improvement whatever in our present defective reserve system and then recommends, as an anticlimax, that no reserve whatever shall be required on United States deposits.

I confess I do not understand the chairman of the Committee on Finance. He strenuously urges the necessity of remedy and then proposes remedies which by his own argument are confessedly inefficient and entirely ineffective to remedy the conditions which he is obliged to know have heretofore been contributing causes of panic.

These interior banks had on August 22, 1907, \$182,000,000 of cash reserve against \$2,627,000,000 in deposits (Comptroller's Report, 1907, p. 220), less than one-half the cash they are supposed to carry. A 10 per cent reserve for these banks would mean \$262,000,000 instead of \$182,000,000, an increase of \$80,000,000. In increasing these reserves in lawful money it would, of course, be measurably done at the reduction of the reserves in the banks of the reserve cities, but this could be done without inconvenience or harm to the reserve city banks.

The increase of \$80,000,000 for the interior banks is somewhat larger than would really be necessary, and I think the committee was therefore justified in striking out this requirement; but I think the committee was in serious error in making no adequate substitute provision for a proper adjustment of the reserve, for the reason that the reserve is of extreme importance in preventing panic.

It is easy to strengthen these reserves and to distribute them without in the least taxing the banks, as I shall show in detail in discussing the substitute I shall propose.

The national banks have only seven hundred and one millions of available cash, and under the laws which are more powerful than any Congress can pass, the laws of human usage and custom, the laws of convenience, this amount can not be easily increased without serious constrictions of credit.

The amount, however, can be easily redistributed under a plan that shall not disturb the gross amount of available currency, and this ought to be done as a precaution against panic and also with a view to using such reserves in currency for the establishment of the stability of our commerce.

By reducing the cash reserve of central reserve cities to 20 per cent and requiring them to keep 5 per cent of municipal bonds as a basis of emergency currency there would be released about seventy-five millions of currency and make available sixty millions additional emergency currency.

By requiring other reserve cities to carry an actual cash reserve of 15 per cent it would add to their actual reserve about twenty-nine millions cash, and 10 per cent of bonds for emergency notes would make available for them one hundred and forty-two millions additional emergency notes, if needed.

By requiring interior banks to keep 9 per cent of their reserves in actual cash it would increase their actual cash reserves about fifty-four millions, and 6 per cent of bonds for emergency notes would make available for their immediate use, if needed, the further sum of about one hundred and fifty-seven millions—a gross amount of three hundred and sixty-four millions of available emergency circulation, with no increase in present reserve required. These results would follow without adding a dollar to the reserves now required by law, merely by requiring "open accounts with reserve agents" to be put in bonds for emergency currency, which would pay more than the interest now paid by the reserve agent.

Reserves.

[Report Comptroller of Currency, page 222-1907. All figures in millions.]

Location of banks.	Number of banks.	Deposits, in millions.	Reserves required.	Amount required, in millions.	Ratio held.	Amount held, in millions.	Classification of reserve held.			Classification under substitute proposed by Owen.				
							In lawful money in bank.	Due from reserve agents.	Redemption fund with Treasurer.	New rate in cash.	Lawful money.	Rate in bonds.	Amount in bonds.	Total reserves.
Central reserve cities.....	60	1,205	<i>Per cent.</i> 25	301	26.2	315	311.7	.....	3.8	<i>Per ct.</i> 20	240	5	60	<i>a</i> 300
Other reserve cities.....	306	1,432	25	355	25.5	362	190.3	165.7	6.3	15	214	10	143	<i>b</i> 357
National reserve cities.....	6,178	2,627	15	394	16.9	443	199.6	226.7	17.2	9	236	6	157	<i>c</i> 393
	6,544	5,256	.....	1,050	21.3	1,121	701.6	392.4	27.3	.....	790	.....	360	<i>d</i> 1,050

<sup>a</sup> This plan in releasing sixty millions would lower the reserve required by fifteen millions more.  
<sup>b</sup> This plan releases forty-seven millions cash to the country banks and would lower the reserve required by about twelve millions.  
<sup>c</sup> This would increase cash required thirty-seven millions, supplied from reserve cities, and would increase gross interior reserves actually available by using bonds for emergency notes, in lieu of open credits with reserve agents.  
<sup>d</sup> Gross reserves the same as at present.

The actual cash now on hand would not be added to, but would be so distributed that our moving crops and our commerce could be more conveniently served than under the present distribution of the available banking currency of the United States.

This rearrangement is provided in the substitute I shall propose.

Mr. President, the Senator from Maryland [Mr. RAYNER] pointed out what was literally true with regard to the reserve held by our country banks—that only 7.4 per cent need be kept as cash under our present laws. This is set forth with great care by the Comptroller of the Currency, on page 72, Report 1907, which I respectfully submit. This clearly demonstrates that there is but 7.4 per cent of cash really required to be kept by the banks under the present statute against the deposits in the country banks, and this amount leaves an insufficient margin for the transaction of business whenever a crisis occurs.

And even this narrow amount need not be kept on hand if there be permitted the practice of double-heading or exchanging credits between banks for the purpose of padding their accounts.

The present measure should carefully correct the weakness of this system, for the reserves of the national banks are relied on by the State banks and trust companies to cover deposits twice as great. The national banks really hold the practical reserve of seven hundred millions against the nation's gross deposits of about thirteen thousand millions, or a cash reserve less than 6 per cent.

CASH RESERVE ON DEPOSITS OF \$10,000,000 IN INTERIOR BANKS.  
 Table showing what the law permits to be done with the alleged cash reserve.

