Mr. President, I am in favor of a bond-secured emergency measure reported by the committee.

Mr. OWEN said:

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 my purpose to exaggerate the evil consequences to the commerce and industries of the United States by the four great 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 which 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 1853, and in the panic of 1854, 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 5 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 those 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 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 cannot agree to give to railroad bonds a property destined 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. I deny that there is any justification for the introduction of railroad bonds in this bill. I deny the right of the Senate to pass 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 panics and, at least, we shall have the opportunity of correcting this feature of the bill at a 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.

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 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 present division 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. Warrin] 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 country, 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 desire to publish the results of the panic of 1893. In 1898, in London, I discussed with the government of England the methods by which they controlled panic, and in Berlin I presented a copy of the book to the Minister of Imperial Germany as to the method of avoiding panic in the German Empire. From these sources I learned the complete efficiency of emergency notes and I immediately retire under a proper penalty.

(See Appendices A and B.)

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

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 15th of December, 1907, in answer to the Senate 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 not provided the additional issue of government bonds, 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 contained the correct principle, to wit, the automatic contraction of the 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 I have 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 5, 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 an 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, 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, 1534). You will, of course, recall the fact that you prepared the original draft of this proposed amendment, which I introduced at almost, if not exactly, the same time by Mr. Thomas of Kentucky. I think you will find the debate on that bill at that time quite interesting.

If that amendment had been adopted at that time now—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 endorses 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 circ.ulation 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 notes the amount so received by him on account of such bonds, with interest at the rate of 5 per cent per annum on such amount. Failure to redeem such bonds within the limit of twelve months shall operate to redeem such notes within the limit of twelve months shall be held by the Secretary of the treasury to the highest bidder in the open market, and the balance, after payment of the principal of such notes, and the interest thereon, shall be paid to the former owner of such bonds. Any moneys received from the sale of such notes shall be returned to the "emergency circulation fund," and all interest on such shall be paid to the credit of the Treasury under miscellaneous receipts.
The actual amount of notes held in the "emergency circulation fund" shall not exceed $500,000,000 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 like manner, provides 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 face value 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 provided for United States notes directly, and not the awkward, irksome, obstructive use of the pretended national bank notes of 6,000 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 great amount of 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 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 safeguards contained in the then proposed amendment, he was in a position, at that time, to have written into the statute of the United States the very safeguards against panic which he now, with such force, declares essential. If he had then patience enough to give 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 discontinuance of business operations which threw thousands of men out of employment and reduced the wages of those who were still employed.

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Mr. President, I rejoice that the principle of good government and of sound finance which was presented then has now become perfect 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 to this question. 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 with the greatest care, to determine it according to principle and not to allow himself to be influenced by the desire to hear the names of the statesmen of this country with regard to this great proposition, and to be limited to the proposition, 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, and I earnestly insist that the measure to be submitted 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 original proposition provided that the emergency currency would be for the use of the United States the Senate or such of its committees as may be appointed. The committee measure enlarges the volume of securities available, which, I think, is highly judicious and proper.

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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 of the 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.

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

The secondary 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 "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 threats of disturbance and disturbance of confidence flow in endless stream from the gamblers on the stock exchange, the great panic breeder.

The causes are clearly discovered. It is clear that 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 of panic are clearly discovered, a remedy can be more easily provided.
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 these loans are carried over.

(b) The banks know there is only 74 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.——by

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

All of these things make the banker himself the medium of emphasizing these conditions and bringing about the very condition which creates and makes panic. 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 in 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 very condition which is deadly evil of the hoarding of 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) The depositor 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 knew 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 refused the currency of the banks of the United States, and when New York refused currency other banks felt compelled to do so.

(b) The banks of Oklahoma, Pennsylvania, and New York had $40 a thousand 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 correspondent plans, but I believe they did the best they could under a very bad condition.

