

WHEN WILL NATIONAL BANKERS GET ENOUGH?

The asset currency plan is being vigorously pushed just now, and Secretary of the Treasury Shaw is conspicuous among its advocates. Mr. Shaw explains that our currency system is "non-elastic, that it fails to respond in volume to the change in needs of seasons and of localities." Mr. Shaw says that we came nearer to a panic September 30, 1902, than most people appreciate and that an "elastic system" is necessary in order to avoid panics in the future.

Evidently Mr. Shaw does not like the term "asset currency," because he says that his remedy does not contemplate asset currency nor even "emergency currency" in the popular acceptation of that term. He would authorize "additional national bank circulation," explaining "this method involves the right of national banks to increase their circulation in an amount perhaps equal to 50 per cent of their outstanding volume of government secured circulation, on which the bank should pay a tax of 5 or 6 per cent during the time it is maintained, and the government in consideration of this tax should guarantee its redemption." Mr. Shaw would eliminate from the national bank note the statement, "This note is secured by bonds of the United States," and the additional currency would then be identical with that based on government bonds.

Mr. Shaw may apply whatever name he sees fit to this plan, but it is nevertheless asset currency. He says that bankers would not take advantage of their privileges under his plan except in cases of dire public necessity, and as an argument in favor of the plan he says "The comptroller of the currency and the bank issuing the currency would alone know of its existence, it would not advertise its existence or our extremity, and I can scarcely conceive of conditions under which it would remain out sixty days. It would be retired by a deposit of money at any sub-treasury."

Secrecy in public transactions is not desirable and it is not likely that many people will be influenced to support this plan on the theory that bankers would not avail themselves of the privileges offered to them. While conceding to these gentlemen a reasonable amount of public spiritedness, they are not so wholly unselfish and so entirely devoted to the public welfare as to overlook these advantages. It is reasonable to believe that if the national bankers were given the privilege which Secretary Shaw hopes to con-

fer upon them and which he now describes as a precautionary method to be employed at times of threatened panics, it would come to be the rule wherein these extraordinary benefits are offered and greedily accepted by the national bankers.

It is strange that the men who had so much to say concerning "50 cent dollars" when they applied that term to the silver money are so ready to advocate no-cent dollars.

And what does Secretary Shaw's plan involve? Let us first look at the present-day privilege enjoyed by the national banker. By depositing government bonds he can now issue national bank notes to the par value of the bonds. He thus obtains permission to issue these national bank notes and use them as money while at the same time he draws from the government interest on the bonds deposited as security for those notes. If Secretary Shaw's plan were adopted the national banker could issue additional currency to the amount of 50 per cent of the value of bank notes he had already issued. For instance, say there are under the present law \$450,000,000 in national bank notes outstanding. As security for these notes \$450,000,000 in government bonds have been deposited. These national bankers are drawing from the federal government interest on \$450,000,000 in government bonds and they are at the same time using \$450,000,000 in national bank notes for the purpose of drawing interest from the people. Secretary Shaw's plan once put into effect would authorize these bankers to issue \$225,000,000 additional bank notes, thus having outstanding \$675,000,000 in national bank notes, with \$450,000,000 in government bonds as their security. A national bank circulation \$450,000,000 of which is secured by government bonds and \$225,000,000 of which is mere wind!

But Secretary Shaw assures us that this additional currency would be absolutely secure because the faith of the government would be behind it. If memory is not at fault, Secretary Shaw and his associates were wont to laugh at the populist when he talked about "the faith of the government" in connection with the issue of money.

But suppose some of these banks should fail? Secretary Shaw's proposed tax would not provide the redemption fund. From 1893 to 1904 inclusive, according to Bradstreets, we had 308 national bank failures. The assets of these banks were of course not sufficient to pay their liabilities. Suppose Secretary Shaw's plan

had been in force and these three hundred and eight banks had issued under the government bond plan, say, \$10,000,000 in national bank notes, and then under Secretary Shaw's plan had taken advantage of their 50 per cent privilege and issued \$5,000,000 additional. Would that have been "sound money?" The advocates of the asset currency will say Yes, because the faith of the government being behind the wind currency it would be "as good as gold," and the holders of notes would not suffer loss. But the government would lose, and it would be necessary for the government to pay these note-holders out of the pockets of the people.

The logic of the frenzied financier is fearfully and wonderfully made. He objects to a law which will restore the white metal to its functions and remove from it the disadvantages under which that metal's price has decreased. He does this because he says he is opposed to "50 cent dollars;" he wants "every dollar to be as good as every other dollar;" he wants "honest money;" he is so opposed to the government itself issuing money that he is already clamoring for the retirement of the good old greenbacks, and he does all this claiming that he is zealous for the integrity of our currency system. Yet he is pleading for the establishment of a system whereby individuals may be given the privilege of issuing a large volume of paper money for the redemption of which the government and the government alone shall stand responsible. He boasts that we have the greatest of monetary systems; that the money question has been settled and he objects to any further discussion of that question; yet he is so fearful that panics may occur because of a scarcity of money that he wants the people to confer upon the national bankers the power to issue a considerable portion of the national bank circulation upon mere wind. Where in 1896 he contended that we had money enough, in 1905 he is pointing with pride to the marked increase in the volume of our money, and now he is demanding a further increase to the extent, doubtless, of several hundred million dollars in national bank notes, without any security whatever for their redemption so far as concerns the men who issue them and are given them to loan to the people.

And, strange to say, with all these inconsistencies and absurdities the frenzied financier has convinced some well meaning people that his plan deserves the support of patriotic, intelligent citizens.

MR. BRYAN ABROAD

Mr. Bryan landed in Yokohama Saturday, October 14. The Associated Press reports concerning his experiences follow:

Tokio, Oct. 15.—William J. Bryan and his family, who arrived at Yokohama Saturday, will spend two weeks in Japan. They will make a visit of five days to Tokio and Marquis Ito, president of the privy council, and Count Okuma leader of the progressive party, will invite Mr. Bryan to a dinner. The Japan-American society will invite Mr. Bryan to address its members at the Young Men's hall October 17. Count Okuma will preside at the function.

Tokio, Oct. 18.—William J. Bryan today addressed an audience of about 10,000 persons, with Count Okuma, the former foreign minister and leader of the progressive party, in the chair.

His simple style and clear pronunciation made his speech, which lasted forty minutes, intelligible even to the younger students and called forth appreciative remarks. Later Mr. Bryan took luncheon with Count Okuma.

The municipality of Tokio has invited Mr. Bryan to attend a public reception, but his time here will not permit him to accept the invitation.

Tokio, Oct. 19.—The American minister, Lloyd C. Griscom, will present William J. Bryan to the emperor on October 21. Huntington Wilson, secretary of the American legation, gave a luncheon today in honor of Mr. Bryan. Viscount Aoki, former minister of foreign affairs; Baron Kentaro Kaneko, member of the house of peers, and M. Sakatani, the vice minister of finance, were present. The last mentioned official is a pronounced advocate of the gold standard. Mr. Griscom will give a dinner to Mr. Bryan tomorrow. Marquis Ito, president of the privy council, and Count Okuma, leader of the progressive party, are expected to be present.

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