	Amounts of deposits.	Cash reserve in vaults.	Deposited with reserve agents.	Possible loans.
Country banks.....	\$10,000,000	\$600,000	\$900,000	\$8,500,000
Reserve city banks (amounts above deposited by country banks), 9 per cent.....	900,000	a112,500	a112,500	675,000
Central reserve city banks (amount as above deposited by reserve city banks) <sup>b</sup> .....	a112,500	c28,125	.....	84,375
Total.....	11,012,500	740,625	1,012,500	9,259,375
Per cent of total deposits.....	.....	6½	9½	84
Per cent of original deposits.....	.....	7½	10½	92½

<sup>a</sup> One-half of one-fourth.  
<sup>b</sup> Twenty-five per cent of 9 per cent.  
<sup>c</sup> One-fourth of one-half of one-fourth of 9 per cent.

Amount of cash outside original country banks, \$140,625, or 1.4 per cent.

By exchanging credits even this reserve can be diminished substantially.

Tenth. Mr. President, the committee measure imposes only a 6 per cent penalty, and therefore if for any reason the rate of interest in any part of this country should rise higher than 6 per cent, these emergency notes might be easily made a permanent addition to our circulation at such a point, and the tax on these notes should therefore be increased periodically, so that their retirement shall be made compulsory.

The rate of interest on these bonds is a matter of importance, and no bond bearing in excess of 5 per cent should be permitted, because otherwise the penalty on the emergency notes might be insufficient for compulsory retirement.

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No provision is found in the committee measure providing for this contingency, while such a precaution would seem judicious.

The compulsory retirement of these emergency notes is of essential importance. With the law drawn in such a manner that the compulsory retirement is assured, there could be no possible reason for regarding this statute as a dangerous precedent, even if the issue were United States notes instead of United States notes under the form of national-bank notes, as the chairman of the Finance Committee has suggested.

It would be no more dangerous and no more liable to cause a public demand for a continual enlargement of the issue than the precedent set by the clearing-house certificate, which is only issued as an emergency measure and which is similarly taxed and instantly retired when the need passes.

The banks of the country are opposed to the issue of clearing-house certificates or cashier's checks or any other device of this kind forced on them by a panic, and the fact that they use such devices does not constitute a dangerous precedent and will not ultimately lead to a demand for a "continual enlargement" of the issue. Every bank in the country will be glad to get back to a normal condition, and would be glad to be allowed to stay in a normal condition.

The fact is, Mr. President, the issuance of 6,600 different forms of national-bank notes as emergency circulation under a 6 per cent penalty would be more apt to make an unwise precedent than the issue of such notes as United States notes, for the obvious reason that there would be 6,600 banks who could make the argument that these notes which they issue are good without the bonds behind them and without the 6 per cent penalty.

Why should they not contend hereafter that 3 per cent would be sufficient or 2 per cent would be sufficient?

The present asset currency is based upon this very contention, and has gathered considerable force throughout the country, and has great merit where safeguarded and under penalty to prevent permanent inflation.

The committee plan of inviting the issuance of these emergency notes as bank notes is more likely to prove a bad precedent than the issue of such emergency notes as Treasury notes, although no danger need be apprehended from either form.

The committee measure, confessedly a measure to prevent panic, fails to provide that which is by far the most important precaution against panic. This precautionary measure is the removal of the fear of the depositor. It is only the fear of the depositor which causes panic. The soul of a panic, its great moving force, is the fear felt by the depositor and his consequent hoarding of currency. I shall discuss this more fully in connection with the substitute measure which I have had the honor to submit, and shall show that this precaution will cost neither the depositor nor the Government anything; that it would benefit both; that it will not hurt State banks; that the objections made to this precaution are entirely unsound.

PROPOSED SUBSTITUTE.

The substitute which I shall move as an amendment to the committee bill takes great pains to provide against every objection made to the committee measure, and it contains those features of the committee measure which are of value.

1. It proposes United States notes (for emergency use) which are by law "legal tender."

2. It provides a method of instant issue when the emergency arises.

3. It provides not only the issue to some national banks in a limited way, but makes the provision against panic available to any national bank or to any State bank or to any trust com-

pany or savings banks which puts up the necessary security to the Government.

4. It uses the same form of bonds as the committee measure for collateral, to wit, "the bonds or other interest-bearing obligations of any State, city, town, county, municipality, or district legally organized which has existed ten years and never defaulted in principal or interest of any funded debt;" but it also provides the use of United States bonds, which is not provided by the committee measure, and strikes out railroad bonds, which are provided by the committee measure.

5. The substitute provides emergency notes in any quantity which proves to be necessary, whereas the committee bill confines the issue to five hundred millions and then puts such restrictions on it that the available issue will be extremely limited at any point of original need.

6. The substitute imposes a tax of 6 per cent for the first four months, 8 per cent for the succeeding months, and compulsory retirement within twelve months. The committee bill is content with a 6 per cent tax. The substitute forbids the use of bonds bearing interest in excess of 5 per cent. The committee measure puts no limitation on the interest a bond may bear.

7. The substitute restrains active officers of a bank borrowing the funds of a bank, except under safeguard. The committee measure ignores this precaution against panic.

8. The substitute forbids the use of deposits for speculative buying of stocks, bonds, agricultural or food products, because this has been a potent cause of panic. The committee bill leaves this evil in full force.

9. The substitute bill requires interior banks to have 9 per cent cash reserves, reserve city banks to have 15 per cent cash reserves, central reserve banks to have 20 per cent cash reserves, and requires banks to carry bonds available for emergency notes as a balance of the reserve now required by law. The committee measure is content with requiring no reserve on Federal deposits.

10. The substitute specifies that only the net favorable balance of accounts with reserve agents shall be permitted as a part of the legal reserve, a matter important in preventing panic. Upon this question the committee bill is silent.