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

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 1868, as follows:

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Loss</th>
</tr>
</thead>
<tbody>
<tr>
<td>1868</td>
<td>$42,790</td>
</tr>
<tr>
<td>1869</td>
<td>$361,811</td>
</tr>
<tr>
<td>1870</td>
<td>$117,509</td>
</tr>
<tr>
<td>1871</td>
<td>$113</td>
</tr>
<tr>
<td>1872</td>
<td>$34,458</td>
</tr>
<tr>
<td>1873</td>
<td>$26,262</td>
</tr>
<tr>
<td>1874</td>
<td>$4,707</td>
</tr>
<tr>
<td>1875</td>
<td>None</td>
</tr>
</tbody>
</table>

There 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 security of the bank depositors (by permitting the present people to have circulation to be used for the insurance of their deposits) would prevent such depositor from losing confidence and hoarding his deposit.

The security of the bank depositors may be a much smaller need for emergency circulation if this self-insurance plan were provided. The emergency circulation is intended to restore to circulation the money withdrawn from commerce and only secured to the extent that the insurance of these deposits will prove to the country to be of great value.

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Both provisions, however, Mr. President, I regard as essential, because the national banks comprise only 6,000 institutions of the country, and under the conditions of the times, if they were to go out of existence, it would not have any appreciable effect.

Mr. DOLLIVER. Should I 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 the national banks where they choose to use their divided profits for the purpose of buying insurance under the State law 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 the law 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 continued, such as the Oklahoma law now has on national banks, it is applicable to national banks where they choose to use their undivided profits for the purpose of buying insurance. The substitute which I have proposed, I have arranged that it shall put all national banks upon exactly the same level so far as savings are concerned. Besides, the man who wants to invite into the bank deposits by making business knows that the depositor first wants to know is that the banker is a decent and an honorable man, and that is not a good magnet with which to attract deposits. I therefore urge the Senator not to insist on his amendment.

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 States 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 effect 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 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 am goint to answer the Senator's question completely.

Mr. DOLLIVER rose.

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 its 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 he is assuming in your question that the irresponsible, reckless banker is going to attract the deposits. 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 law. Under the substitute which I have suggested here, the insurance plan only goes to the non-interest-bearing deposits and the man who wants to invite into the bank deposits by giving interest and paying people to make deposits with him, and 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. He established his bank must comply with 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 capital and the stockholders are liable for a like amount, making a bond of $50,000 standing between the depositor and him. Therefore those 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 Iowa?

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 its own?

Mr. OWEN. It depends upon the condition of the bank. 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 the law of Oklahoma? As I have suggested here, the insurance plan only goes to the non-interest-bearing deposits and the man who wants to invite into the bank deposits by giving interest and paying people to make deposits with him, and 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. He established his bank must comply with 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 capital and the stockholders are liable for a like amount, making a bond of $50,000 standing between the depositor and him. Therefore those objections which are made that it will encourage reckless banking have no genuine foundation.

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 individual responsibility, whichever you may see it to denominate it.

Mr. OWEN. That is no doubt an interesting historical circumstance. It arose in a time 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, and when there were no newspapers when the States were set in a 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 adopt 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 nation of the United States and the 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 deposited and outstanding notes in all. If we go back and point to 1830, the days of our great grandparents, 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—

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.

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, which could be remedied by

(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 for the issue of $500,000,000 of resources 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 free exercise.

(c) No national banking association which has less circulating medium than 20 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 of its capital is permitted 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 under the committee bill described are only permitted to have relief of a limited amount of emergency notes, apportioned off to each of the several States, regardless of the national exigency.

Fourth, no State bank, not 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 circulation of the United States and having a capital and surplus of $500,000,000 in the aggregate and capital and surplus of $500,000,000 in the aggregate. This is an oversight.

The VICE-PRESIDENT. Does the Senator from Oklahoma yield further 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 limitations 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 prevent it. For example, in the first place, and still not deny California what it needed.

