

Senator Owen Calls Upon Reserve Board to Cut Discount Rate

Senator Owen's letter, written to Governor Harding of the Federal Reserve Board, on November 18, follows, in part:

"I wish to again appeal to you and to the Federal Reserve Board to lower the rates of interest charged by the federal reserve banks, and to expand the loans of the federal reserve banks to the extent which may be required for purposes of legitimate production and distribution.

"American banks are justified in charging 6 and 8 per cent, because they pay 2 and 3 per cent for deposits, and they are entitled to make a profit of 2 and 3 per cent above their overhead charges on the deposits which they handle as merchants of credit.

"The federal reserve banks earned last year over 100 per cent and are earning now at a rate in excess of 150 per cent per annum on their capital, contrary to a sound public policy. This excess profit is all the more reprehensible because it goes to the treasury, is made by a governmental instrumentality and puts the government in the position of profiteering, and setting a national bad example.

"The federal reserve banks under these high interest rates are measurably destabilizing credits and promoting industrial depression under the arbitrary high interest rates which the reserve banks are charging.

AGREES ON LOAN RESTRICTIONS

"I fully agree with the board in its policy of advising restrictions of loans employed in stock speculations, in commodity speculations, in hoarding and in profiteering. This advice of the board is wise. It can only be applied advantageously by the individual banks exercising an individual discrimination against loans for such purposes. Such credits when released, however, should be extended to those who are engaged in legitimate production and distribution.

"It seems to be the policy of the board to raise the rates of interest for the purpose of broadly deflating credits. It has been pursuing this policy for a year, with the result of this policy of high interest charges being extended generally throughout the country, which has thus brought on a condition of industrial depression resulting in checking, and in some cases absolutely stopping, legitimate production and legitimate distribution. This is the evil of usury.

"I heartily approve the checking of speculation, hoarding and profiteering, but I very vigorously disapprove and protest against the breaking down of legitimate production and distribution by this course.

LACK OF VISION

"The error of the policy of indiscriminate deflation is largely due, in my opinion, to the lack of vision of the big New York city banks. Beginning a year ago, the men who control the policy of the big banks dealing in stock exchange loans began to put the interest rates up from 10 to 30 per cent, instead of requiring such loans to be gradually liquidated on some reasonable basis.

"The New York city banks have, above all others, pursued the policy of indiscriminate deflation, and have deflated their own deposits accordingly. The balance of the country's banks, therefore, increased their deposits exclusive of New York about \$5,000,000,000.

"The total resources of the banks of the United States increased \$4,045,64,000 for the fiscal year ending June 30, 1920, reaching the gigantic total of \$53,079,108,000.

RESOURCES OF BANKS

"My dear governor, I am protesting to the reserve board against the policy of indiscriminate deflation, and I am praying the board to reconsider its attitude, and to withdraw from supporting the policy of indiscriminate deflation by high interest rates and by refusal of credits to legitimate industry, which the reserve banks can well afford to make to whatever extent actually required by the country.

"I have been distressed by the propaganda being carried on to impress the country with the idea that the federal reserve banks were in a condition of instability.

"English people are using gold very economically and the United States is using gold very uneconomically.

"The federal reserve banks have in gold, including a small amount of legal tender, \$2,180,000,000. The banks of the United States had in cash in their vaults \$626,000,000 on June 30, 1920. There is in the United States treasury over \$300,000,000 of free gold and silver, and there is outstanding outside of the federal reserve banks and outside of the treasury \$670,000,000 in gold and \$414,000,000 of silver, making a total of over \$3,000,000,000, or about \$30 per capita, while the total amount of gold in the British Isles is about \$800,000,000 or seventeen and a fraction dollars per capita. The world owes the United States \$15,000,000,000 and we can command the gold of the world.

SAFEGUARDS ITS BUSINESS

"The Bank of England, acting as the reserve agent of all the banks of Great Britain, is safeguarding a world-wide business, probably equal to that of the United States, with a cash supply on hand of only \$75,000,000, consisting of the Bank of England notes (irredeemable at this time) and including less than \$10,000,000 actual gold, while the federal reserve banks, serving a similar office for American banks, have \$2,180,000,000 of gold, so that the reserve banks have over twenty-five times as much as gold as the banking department of the Bank of England.

"The federal reserve act contemplated the reserves against the federal reserve notes going below 40 per cent, and made provision for it by a moderate and small penalty. The Federal Reserve Board has refused to allow the reserves to do down when the very purpose of the reserve as contemplated by the act is that it should be used when the national welfare requires it.

"I respectfully pray the board to now give consideration to the question of reducing the rate of interest and of extending the powers of the federal reserve banks to the full accommodation of our legitimate commerce and industry in order that the gigantic strides of America along the road to prosperity may continue unimpeded."