11. The substitute provides the insurance by the national banks of their deposits by using the tax paid by the national banks on their normal and emergency circulation.

This is the most important precaution against panic. The committee measure refused this protection.

12. The substitute safeguards the State banks from injury under the insurance plan by putting into effect the insurance feature only after March 1, 1910, except in States having the insurance plan for State banks, and prevents any abuse of the insurance plan by limiting the deposits insured to noninterest-bearing deposits.

Mr. President, in discussing the essential features of the substitute bill I shall confine myself to those features of this bill which differ essentially from the principles laid down in the committee measure and which have not already been sufficiently explained. I take it for granted that the majority of the members of the Senate are in favor of emergency currency, properly secured under a penalty sufficient to compel the contraction of such emergency currency when the exigency has passed. I take it for granted that this body is in favor of a sufficient quantity and quality of such emergency currency to meet the conditions of panic sufficiently, and that the remedy shall not be a partial remedy, but shall be drawn to meet completely and completely prevent any future panic.

Waiving discussion of these recognized essentials, I shall now point out the reasons why the substitute measure is superior to the measure proposed by the committee.

#### THE COLLATERAL IS BETTER.

Mr. President, the collateral proposed by the substitute measure is better collateral.

The committee measure denies the use of United States bonds, and inserts in lieu thereof railroad bonds.

The substitute reverses this and strikes out railroad bonds and inserts United States bonds.

What excuse there is for refusing to the bonds issued by the people of the United States this quality which has great financial value and giving this financial value to bonds of private persons and private corporations I know not.

It will not do to say that the volume of bonds of the United States, of the States, of the cities, towns, counties, municipalities, and district are insufficient in volume, because that would

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not be true. Their volume is abundant. It will not do to say that these bonds, issued for public purposes, are not as good as railroad bonds, because they are better and fluctuate far less.

It will not do to say that it is a matter of indifference whether you prefer one or the other, because it is not a matter of indifference. It is a matter of an important value in dollars and cents, measurable not in a small way, but in a large way; giving this value to the bonds issued by the people is to give those bonds values worth hundreds of millions, giving this function to railroad bonds will be worth hundreds of millions to the holders of such railroad bonds.

I have already pointed out, Mr. President, the manner in which these bonds have risen in value during the month of January, 1908, within which the chairman of the Committee on Finance brought in his remarkable proposition, and I insist that the full measure of this value shall go to the people of the United States, and that public bonds alone shall be used; and that these values shall not go to the railroad bondholders, and that they shall not be used for this purpose.

It is measurably true that this value being given to railroad bonds would go to the people of the United States; it is true it would go to some of the people of the United States who own these bonds; it would probably go to one person out of a thousand, who is a railroad bondholder, but, principally, it would go to a very few men who are the great railroad bondholders of the United States, and this bill would be a bill to give them the value in this way which ought to go to the people of the United States in their public capacity.

I do not feel content to agree that these values should be put in the hands of a few individuals, even if those individuals, inspired by generosity, or humanitarianism, or by any other worthy motive which inspires the human heart, were willing to give it all back before they die, as in fact they ought to do.

This country has been subjected long enough to the favor of private interests. I think it my duty to protest against the effect of this proposed committee measure in this regard, although well assured of the patriotic purpose of the remedy proposed. I can readily understand how the committee thought they would enlarge the bonds available for this purpose. I can readily understand that the committee thought the use of railroad bonds would be entirely safe, and so they are. It is not on account of their safety, but for the reason which I give that I insist that the substitute measure is better than the committee measure, because it uses United States bonds, which the committee measure does not allow, and it refuses railroad bonds, which the committee measure does allow.

#### UNITED STATES NOTES ARE BETTER THAN NATIONAL-BANK NOTES.

The committee measure prefers to use national-bank notes as emergency currency; the substitute prefers United States notes. Mr. President, either class of these notes are as good as gold. Section 6 of the committee measure directly makes these national-bank notes as good as gold. They are made redeemable "in lawful money" at the Treasury, and section 7 further provides that all of the national-bank notes, amounting to over six hundred millions in our normal circulation, shall be payable in "lawful money" or equivalent of gold, changing the present statute status of national-bank notes, which makes them redeemable in "United States notes." I approve the change.

The quality of notes in either the committee measure or the substitute proposed is first-class, the equivalent of gold, but the objection to the committee measure is, that it provides for 6,600 varieties of notes, each one differing in form from the other, each one requiring a special plate in the Bureau of Engraving, each one requiring an independent account to be kept of such notes, whereas the simpler, more economical method would be to have one form of Treasury note and one form of engraved plate and one account to be kept of these outstanding emergency notes in lieu of six thousand and more of these accounts, etc.

Another objection to these national-bank notes is that it will encourage the future demand to lower the tax on these emergency notes and thus encourage enlarging the volume of these national-bank notes, which is not desirable.

Another objection to these national-bank notes is that they comprise a pretense.

They pretend to be national-bank notes.

The banks do not really issue these notes.

The bank officials need not sign these notes to make them current among the people.

The Government of the United States makes this issue of national-bank notes, controls every item and every particular

in the form, manner, use, and redemption of such pretended national-bank notes.

I do not like the pretense.

The immediate consequences which flow from this pretense, and which have greatly impaired the value of the committee measure, are as follows:

THE COMMITTEE LIMITATIONS RUINOUS TO THE PROPOSED RELIEF.

The very fact that these notes are pretended to be national-bank notes leads immediately to the proposition found in the first three lines of the bill, to wit:

That no national bank which has circulating notes outstanding less than 50 per cent of its capital stock shall be allowed to issue emergency notes, and no national bank which has a surplus of less than 20 per cent of the capital stock shall issue emergency notes.