Mr. FLINT. If the stock market were eliminated, I would propose this bill that the currency should not be limited. But if a condition should arise such as existed in the last panic, I think it should be limited 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 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 bankers 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 limited is that the Secretary of the Treasury or the Comptroller 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 purpose of the bill 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 relief 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. If we now limit it to five hundred millions, and then limit that amount in such a manner as not to make it available when 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 quotas...
the deposits in New York, and the banks in the South and the Middle West and the Pacific Coast might be in accord at least with the purposes of the suggestions I make.

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 conditions 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 condition which compelled the Western banks to hoard and 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, and have to-day a greater 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 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. Undoubtedly.

Mr. SMOOT. I am not registering any complaint against the New York banks. I am discussing a principle 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 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 savings banks, although they occupy and control two-thirds of the banking field in the United States. What is the reason for that? I ask of the Knecracker-keck 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 through this measure by which to make effective this distinct in favor of railroad bonds against United States 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 help in this public function, and United States bonds should have it.

Sixth, the committee bill to prevent panic removes every limitation on the contraction of $900,000,000 of federal national bank currency, when some reasonable limit is necessary, unless by inviting unlimited contraction of this currency we prolong low prices of commodities and prevent a prompt reaction from the effects of the present panic.
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 that it could take out a hundred thousand dollars in circulation at a half of one per cent tax instead of taking out ninety thousand dollars at one and a half 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 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 have only 67 banks which are entitled to create notes.

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 desire to insist on 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 admit that a United States bond 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 whatsoever, 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 cannot 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 that the bill which pretends to be a national-bank note is really a United States note while it is circulating 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.

Mr. ALDRICH. I would favor section 7, without regard to the emergency notes that 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 redeemable in "lawful money" instead of exchangeable in United States notes as provided (sec. 3, act June 20, 1874), I think the provision is unnecessary.

Mr. OWEN. 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.
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 herefore been redeemable in 'lawful money' which means redeemable in gold. If this were not the case the country would have been in a panic the last time the gold certificates were made payable in 'lawful money'.

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 as United States notes issued in lieu thereof, it would save the United States and the people of the United States the amount of $800,000,000 annually now paid in net interest on the bonds held in the vaults of the Treasury for these national-bank notes. The whole plan of issuing these national-bank notes which are now in our permanent circulation, is nothing but a subsidy paid to the national banks a profit measured precisely by the interest on the $800,000,000 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

prevented 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 proposes to amend 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 for its existence on the insolvency of the bank of issue, but depends upon anticipatory collateral required by law to be deposited with the Treasury of the United States.

This cumbersome, awkward, unreasonable method would require 6,000 varieties of engraved plates, expensive to make, to keep, and to use.

It would require accounts to be kept with 6,000 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 cheap.

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

The majority of the committee were of the opinion that further issues of United States notes at this time would create a dangerous precedent, and that the approval of their issue, even for temporary and specific purposes, would lead ultimately to a public demand for a continual enlargement of the emergency issue.

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 cannot ever 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 this 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 would 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 argument, but it is not an addition to 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 accumulated 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 government.

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 notes 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 amends section 7 of the committee bill, which makes all of these emergency notes practically redeemable in gold.

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 not on demand to the holder, which means legal tender, which 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 $150,000,000,000 gold as a reserve fund, but we have in addition to that over one thousand millions of gold and silver certificates, against which there are outstanding gold and silver certificates.

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 only $815,000,000 would be available in gold from the Treasury and gold and bullion, or 70 per cent gold reserve, nearly double the usual reserve of the Bank of England. We would save $585,000,000 a year in interest on Treasury notes in lieu of national-bank notes, which are now in our permanent circulation, and this great fund of gold would go far to improve the standing of the United States in the financial world.

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

The 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 also then have about one thousand millions of gold coin to redeem a smaller amount of Treasury notes, and this great fund of gold would go far to impress the authors 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.

Mr. President, I think that this reserve fund of one hundred and fifty millions should, by statute, be gradually increased.

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 as United States notes issued in lieu thereof, it would save the United States and the people of the United States the amount of $800,000,000 annually now paid in net interest on the bonds held in the vaults of the Treasury for these national-bank notes. The whole plan of issuing these national-bank notes which are now in our permanent circulation appears to me merely a 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 cannot ever become a part of our permanent circulation, nevertheless might "lead ultimately to a popular demand for a continual enlargement of the issue."

