How "The Cards"---Money---Are "Stacked"

O. H. Schreiner, 51 Cambridge Place, Brooklyn, New York, who was for many years bank cashier and president, invites "all who view with concern, the rapid growth of tendencies and conditions which already dominate the American lives and enable a few to drain the substance of the many, thereby undermining liberty itself," to thoughtfully consider the situation, which he somewhat graphically describes. Quoting President Roosevelt as saying: "About all we have a right to expect from government is that it will see that the cards are not 'stacked,'" Mr. Schreiner undertakes to point out how the cards are stacked in one important particular. Mr. Schreiner's showing follows:

"The comptroller of the currency is 'charged with the execution of all laws relating to the issue and regulation of a national currency secured by United States bonds,' and with general supervision of national banks.

"Section 5,191 United States Revised Statutes, (Act of June 3, 1864) required every national bank to 'at all times have on hand, in lawful money of the United States,' at least 25 per cent or 15 per cent—as the case may be—of the amount of its notes in circulation and its deposits.

"Section 5,192 provides that three-fifths of the 15 per cent reserves, 'may consist of balances due to an association, available for the redemption of its circulating notes,' from associations in designated cities.

"Section 5,195 provides that each association in any of the cities named in section 5,191 (other reserve cities stated below) shall select an association in the city of New York, 'at which it will redeem its circulating notes,' and may keep one-half of its lawful money reserve in cash deposits in the city of New York.

"Act of June 20, 1874 (Section 2) provides that associations shall thereafter 'Not be required to keep on hand any amount of money whatever by reason of the amount of their respective circulations;' but the moneys required to be kept at all times on hand shall be determined by the amount of deposits. Also (Section 3) that every association shall at all times keep and have on deposit in the treasury of the United States, in lawful money, 'a sum equal to five per centum of its circulation, to be held and used for the redemption of such circulation; which sum shall be counted as a part of its lawful reserve.' Also that so much of said national bank act requiring or permitting the redemption of its circulating notes elsewhere than at its own counter, except as provided for in this section, is hereby repealed.

"Act March 3, 1887, provides: That whenever three-fourths in number of the national banks located in any city having a population of 50,000 shall make application to the comptroller asking that the name of the city in which such banks are located shall be added to the list of cities named in sections 5,191 and 5,192, the comptroller may grant such requests, and every bank located in such city 'shall at all times thereafter have on hand in lawful money' an amount equal to at least 25 per cent of its deposits. Also (Section 2) whenever three-fourths of national banks located in any city having a population of 200,000 shall make application asking that such city may be a central reserve city, like the city of New York, in which one-half of the lawful money reserves of banks located in other reserve cities may be deposited, as provided in section 5,193, such requests may be granted. And that every bank located in such city 'shall at all times thereafter have on hand in lawful money' 25 per cent of its deposits. Only Chicago and St. Louis banks have availed thereof.

"Act of March 3, 1903, provides: That whenever three-fourths of banks located in any city having a population of 25,000, shall make application asking that the name of the city in which such banks are located shall be added to the cities named in sections 5,191 and 5,192, such requests may be granted, and every bank located in such city 'shall at all times thereafter have on hand in lawful money,' 25 per cent of its deposits.

"The foregoing synopsis shows that the laws governing and regulating national bank reserves, from first to last, and as late as March 3, 1903, require the reserves to be at all times kept 'on hand in lawful money.' The permission in section 5,192 that three-fifths of 15 per cent reserved may consist of balances due from associations in designated cities, and in section 5,195 that each association in designated cities may keep one-half in cash deposits in New York, (now also in Chicago and St. Louis) were evidently intended to provide for redemption at such cities of circulating notes, and not to nullify the plain demand of law. The requirement to so redeem was repealed by act of June 20, 1874, section 3, as above quoted.

"The total of deposited reserves was less than $100,000,000 up to 1898, but has rapidly increased as follows from official reports:

September 20, 1898	$ 94,394,210.64
September 7, 1899	154,514,691.64
September 5, 1900	176,731,918.08
September 30, 1901	216,733,488.34
September 15, 1902	253,515,055.97
September 9, 1903	227,780,147.03
September 6, 1904	258,558,149.91
August 25, 1905	291,732,471.82
November 9, 1905	294,250,607.92
January 29, 1906	295,942,972.45

"An increase of over 200 per cent in seven years, amounting at the latter date to nearly one-half of all reserves required throughout the United States except at 'central' reserve cities. Trusts and financial juggles have grown apace therewith. Boston and Philadelphia national banks, these not being 'central' reserve cities, constantly contribute one-half of their reserves to the Wall Street money market by depositing same in New York banks to obtain interest thereon, because they cannot lawfully loan same at home. November 9, 1905, Boston banks thus lacked at home, $20,730,259.62; November 9, 1905, Philadelphia banks thus lacked at home, $33,398,623.23.