If these were United States notes and were not national-bank notes, no such reasoning would suggest itself. No such limitations would be suggested. The limitations are very illogical and unreasonable.

In the first case, because a national bank has been extremely conservative and has not issued any more of its notes than the law compels, it is penalized and denied emergency notes, which at some time may be essential to its life.

Because the bank has carefully limited its outstanding liabilities and made itself more worthy of credit, it is to be denied the relief extended to those less worthy.

The absurdity of this proposition is so manifest that a child could see it.

And no national bank, in the second place, which has not 20 per cent surplus shall be allowed emergency notes, although it is willing to put up a first-class collateral 10 per cent in excess of the proposed issue. Its danger may be vital, its necessity compelling, and yet this bill denies them emergency notes upon a security confessedly more than sufficient.

Will any sound reason be offered for such limitation?

Certainly the chairman of the Committee on Finance, in explaining his bill, made no explanation whatever of these objections which I point out.

Again, Mr. President, the committee measure forbids any national bank to have the security against panic of this proposed remedy, except to the limited extent that its normal circulation and its emergency circulation shall not exceed the gross amount of its capital and surplus.

What an amazing restriction this is!

How grossly unreasonable.

How utterly lacking in foresight.

How destructive of the purposes of this proposed remedy against panic.

Why, Mr. President, the demand upon a bank in times of panic is not measured by its capital and surplus. It is measured by its deposits and the demand of its depositors.

The capital and surplus may be three millions, its deposits may be thirty-five millions.

The Knickerbocker Trust Company (which was recently driven to its death) out of its own resources paid millions before it surrendered. Under this bill that trust company could not have had any relief whatever, yet it had a demand liability of its deposits to the extent of \$67,665,000. This committee measure now proposes a plan that would limit the extent of relief against panic to be afforded such a bank to nothing, notwithstanding the fact that this trust company should be prepared to put in the hands of the Government collateral, confessedly of the first class, far in excess of the value of the issue, and notwithstanding the fact that this company would, upon such gilt-edge collateral, be paying the Federal Government Treasury a substantial tax of 6 per cent for the use of such money.

What good reason can the chairman of the Committee on Finance give to the Senate for refusing this relief against panic to this institution, when beleaguered by the demands of its frightened depositors, and when this institution is willing and anxious to put up first-class collateral?

Are we trying to prevent panic?

Are we trying to afford an abundant and sufficient remedy?

Or are we merely proposing to present the shadow and deny the substance?

But the limitations of the committee measure do not stop with denying to these national banks the reasonable relief to which by every canon of reason and good sense they are entitled, but the committee measure deliberately omits from this measure every State bank, every trust company, every savings bank, and every other bank in the United States.

The national banks have only one-third of the banking cap-

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ital of the United States. They have less than a third of the deposits of the United States, and a panic could sweep this country and never close a national bank. The hoarding of currency might come entirely through State banks.

The State banks only carry a net reserve in currency of between 4 and 5 per cent, and they have nearly nine thousand millions of individual deposits, and their distress for currency may close factories and merchants' stores and enterprises innumerable from Maine to California because of a lack of currency, and this committee measure, which proposes a remedy against future panic, is presented to this Senate with a denial to these great State institutions whose welfare and whose solvency is absolutely essential to the welfare of our national commerce.

I am amazed, Mr. President, at this most serious omission on the part of the committee bill.

In the substitute which I shall propose as an amendment, the State banks, trust companies, and savings banks are provided for.

But the committee measure not only denies to many national banks any relief whatever; it not only denies to the national banks an abundant relief by limiting the amount of currency to the capital and surplus; it not only denies any relief whatever to any State bank, trust company, savings bank, or other bank, but it goes still further and says that the proposed remedy shall be still further limited by distributing the proposed relief in a manner—

As equitable as practicable between the various sections of the country.

And that—

The Secretary of the Treasury shall not approve applications from associations in any State in excess of the amount to which such State would be entitled on the basis of the proportion which the unimpaired capital and surplus of the national banking associations in such State bears to a total amount of unimpaired capital and surplus of the national banking associations of the United States.

This language of "equitable" apportionment has a virtuous sound, but a most dangerous and harmful meaning. What it really means is that this proposed remedy against panic, even if under the limitations imposed upon the several national banks it were completely available, the average relief to the country against panic of these emergency notes would be limited to less than \$11,000,000 to each State. What is the purpose of this limitation, and why are these emergency notes, essential as they are to protect our country against panic, bound so readily by innumerable limitations so as to make the relief feature ineffective? This last limitation almost entirely destroys the value of the proposed remedy.

The so-called "equitable" distribution of this remedy would make the remedy itself utterly ineffective, and I commend the reasoning of the Senator from New York [Mr. DEPEW] in his approval of the relief offered by the Secretary of the Treasury to New York when he said—

He might have followed the strict letter of the law, which the Senator has quoted, and put the \$240,000,000 of Government (funds) proportionately in each one of the 6,000 banks of the country. The effect would have been, so far as relief is concerned, like meeting a great fire in a great city, where property is likely to be consumed of such value as to impair the business of the whole country, not with the concentration of all the resources of the fire department upon the fire and blowing up with dynamite of adjoining blocks to prevent its spreading, as they did in San Francisco, but to distribute the fire engines all over the city and demand them to divide the water *equitably* among the different wards. The Secretary fearlessly and wisely says he deposited the money where it would be most effective, and the result demonstrated the wisdom of his action.

This reasoning of the Senator from New York is sound and it is also a forcible demonstration of the utter inefficiency of the limitations proposed by the Senator from Rhode Island.