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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, Treasury notes—payable in "lawful money," as provided by section 7 of the committee bill? 31589-7444-2
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, if the Government had been in the national banking business, and had had a capital of $1,000,000,000, I could have converted my capital into national-bank notes and thereafter I would have received from the Treasury of the United States 14 per cent per 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 be good as gold.

Mr. President, when the financial bill passed in 1900 if I had been in the business of making loans, and if I had had a capital of 50 per cent of its own notes outstanding? Does it strengthen a pretext for enlarging such so-called "national-bank currency."

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Mr. President, when the financial bill passed in 1900 if I had been in the business of making loans, and if I had had a capital of 50 per cent of its own notes outstanding? Does it strengthen a pretext for enlarging such so-called "national-bank currency."

The operation of this method of issuing national-bank notes against United States bonds seems to me absurd. For example, if the Government had been in the national banking business, and had had a capital of $1,000,000,000, I could have converted my capital into national-bank notes and thereafter I would have received from the Treasury of the United States 14 per cent per 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 be good as gold.

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 such 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 notes, by the discounting privilege of the discounters. As a Member on this floor, I pray the interest, the confidence of the people for the future in the stability of our institutions has been tremendously impaired by the wreckage of what was regarded the most conservatively managed bank in the Southwest. It tells nothing to say that this bank was unduly impaired by enemies who wanted the deposits of this institution. The terrible fact is, our people are thus taught to distrust those who are weak and ignorant for the tax of nine millions a year and this rate of taxation is not only unnecessary, but it is the pro

The committee bill puts a further limitation upon the proposed remedy. 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 twelve millions to meet another financial crisis.

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

Under this proposed limited remedy the great National Bank of Commerce, of Kansas City, run to its death recently by an unfounded suspicion, would have been limited in emergency notes obtainable by this bank to $2,000,000 (its surplus), and yet this same bank had on hand nearly $8,000,000 of bonds, $14,000,000 of cash, which includes accounts with other banks of $25,000,000. 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 alleging their solvency. This magnificent institution paid out $18,000,000 before closing its doors against a panic and a run that was absolutely fictitious.

The institution, I am thoroughly satisfied, is solvent to-day, and no question could ever have justly arisen as to its conserva

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 depos

The bank of which I had the unhappy experience ten years ago, 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 the bank and that we were too strong enough to sustain them against the hurricane of panic.

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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. 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 use as well. 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 in October 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 so that you may not be content with a sum entirely insufficient to meet the emergency.

Mr. FLINT. As a panic sweeps across the country, under this bill, as I understand it, starting with California, in each locality the banks 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 actually occurred. Here was the case. If you will examine the national banks and all other banks issued clearing-house certificates, issued cashiers' checks, and issued these various devices from the amount of hundreds of millions for the making of withdrawals. These various banks resorted to that practice which we are told by the chairman of the Committee on Finance will not be endorsed again; that the country will not stand it another time; that 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 sun 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 peculiarly 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 there and then 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 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 Pittsburgh, and if Pittsburgh could have issued its proportion of money as provided in this bill it would have stopped that panic in Pittsburgh. 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 full of the $2,000,000, but those other cities would have been able to act. It was only by sending 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 amount of all 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 the other 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. Arizona, New Mexico, Colorado, 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 limited, for if she requires more than this bill provides I think New York ought to have all that she wants and that no other ought to be denied.

Mr. TILLMAN. Will the Senator from Oklahoma permit me to ask 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 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 infames 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 the condition 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 infatuate 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. 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 or to 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 a cent did the banks lend 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 those 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 ordinar gambling device, which amuses and robs, but when this gambling is of a nature to cause a panic, to paralyze the commerce of this country and destroy our business stability, that is an honest, hard-working man is unable to make his livelihood, it is high time to draw the law, 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 do 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. I do not 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 put this money?" I will say it. I think it ought to be, it will become the legal duty of the banker to ask in.