A DANGEROUS INTERIM

Senator Norris proposes an amendment to the constitution to do away with the electoral college—a debatable proposition. We think it more important to do away with the four months' delay between election and inauguration. The sole reason for this passed away with the post chaise and the sailing packet. Less than a week is now necessary for the most remote congressman to reach the capital. Of course, a reasonable time should be provided for the retirement of an administration, but not four months.

The experience of the nation at the outbreak of the civil war should have been enough to bring a change. The four months between the election and inauguration of Lincoln were a costly period for the north. The southerners in Buchanan's administration were able to get prepared for secession to an extent that made suppression of the rebellion impossible and cost the nation a ghastly waste of life and almost its unity.

The government chosen by the people should not be compelled to wait for four months in inaction while the government to which the people have refused a vote of confidence remains in power. We hope there never will be traitors again in any administration as there were in 1860, but what has happened may happen again. But the case need not be put in this extreme form. Granted that the outgoing administrations will always be as loyal as the incoming and as anxious to serve the best interests of the nation, still they cannot function efficiently. They must necessarily confine themselves to closing up. It is not in human nature to begin things for others to take over, and, indeed, if an outgoing administration were to attempt it there would be waste and confusion, since the incoming would often undo what its predecessors and political opponents had begun.

In short, the four months between election and inauguration must be a period in which the executive departments run down and even the

legislative branch of government, where party changes have taken place, must confine itself virtually to unfinished business. In ordinary times this involves a great loss. In critical times it is dangerous. Mr. Taft after his defeat felt obliged to mark time on the Mexican situation, wishing not to commit the government or force Mr. Wilson's hand. If Mr. Hughes had been elected in 1916 a very serious embarrassment would have occurred, for he could not have taken charge of our critical relations with Germany during the very period in which, as it turned out, they were culminating.

The present situation is about as undesirable as it could be and emphasizes sharply the need for change. Mr. Wilson's party has been defeated on issues of international policy which are of urgent moment. Mr. Wilson must either mark time, as we assume he will do, or act inconsistently with his own convictions or in disobedience of the popular decision, neither of which is probable. Our foreign affairs, to say nothing of our domestic, must therefore wait for definite and vigorous handling during a period of great strain and momentous possibilities.

This is inefficient government, and congress should act at once to initiate amendment.—Chicago Tribune.

CANNOT AID DISARMAMENT

A Washington dispatch, dated Dec. 8, says: President Wilson today declined the invitation of the league of nations to send delegates to take part in the discussions of the disarmament commissions.

The President informed the league of nations council that inasmuch as the United States was not a member of the league he did not feel justified in appointing a commission "to take even a de facto participation."

The United States, however, the president declares, is in sympathy with any plan for world disarmament.

The reply of the president to the invitation of the league council was transmitted today through the state department to Paul Hymans, president of the council. It follows:

"I have the honor to acknowledge the receipt of your cablegram of December 1, inviting the government of the United States to name representatives to sit with the military, naval and air commissions of the league in a consultative capacity during the discussion by the commission on the reduction of armaments, the consideration of which is to be undertaken by it forthwith at the request and on behalf of the council.

"The government of the United States is most sympathetic with any sincere effort to evolve a construction plan for disarmament which is necessary for the economic rehabilitation, peace and stability of the world. The President of the United States is deeply interested in this question and is most desirous of co-operating to this end, but as the government of the United States is not a member of the league he does not feel justified in appointing a commission to take even a de facto participation in the deliberations of the council or of commission acting on behalf of the council in the execution of provisions in the covenant of the league of nations."

MR. BRYAN'S STATUS

Is Mr. Bryan within or without the Democratic household? The question grows out of suggestions that the Nebraskan may present a program for the reorganization of the Democratic party.

Mr. Bryan claim to be within the household. He has never left it. True, he made no speeches for Gov. Cox. He could not consistently do so. He had advised against his nomination, and upon receiving the nomination Gov. Cox had pitched his appeal for election in a key Mr. Bryan could not sound. But he voted the ticket. Not only voted the ticket, but traveled from Miami, Fla., to Lincoln, Neb., in order to cast his ballot. That stamped him with the seal of regularity.—Washington Star.

GAMBLING GAMES NOT NECESSARY

On another page will be found an interesting article from the Jacksonville (Fla.) Times-Union calling attention to the fact that the Atlanta Fair had been conducted successfully without games of chance. It is a step in advance, and now that women vote there will be many such advance steps. MORALITY PAYS—as communities find when they have the courage to try it. "Business" does not require gambling any more than it did the saloon.