Under the provisions of this proposed remedy the State of New York, which in the last panic needed more than four hundred millions to stop the panic, would be allowed to receive under this bill less than one hundred millions. The chairman of the Committee on Finance takes some pains to advise the banks of the country that the suspension of bank payments with its resulting strain upon the credit of the country *will not again be tolerated*, and he says with great force that "the failure of the bank to meet its demand obligations is a violation of every law governing its conduct" and existence, and that "bank managers should realize that a repetition of these violations will not be permitted," and having thus given a solemn warning to the bank managers that they shall not hereafter relieve their own distresses by their own devices, he offers as an abundant remedy an emergency circulation which he so limits

and surrounds with conditions that its future failure to relieve the bankers is made reasonably certain.

It looks to me this bill will prove an anæsthetic to prepare us for a future operation, a future bear raid on the commerce and industries of the nation.

We have just had what the farmers call a "hog-killing" time, and somebody has canned the lard. The physical properties of the country still remain, but the change of ownership from weak hands to strong hands is obvious to any man who is not feeble minded.

The chairman of the Committee on Finance himself advises us in his speech upon this question of the extraordinary steps which were taken to avoid final disaster, and which did not avoid final disaster. He points out the deposit of public money in New York and other banks between September 30 and December 7 to the extent of \$70,000,000.

Second. Of clearing-house certificates, \$190,000,000.

Third. Of checks intended for currency, \$75,000,000.

Fourth. A forced enlargement of bank-note circulation from October 1 to January 1, \$94,759,115.

Fifth. Gold importations of \$107,000,000 (the exclusive product of our cotton and wheat), and he fails to count over two hundred millions which were bought by a 4 per cent commission bringing hoarded currency into new circulation; he fails to count innumerable devices throughout the country which are not a matter of record by which currency was brought from hiding.

And he fails to point out that every dollar drawn from hiding by the taxing power of the United States was instantly re-deposited in circulation. He fails to point out that there was two hundred millions of public funds placed with national-bank depositors to assist in this critical demand for currency through which the country was being forced in 1907.

And he fails to mention the effort made by the President and Secretary of the Treasury to reestablish public confidence by the offer to the country of one hundred millions of 3 per cent clearing-house certificates, and fifty millions of Panama bonds, which had a hypnotic effect upon the country favorable to confidence and which helped to abate the terrible panic under which the country was staggering.

I pause, Mr. President, in my remarks, to say that I feel it my duty to commend the President of the United States, and the Secretary of the Treasury, in offering at this critical period the 3 per cent certificates and the Panama bonds.

I do not care to debate the question of whether the offer was justified under the strict construction of the law, waiving that point and granting, for the sake of argument, that the offer was not thoroughly justified under the strictest construction of the statute, nevertheless the emergency of this panic, in my judgment, justified the President in this effort to relieve the country from its danger. If I had been invited to express an opinion before this offer was made I should not have failed to recommend it, and having been the beneficiary of the action of the Executive I am not willing to be silent and to withhold my commendation of the executive act.

I trust that the legislation now being framed shall be drawn in such a manner as to make it unnecessary from this time forward ever to resort to similar measures for the relief of panic.

More than a thousand million was needed to control the last panic and then it was not effectively controlled.

But under the remedy now offered us by the committee measure, the storm center—New York—would receive less than one hundred million.

Mr. President, our banking capital has grown in seventeen years 236 per cent, and in seventeen years more it will be as much greater by 236 per cent of the present banking capital. This bill is drawn not for to-day; it is drawn for the future and no limitation of \$250,000,000, as first proposed by the chairman of the Finance Committee, nor \$500,000,000, as now reported by the committee, will be adequate in ten years, even if it were adequate now.

The committee measure is fatally defective in putting this limitation of volume on these emergency notes. The substitute I shall offer, Mr. President, puts no limitation upon the emergency notes proposed except found in the words, "this act shall not be construed to limit the issue of such notes if in the opinion of the Secretary of the Treasury an emergency exists for a larger issue than the amount required to be prepared by this act."

DEPOSITS AND RESERVES SHOULD NOT BE USED FOR SPECULATIVE PURPOSES.

Sixth. The substitute is superior to the committee measure because it forbids the use of the national reserves held as de-

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posits in the national banks to be loaned for the speculative buying of stocks or bonds, agricultural or food products. The committee measure is confessedly drawn to prevent panic. One of the most potent causes of panic is the loaning of the national reserves and deposits sent to New York for the speculative buying of stocks.

Such loans, while supposed to be quick assets, are in point of fact not quick assets. Every bank and trust company in the United States keeps a balance in New York upon which they rely for cash and which is always available for cash except in time of panic, but when panic ensues and the depositors of the New York banks begin to hoard money, these reserves in New York are no longer available for cash. Nor can the national banks which are making loans for the speculative buying of stocks force such speculative borrowers to pay cash at such a season. If they do, they make the panic still worse, and by beating down the prices of stock through such forced liquidation they increase the alarm throughout the whole of the United States. These stock quotations are printed on the pages of tens of millions of daily papers, and these quotations go to every city, town, and hamlet in the land. If the New York banks compelled liquidation of the five hundred million they had loaned out on these stocks last fall, it would have broken stocks to a point which would have alarmed the country most seriously. The attempted remedy would have been worse than the disease. As it was, the contraction of credits by the banks in the reserve cities was largely responsible for the fall in the price of stocks, and there are more ways to contract credits than by refusing a loan.

The contraction of credit, which caused the great "bear" market, was in refusing to loan as much money on stocks, from time to time, as had been previously loaned on such stocks.