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 it?

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 would 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 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 $20 at one time and down to $8 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. HOPKINS. 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 gamble on "a rise in the market."
they are frightened out of their foolish wits, and those more
learned, richer, and more skilled 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
and the forty-six States an average of about $11,000,000 only
years to completely put out the fire of panic, New York ought
that is I wanted to know. The
Mr. OWEN. They may in Oklahoma, but it is not so in
Mr. OWEN. The Senator's observation is more humorous
in a block of buildings. The
Mr. President, the State banks and the trust companies. These
government, in dealing justly also with the great financial
institutions, and therefore for this reason it is the more im-
Mr. President, I earnestly call the attention of the Committee
Mr. HOPKINS. Now, Mr. President——
Mr. OWEN. With pleasure.
Mr. HOPKINS. The Senator from Oklahoma has created a
beggar, and that has no relation whatever to my question. My
proposition was as to whether he would refuse to make a loan
and the refusing of credits. Since
that he has that power and since they have used it to the damage

Mr. President, the senator from Illinois?
Mr. OWEN. With pleasure.
Mr. HOPKINS. The Senator from Oklahoma has created a
beggar, and 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
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. Mr. President——
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 obtained through the difficulty of as many huddles 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 by the 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, evidently good, its purpose appears to be to uphold 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 not 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?
Who would know 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 con-
flagration 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 con-
sequences of this financial conflagration from which we are just
emerging, the evil effects of which are not yet fully upon us,
he advises a remedy which he demonstrates by his own remarks
to be insufficient in volume.
He draws 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
costly extend itself.
The committee bill limits the amount to a total of five hun-
dred millions, whereas far more than five hundred millions were
in necessary in the panic which has just passed. The committee
suggests that even this limited supply should only be ad-
vanced as a total to certain national banks, under numerous
reactionary restrictions, when all the national banks combined
and I, believe, to the extent of thousands of millions.
The committee recommends that even these particular na-
tional banks shall be limited still further as individuals and be
advanced only a very limited amount of emergency.
And even these limitations are further limited so as to con-
fine the remedy to the limited district of the States severely,
the banking capital, 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 the inexpediency of limiting the amount of notes to
be furnished to any national bank.
I respectfully submit that no national bank should be denièd
any amount of these notes for which they furnish the required
security, for the obvious reason that
"Why
state
trust
company,
and
savings
banks and
depositors,
have only one-half of the currency kept by the na-
tional banks, and therefore for this reason it is the more im-
portant 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, therefore the civilized world depends.

The deposits of the State banks, trust companies, and loan and trust companies for the year 1897 was $8,776,755,307, (Comptroller of the Currency), 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 emergency, 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 present a privilege, and shall also be allowed to receive emergency currency, whatever in limiting this right 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 if 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 extent that is logical, and there, for the reasons from which New York occasionally suffers is contagion, 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, and he would attack the reserve situation by going strictly to the redemption of collateral, which come within the scope of this bill, and suggest that this act of the committee of the House, ex-Secretary Gage to private persons to us unknown, but with whom we are on relations of amity.

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 be held by one hundred banks, it is still the same thing for 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 possible true; but the banks ought to be the bondholders to the extent of their necessities and more, if they so desire, 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 drunkard who kept the remedy available.

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

Mr. OWEN. No.

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

Mr. OWEN. Yes.

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

Mr. OWEN. No.

Mr. OWEN. Not an objection of mine. I was simply inquiring as to the attitude of the Senator from Illinois. I was merely stating what my position was all at. 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 passed. 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
Congressional Record.

has made a material difference in the month of January, since the plan of the chairman of the Finance Committee was explained. I will insert here a table of bonds, with their rise in value in 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 banks' reserve have been much talked about and advocated it has had the effect of raising the market value of these securities, when all of such increase should attach itself 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.

<table>
<thead>
<tr>
<th>Name of bond</th>
<th>Price in December</th>
<th>Price in January</th>
<th>February 14</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ann Arbor first general 4's</td>
<td>92</td>
<td>93</td>
<td>95</td>
</tr>
<tr>
<td>A. T. and S. F. general 4's</td>
<td>97</td>
<td>98</td>
<td>99</td>
</tr>
<tr>
<td>Atlantic Coast Line</td>
<td>88</td>
<td>89</td>
<td>91</td>
</tr>
<tr>
<td>B. and T. prior lien 4's</td>
<td>98</td>
<td>99</td>
<td>99</td>
</tr>
<tr>
<td>Can. So. first 5's</td>
<td>104</td>
<td>105</td>
<td>106</td>
</tr>
<tr>
<td>Ches. and O. gold 6's</td>
<td>104</td>
<td>105</td>
<td>106</td>
</tr>
<tr>
<td>C. and A. general 5's</td>
<td>103</td>
<td>104</td>
<td>105</td>
</tr>
<tr>
<td>Chic. and N. W. consolidated 7's</td>
<td>111</td>
<td>114</td>
<td>116</td>
</tr>
<tr>
<td>Chic. R. 6's</td>
<td>108</td>
<td>110</td>
<td>113</td>
</tr>
<tr>
<td>Erie first exchange gold 4's</td>
<td>80</td>
<td>82</td>
<td>83</td>
</tr>
<tr>
<td>Buff. N. Y. first exchange gold 5's</td>
<td>99</td>
<td>100</td>
<td>101</td>
</tr>
<tr>
<td>Hl. Central general 4's</td>
<td>99</td>
<td>100</td>
<td>101</td>
</tr>
<tr>
<td>Long Island consolidated 6's</td>
<td>104</td>
<td>105</td>
<td>106</td>
</tr>
<tr>
<td>M. K. and T. first 4's</td>
<td>93</td>
<td>94</td>
<td>97</td>
</tr>
<tr>
<td>Mo. Pacific consolidated gold 5's</td>
<td>88</td>
<td>89</td>
<td>90</td>
</tr>
<tr>
<td>N. Y. Cen. and Hudson River gold mortgage 5's</td>
<td>100</td>
<td>101</td>
<td>102</td>
</tr>
<tr>
<td>Lake Shore 6's</td>
<td>78</td>
<td>79</td>
<td>80</td>
</tr>
<tr>
<td>Lake Shore and Michigan 7's</td>
<td>84</td>
<td>85</td>
<td>86</td>
</tr>
<tr>
<td>N. Y. Cen. and S. L. first gold 4's</td>
<td>93</td>
<td>94</td>
<td>95</td>
</tr>
<tr>
<td>N. Pacific first consolidated 6's</td>
<td>90</td>
<td>91</td>
<td>92</td>
</tr>
<tr>
<td>Reading Co. general 4's</td>
<td>94</td>
<td>95</td>
<td>96</td>
</tr>
<tr>
<td>So. Pac. first consolidated gold 5's</td>
<td>85</td>
<td>86</td>
<td>87</td>
</tr>
<tr>
<td>Wash. first gold 5's</td>
<td>104</td>
<td>105</td>
<td>106</td>
</tr>
</tbody>
</table>

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 considerable 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 permitted by this committee.

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 go 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 upon us by the speculators 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 his evidence to the committee, "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."

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 deposits for speculative loans.

We all know that the New York banks hold in their hands twelve hundred millions of deposits, including the deposits of twelve hundred millions of deposits 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 people 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 aid for loans for the speculative buying and 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 a table 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 withdrawing these loans from speculative purposes and replacing them 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 ingenuous arrange devices through which weaker and less intelligent people are drawn 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 operation. It did not use marked cards, 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 them in their property under the forms of law.

Men are induced to invest their property under 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 demanded 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 similar, 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 as a condition to this committee that the banks should be forbidden to use the reserves of the people of the United States for the promotion of the speculative buying money in 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. (Creeiman.)