All the banks had to do to cause a "bear" movement and the lowering of the prices of stocks was to withdraw the extension of credit to such stocks on the higher value and assume a lower value as a basis of loans; to ask more collateral in stocks on maturing loans. If a bank says I will lend you money on Amalgamated Copper with a 20 per cent margin, estimating Amalgamated Copper at 120, the stock would be affected by this extension of credit. If the banks were unanimous in refusing to recognize Amalgamated Copper as worth more than 110, its market value would fall to that point. If they were unanimous in refusing to recognize the value of that stock as in excess of 60 on making loans, its price would fall to 60, because these prices are fixed in the speculative markets and the banks fix the measure of the value of such stocks handled on the stock exchange by limiting the loans on such stocks. I regard the operation of this financial policy as certain in its operation as the law of gravity.

A community of interest among the New York banks, concerted action in credit extensions, could establish through the stock exchange the most powerful Money and Credit Trust on earth.

But I call the attention of the Senate to the tremendous fluctuations in the prices of these stocks. Amalgamated Copper about a year ago was worth over 100 per cent of what it is to-day, and was so recognized by the banks as a basis for loans. The game of finance on Wall street is a great game and the masters of finance can control and direct the prices of stocks with reasonable precision. It is no idle figure of speech to speak of the speculative class who enter Wall street from the outside as "lamb." They go to their ruin and their property is appropriated by men of higher intellectual force and greater financial power.

The people are induced to buy these stocks and then are induced to sell these stocks by representations made to them with diabolic skill and ingenuity, persuading them in the first case of the great value of the stock and persuading them in the second place that the stock may lose all of its value and is too dangerous to retain. In this way the gamblers on the stock exchange continually steal the property of the ignorant and thoughtless, through the gambling passion, but what is infinitely more serious they unsettle the stability of our commerce and prepare us for panic with its deadly national blight.

A few of the conspicuous samples of the high and low prices I submit, and full tables I submit as Appendices F and G to my remarks.

These ranges are since 1900, and will be found in the New York Times Weekly National Quotation Review, page 13, of October 21, 1907:

	High.	Low.
Adams Express.....	315	114
Alice Chalmers Co.....	27	4
Amalgamated Copper.....	130	33
American Beet Sugar Co.....	36	9
American Cotton Oil.....	57	24
American Express.....	272	142
American Grass Twine.....	62	3
American Hide and Leather.....	13	2
American Ice Securities.....	94	20
American Linseed Co.....	30	5
American Snuff Co.....	250	26
American Steel Foundries.....	18	3
American Woolen Co.....	48	7
Atchison, Topeka and Santa Fe.....	110	18
Baltimore and Ohio.....	125	55
Delaware, Lackawanna and Western.....	560	171
Denver and Rio Grande.....	53	16
Duluth, South Shore and Atlantic.....	24	4
General Electric.....	334	109
Great Northern preferred.....	348	140
Iowa Central.....	57	11
Kanawha and Michigan.....	76	10
Kansas City Southern.....	39	7
Kniekerbocker Ice.....	85	8
Lake Erie and Western.....	76	12
Manhattan Beach.....	22	4
Missouri, Kansas and Texas R. R.....	43	9
National Biscuit Co.....	83	23
New York, Chicago and St. Louis.....	76	11
New York Central.....	174	99
Norfolk and Western.....	97	22
Northern Pacific.....	700	45
Northern Central.....	250	150
Ontario Mining.....	13	1
Pennsylvania Railroad.....	170	110
Peoria and Eastern.....	50	5
Pere Marquette.....	106	20
Pullman Co.....	268	148
Reading.....	164	15
Tennessee Coal and Iron.....	166	25
United Railways Investment.....	98	9
United States Cast Iron.....	53	6
United States Express.....	160	45
United States Leather.....	20	6
United States Steel.....	55	8

Here these values are shown to fluctuate from the low to the high, not by ordinary percentages—5 per cent, 10 per cent, or 20 per cent—but by 100 per cent, by 500 per cent, by 1,000 per cent.

And yet these gamblers raise a howl of lamentation if anybody proposes to make stable these values, and appeal to high heaven in the name of the widows and orphans whose last dollar is invested in these precious securities.

Take the Adams Express Company. The high price of the Adams Express Company stock since 1900 was 315 and the low price 114. Amalgamated Copper, 130 the high price and 33 the low price, a stock involving millions upon millions, and which has been used to steal away millions of dollars from the unsuspecting ignorant classes of this country, and these ignorant classes embrace educated men who, although they seem to be educated, are still ignorant of these refined, insidious processes that are so diabolical and so crafty that only one man in a million can see through them; and so this old, old game of stealing the property of the unwary goes on year after year and year after year and this body sits here, and sits, and sits, supine, and offers no relief. The country expects relief, and as one of the members of this body I demand relief. This bill must be amended. It must provide that this process of stealage and panic shall stop. The people of the United States have a right to make this request. They expect it of this body, and, in their name, the Senator from Oklahoma demands it.

The point I wish to call attention to, however, Mr. President, is the fact that the national banks are used as agencies for carrying on these gambling transactions on the stock exchange. It is, as I have said, the most stupendous gambling palace on the face of the earth, where the intelligence of the victim is drugged and loaded dice and trapdoors prevail. They sold, or pretended to sell, values during the last year of over thirty thousand millions, an average of over one hundred millions a day for every business day in the year. They used for this purpose, on a margin of about 10 per cent, nearly all of the reserves placed on deposit in New York by the banks of this country, and when the critical time came that our national commerce called upon their banks of deposit from Maine to California for the currency necessary to transact the business of our national commerce, the New York banks, who had been engaged in promoting these gambling transactions for profit, and who had by their own tactics caused a gradual reduction in the values of stocks from the beginning of the "bear" movement

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until its culmination in panic, were unable to respond to their contracts with their correspondent banks. They were unable to pay currency because their own conduct in promoting the great gambling scheme of the stock exchange, which culminated in the panic, frightened the people of the country who had their personal deposits in the banks, and a sudden withdrawal for hoarding took place in New York, tying up within a week an enormous amount of currency. Whether this was promoted by certain "wealthy malefactors," who helped engineer such a scheme and at the critical moment withdrew currency for the purpose of promoting panic, is not material. The point I wish to emphasize is that the use of these reserve funds, on deposit with the New York banks for loans in the speculative market, was one of the direct causes of this recent panic.