According to James Creelman's statistics, 256,418,601 shares of stock, the value of $22,600,000,000, besides 605,000 thousand-dollar bonds, were "sold" in 1906 on the Stock Exchange; and on the Consolidated Exchange 130,000,760 shares of stock, besides 21,000,178 shares of mining stock and 955,884,000 bushels of wheat were done on that exchange. Over $20,000,000,000—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 2268), 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, he gives the broker his certified check.

I understand the law is evaded by putting up a demand note secured by the stock named, and then before business hours closes 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 a 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 recover 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 exchanges really necessitates the withdrawal of such credits from the channels of trade, from the use 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 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. 328, 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 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.

The committee bill entitles 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.

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Mr. President, the most important element of our continued national prosperity is to obtain stability of currency. The most important element of our national prosperity is to obtain stability of currency. 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.
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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? This regulation, however, has the effect of making the law more powerless than any Congress can pass. The least that this House could do is to require that this power be left to the discretion of the bank itself. The law of nature and of convenience, this amount can not be easily increased without serious constrictions of credit.

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 the next. 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, and under 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 banks to hold 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 to them one hundred and 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 reserves forty-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. These interior banks hold and the issue of about seventy-five millions of available emergency currency, with no increase in present reserve required. These results would follow without adding a cent to the taxation of the country.

The reserves now held by the Federal Reserve Banks are merely 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.
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 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 laws. This fact forthwith 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 correctly care 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.

<table>
<thead>
<tr>
<th>Location of banks</th>
<th>Amounts of deposits</th>
<th>Cash reserve in vaults</th>
<th>Deposited with reserve agents</th>
<th>Possible loans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Country banks</td>
<td>$10,000,000</td>
<td>$600,000</td>
<td>$500,000</td>
<td>$8,500,000</td>
</tr>
<tr>
<td>Reserve city banks (amounts above deposited by country banks), 9 per cent</td>
<td>900,000</td>
<td>#112,500</td>
<td>#112,500</td>
<td>670,000</td>
</tr>
<tr>
<td>Central reserve city banks (amounts above deposited by reserve city banks)</td>
<td>#112,500</td>
<td>#28,125</td>
<td>84,875</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>11,012,500</td>
<td>740,625</td>
<td>1,050,000</td>
<td>9,259,375</td>
</tr>
<tr>
<td>Per cent of total deposits</td>
<td>61</td>
<td>73</td>
<td>101</td>
<td>92</td>
</tr>
<tr>
<td>Per cent of original deposits</td>
<td>61</td>
<td>73</td>
<td>101</td>
<td>92</td>
</tr>
</tbody>
</table>

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 asked 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.

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 of 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 certificates, which is only 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 as cashier's checks, on 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 6,000 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 6,000 banks who could make the argument that these notes which they issue are good with 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 current. 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.

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

2. 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...
CONGRESSIONAL RECORD.

Mr. President, in discussing the essential features of the substitute, the committee measure refuses 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 directs the use of 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 shall be, in the form of national-bank notes, controls every item and every particular not be true. Their volume is abundant. It will not do to say that these bonds, issued for public purposes, are not 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 the committee use railroad bonds, 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 their money. Giving this function to railroad bonds will be worth hundreds of millions to the holders of such railroad bonds.

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 $67,065,000, or one-third of the capital stock shall 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.

The very fact that 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 a want one 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 more than sufficient for its necessities.

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 reserve stock at any time 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 more than sufficient for its necessities.

And that—

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 may be 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 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 capital and it had a demand liability of its deposits to the extent of $67,065,000. 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 was prepared to put to 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.

But the chairman of the Committee on Finance give to the Senate for refusing this relief against panic to this institution, when besieged 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. 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 capital 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 have 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 in these factories and mercantile houses is no less 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 any State institutions in excess of the amount that State would be entitled on the basis of the proportion which the unimpaired capital and surplus of the national banking associations of the United States 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 it is the reasoning of the Senator from New York (Mr. Dewey) 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 9,000 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 of new and emergency pullions to stop the drain on account of its banks, would 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 the 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
CONGRESSIONAL RECORD.

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

It looks to me that a measure is called for 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 so is the nation was staggered. 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 $710,000,000.

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, $64,750,135.

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 immaterial 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 the tax-exer of the United States was instantly 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 the country was being forced in 1907.

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.

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to make this request. They expect it of this body, and, in their
be amended. It must provide that this process of stealage and
one of the members of this body I demand relief. This bill must
stealing the property of the unwary goes on year after year
and year after year and this body sits here, and sits, and sits,
panic shall stop. The people of the United States have a right
the face of the earth, where the intelligence of the victim is
It is, as I have said, the most stupendous gambling palace on
classes embrace educated men who, although they seem to be
has been used to steal away millions of dollars from the unsus­
dollar is invested in these precious securities.
be debated by a sophist. It might be asked by one used to
because it removes this potential cause of panic.
by its moral effect. There is no harm in making it so
cept for its moral effect. There is no harm in making it so
Mr. President, this question is asked by a lawyer and might
be debated by a sophist. It might be asked by one used to
by another potent cause of panic.
active bank officers forbidden to borrow.
Seventh. The substitute measure is superior to the commit­
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 1867, was
the spark which ignited the lurking hoarding spirit prepared by
the gambling transactions above referred to. The powder and
dynamite were carefully arranged and Morse was the detona­
tion prepared by him.
be no panic capable of seriously harming our national com-
merce.

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 hear it.

There is a class of persons who do not keep any bank account
because of a distrust. One of the strongest benefits arising
from the guaranty of deposits would be to bring out the cur-
rency hoarded by this class of people, who at present do not
keep a 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 pro-
tection of our commerce; it is the promotion of the stability
of business conditions which is specially to be desired. The de-
positor 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 assurance of deposits. The great majority of
these letters strongly favor the guaranty plan and give the fa-
dant reason therefor. I submit a sample of these letters (Appendix "E"), but I have also received various letters from
entitles, among the few of guaranty of deposits.

I have carefully read the letters which oppose this proposi-
tion and have scrutinized every objection made.

The objection is that it will promote reckless banking, which
will encourage unscrupulous bankers to offer high inter-
est for deposits, with a view to embezzling the funds of the
depositor; 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 suppositional
embarrassment, in lieu of an insurance plan, is to be in-
duced to offer for deposits, and, moreover, the honest bank-
er pays nothing more under the plan pro-
posed than he does now. It costs him nothing.

Second. The embarrassment 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
6,000 of such banks in the United States the losses for the last
ten 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 conserva-
tive 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 lia-
bility 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 deposi-
tor that the bank is safe. The real factors which control the de-
posit are the personal friendship of the depositor for the bank,
for some of its officers or stockholders; the fact that it is con-
venient to his business; the fact that he has a right to expect the reasonable business accommodations to which he
is entitled, among the most important of which is an assurance
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 deposits; if a small man, in the hands of a reckless, ex-
travagant 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 $25. The average loss of
the State banks has been about $4,000,000 per annum, and
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
discloses 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 of deposits the people
will be 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 for
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 limited States need 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 provide itself with some law pro-
viding an insurance plan for the depositors of State banks, and
the insurance of the deposits of national banks in the pending
measure would lend directly to this end.

Even if any State failed to provide an insurance plan, any
State bank which felt the slightest harm from the State's omis-
sions would take out a national-bank charter, and thus be de-
ferred 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
thing to be attained, but it is the prevention of panic, the pro-
tection 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 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 thou-
sand 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
checking 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 ex-
changes.

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 de-
stroy 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 for-
motion of panic conditions that I earnestly insist upon the
appropriation of the stocks and properties held by these men.
I shall not stop to criticise the moral aspect of this mat-
ter. I only desire to emphasize the fact that these bear op-
erators are able to cause violent fluctuations of credit, violent
fluctuations of interest rates; that they set out false signals
that produce shipwreck for their own profit. It is to stop the
disastrous results of their campaigning and to stop their pro-
motion 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 re-
serves 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.