The committee measure is avowedly for the purpose of preventing panic.

The most notorious cause of panic are these gambling operations which have threatened the country by the steady contraction of the market price of stocks. The committee measure ignores the chief cause.

The substitute measure is superior to the committee bill because it removes this potential cause of panic.

#### WHAT IS A LOAN FOR SPECULATIVE PURPOSES?

Mr. President, I have been challenged with the inquiry, What is a loan for speculative purposes?

Mr. President, this question is asked by a lawyer and might be debated by a sophist. It might be asked by one used to critical analysis of language; by one who might plead that any action in life is speculative; that whether we shall arise in the morning or be found dead is speculative; that any business transaction which is not absolutely concluded is speculative, because any exigence which might arise that would remove the issue from the domain of certainty contains an element of uncertainty and of speculation.

In answer to all of this refinement, I say bluntly and plainly that a loan for the speculative buying of stock is as easily ascertained and determined by a competent banker or competent bank examiner as the color of a black horse by a person with two good eyes.

The effect of this proposed statute would be to put the seal of condemnation on the practice of using our national-bank reserves deposited in New York, for gambling purposes to the denial of the legitimate uses of our commerce. A bank examiner who does his duty will speedily point out to the banker who is so obtuse as not to see, or to him who does not wish to see, what is a loan for the speculative buying of stocks, bonds, agricultural or food products.

I insist upon it that this measure which is intended to prevent panic should not close its eyes to the most important contributing cause of panic.

#### ACTIVE BANK OFFICERS FORBIDDEN TO BORROW.

Seventh. The substitute measure is superior to the committee measure because it removes another potent cause of panic.

It is well known that the action of Morse in borrowing the money intrusted to his keeping for his own uses, in 1907, was the spark which ignited the inflammable material prepared by the gambling transactions above referred to. The powder and dynamite were carefully arranged and Morse was the detonating cap that produced explosion. His property, I am informed, has passed into the hands of those abler and wiser than he, and in the same way the United States Steel has taken over the Tennessee Coal and Iron, and we see the pleasant spectacle of the survival of the fittest, a new instance of the lion and the lamb lying down together.

#### THE GUARANTY OF DEPOSITS.

The substitute provides that non-interest-bearing deposits in national banks shall be guaranteed out of the tax paid by the national banks on their present circulation and by the proposed tax on emergency circulation.

As I have heretofore pointed out, the tax on the annual circulation is over three millions per annum, and the average loss to depositors of national banks during the last nine years is \$85,000 per annum.

There would be no need for so large a guaranty fund except for its moral effect. There is no harm in making it so abundant that confidence in the fund should be assured. There might be harm if the fund were not large enough to thoroughly establish public confidence.

As I have already pointed out, the fear of the depositor is the real cause of hoarding money on a large scale by the people. If you remove the cause for this hoarding, there will

be no panic capable of seriously harming our national commerce.

When the depositor is absolutely assured in the security of his deposit, regardless of the solvency of the bank, he has no reason whatever to withdraw his funds, and he has no reason to hoard it.

There is a class of persons who do not keep any bank account because of their distrust. One of the strongest benefits arising from the guaranty of deposits would be to bring out the currency hoarded by this class of people, who at present do not keep any bank account.

The insurance plan would bring into activity a considerable volume of money which is now hidden.

But the value of the insurance plan is not the protection of the depositor; it is the protection of the public; it is the protection of our commerce; it is the promotion of the stability of business conditions which is specially to be desired. The depositor is perfectly safe now, but nevertheless when he takes fright and withdraws currency for hoarding and produces a panic he is very dangerous to our commerce, and it is this danger which should be abated.

I have received a vast number of letters from bankers with regard to the insurance of deposits. The great majority of these letters strongly favor the guaranty plan and give abundant reason therefor. I submit a sample of these letters (Appendix "E"), but I have also received various letters from bankers opposing the idea of the guaranty of deposits.

I have carefully read the letters which oppose this proposition and have scrutinized every objection made.

The first objection is that it will promote *reckless banking*, which will encourage unscrupulous bankers to offer high interest for deposits, with a view to embezzling the funds of the depositors; that this would be at the expense of the honest bankers of the country. The answer to this is—

First. That interest-bearing deposits are not insured and, therefore, the entire objection fails because the supposititious embezzler has no inducement to offer for deposits, and, moreover, the honest banker pays nothing more under the plan proposed than he does now. It costs him nothing.

Second. In the second place, the embezzlement of funds is made sufficiently unattractive by the criminal code to prevent the predicted embezzlement.

Third. In the third place, the safeguards of national banks are otherwise abundant to prevent embezzlement, and with 6,600 of such banks in the United States the losses for the last nine years has been a negligible quantity. The persons who invest their money in a national bank are subject to a double liability, so that the stockholders of a national bank of the smallest kind put up \$25,000 and are liable to a like amount under the law before any harm can come to the depositor. This equals a \$50,000 bond to secure fidelity.

No bank can start with any prospect of success that has not a board of local directors favorably known to the community, who comprise a further safeguard.

There is no force whatever in this objection.

Another objection which is offered is that it puts a conservative banker on a par with a reckless banker who will offer special privileges in exchange for deposits.

The answer to this is: He is not allowed to insure an interest-bearing account; the depositor is protected by double liability of the bank's stockholders, and that the depositors are perfectly safe now, as a matter of fact, and there would be no more force in the objection under the *new condition of insurance than there is under the present condition of no insurance.*

But everybody familiar with the banking business knows that the primary condition of a deposit is the belief of the depositor that the bank is safe. The real factors which control the deposit are the personal friendship of the depositor for the bank, for some of its officers or directors or stockholders; the fact that it is convenient to his business; the fact that he has a right to expect the reasonable business accommodations to which he is entitled. These are the motives which control deposits. The question of the security of the deposit does not control it except in a negative way. A man would not deposit where he had doubt; and if a bank were in the hands of a reckless, extravagant man, the common people can be relied on to find that out, and no such man can attract deposits against a man more honorable and more worthy of trust.

Another objection which is made is that it will do great harm to the State banks, because the State banks will not have a like insurance.

The answer to this is that the national banks for the last nine years have lost their depositors relatively only about \$1 where the State banks have lost their depositors \$23. The average loss of the State banks has been about \$4,000,000 per annum, and

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the average loss of the national banks has been about \$85,000 per year for the last nine years.

Notwithstanding this greater safety of the national banks the State banks have twice as much in deposits. This further discredits the theory of the objection.

It is not true therefore that greater security of the national bank depositor would break up the State banks. I think it is true that where a small State bank in a town has a small national bank as its rival, under the guaranty plan, it would weaken to some extent the deposits of the State bank, especially in time of panic, if there should ever be a panic under this improved system and in the event that the State did not arrange insurance for the State bank depositors.

But this difficulty has been obviated by putting the insurance plan into effect only after two years shall have passed, to wit, March 1, 1910, except in States where the deposits of State banks have insurance. Within these two years every State can adopt a like precaution for the benefit of the State banks, and no friend of the State banks needs to be afraid that the State banks will not look after their own interest in this respect.

It is highly desirable and of *great national importance* that every State in the Union should promptly pass a State law providing an insurance plan for the depositors of State banks, and the insurance of the deposits of national banks in the pending measure would lead directly to this desirable consummation.

Even if any State failed to provide an insurance plan, any State bank which felt the slightest harm from the State's omission could take out a national-bank charter, and thus be defended from any loss of deposits from this source.

*It should always be kept in mind that it is not the welfare of the bank, nor the welfare of the depositor which is the main object to be attained, but it is the prevention of panic, the protection of our commerce, the stability of business conditions, and the maintenance in active operation of the productive energies of the nation, which is the question of vital importance.*

THE RESERVES AFFECTED BY STOCK GAMBLING—PROTECTED BY SUBSTITUTE MEASURE.

Mr. President, the reserves of the State banks, and trust companies is about three hundred and ninety millions, against eighty-seven hundred millions of deposits—less than 5 per cent.

The national banks have really available less than seven hundred millions, against a gross deposit of over six thousand millions, and the national banks owe the State banks more money than they have in cash, including all their reserves.

The daily checks drawn against the reserves of all the banks in the United States is equal to at least \$2,000,000,000 a day, nearly twice as much as the total amount of all the cash in all the banks. About 5 per cent of these checks are handled in cash, making nearly one hundred millions of cash a day.

These reserves would, nevertheless, be abundant if the country had assurances of peace from the gamblers of the stock exchanges.

It should be remembered, Mr. President, that the gamblers on the stock exchange are composed of two classes—the bulls and the bears. It is the business of the bear operator to destroy confidence, to break down values, and his resourcefulness in this respect is wonderful.

He uses every power of the public press.

He circularizes the public.

He uses the agencies of the press of every kind and fills the country with suggestions of panic and disaster. He is backed by unlimited wealth, and there is the most substantial reason to believe that he has been backed during the last eighteen months by the wealthiest men in the world, who, not content with fortunes so vast as to be incomprehensible to themselves, have desired to break the stock market for the purpose of using their hoarded currency and hoarded and available cash credits for the appropriation of the stocks and properties held by weaker men. I shall not stop to criticize the moral aspect of this matter. I only desire to emphasize the fact that these bear operators are able to cause violent fluctuations of credit, violent fluctuations of interest rates; that they set out false signals to produce shipwreck for their own profit. It is to stop the disastrous results of their campaigning and to stop their promotion of panic conditions that I earnestly insist upon the remedies proposed in the substitute bill.

First. To prevent the use of national-bank deposits for stock-gambling purposes.

Second. To redistribute the reserves, to withdraw from the central reserve cities a portion of the national reserves actually required for the use of our commerce, to strengthen the reserves of all the banks by bonds suitable for emergency notes.

Third. Chief of all, to provide an insurance plan that will prevent any attack on "confidence" being successfully employed by bear operators against the bank depositor.

Fourth. To provide emergency notes, properly secured, in volume great enough to meet any contingency whatever, and to have such issue taxed in a sum high enough to compel the retirement of such notes when the emergency passes.

When we shall have made panic impossible in this country our great Republic will move forward with a stupendous commercial development that will be the astonishment of the world.

Our resources are infinite, our people the most intelligent,

inventive, and active in the world. The measure which is now before this body is the most important bill which has come before the Senate for many years. The great variety of opinions entertained proves beyond doubt the fact that our statesmen do not well understand the problem. But they have the intelligence and patriotism necessary, and should employ the patient industry requisite to its complete mastery, so that this measure when passed shall be perfect. I entertain a profound hope that this question shall be studied in a manner entirely free from all prejudice and with an earnest desire to promote the common welfare of our beloved country.

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