The act of June 3, 1874, as stated above, repealed the previous requirements to keep on hand 15 per cent or 25 per cent of notes in circulation, and replaced same by a requirement to keep only three per cent thereof in the treasury of the United States, 'which sum shall be counted as a part of its lawful reserve,' against deposits. But for this later singular requirement the amounts deposited as above stated would be greater, and on November 9, 1905, $314,501,483.61 instead of as above.

"The designated cities are now as follows: 'Central' reserve cities, New York, Chicago and St. Louis.

"'Other reserve cities,' Boston, Albany, Brooklyn, Philadelphia, Pittsburg, Baltimore, Washington, D. C., Savannah, New Orleans, Louisville, Houston, Dallas, Cincinnati, Cleveland, Columbus, Indianapolis, Detroit, Milwaukee, Des Moines, St. Paul, Minneapolis, Kansas City, Kan.; Kansas City, Mo.; St. Joseph, Lincoln, Omaha, Denver, San Francisco, Los Angeles, Portland, Ore.; Ft. Worth, Dubuque, Wichita, Salt Lake City, Cedar Rapids.

"'Country banks:' Under this head are included banks of the following cities of 100,000 to 350,000 population, viz.: Buffalo, Newark, N. J., Jersey City, Providence, Rochester, Toledo, Allegheny, Worcester, Syracuse, New Haven, Paterson, Fall River, Memphis and Scranton. Also banks of 113 cities below 100,000 population and over 25,000 and of all similar cities, etc.

"The two hundred and eighty-three banks in thirty-five 'other reserve cities' as above, though themselves reserve agents for 'country banks,' are permitted to deposit in banks of New York, Chicago or St. Louis, one-half of their own 25 per cent reserves.

"The greater proportion of deposited reserves is with banks in New York City. Such money, being subject to recall by banks depositing same, is mainly loaned 'on demand' and short time loans, to bankers and members of the New York stock exchange. Originally disbursed by national banks, it has begotten loans also by state banks, trust companies, etc. The reserves disbursed at New York doubtless average more than $100,000 for each of eleven hundred members of the stock exchange; and estimated by the proportion of loans and discounts in all banking institutions in New York to their total cash held, each $100,000 cash maintains more than $500,000 in loans. Thus over $500,000,000 in loans have been unnaturally and unjustly provided to enable corporate capitalizations to be toyed with, 'watered,' and 'floated,' by stock exchange methods. The total of loans November 9, 1905, by all banking institutions in New York on stocks, bonds, etc., being over a billion dollars.

"Means, opportunity and incitement, have been thereby provided for people of small means to risk their all on narrow margins, and for the already rich to exploit the railroads, industries and products of the country by trusts, combines, mergers, corners, and false capitalizations, for their further enrichment.

"Clearing house returns from 105 cities in alone, owing to unnatural conditions and stimulated stock exchange transactions, amount to far more than all the rest combined.—(Financial Chronicle). The manager of New York clearing house estimates them at 68 per cent of all.

"Single memberships of the stock exchange have recently sold as high as $93,000.

"Money in circulation was below $14 equivalent of gold per head of 35,000,000 population at the close of the civil war in 1865, and is now over $30 per head of 80,000,000 population, not including the disbursed reserves. The natural flow of so great an increase should have furnished the only source of surplus supply to the money market.

"Some classes of corporations, as banks and insurance companies, are under rigid supervision, state or national, and can have no watered shares. Others, organized for transportation, communication, illumination, or production of constant necessities to family and business life, are not so controlled. Shares, and sometimes bonds issued by these, are greatly watered at will of those who organize or control them. Why this distinction between creatures of law? Lax and varying state laws are availed of to violate public justice, and accomplish this wrong.

"The just purpose of all business corporations should have been honest co-operation of many individuals in enterprises too large for the resources of one or a few, with limited liability. Had all been alike rigidly held to honest capitalization, public demand would have regulated their increase. There would have been fewer corporations, slower development, and fewer great fortunes, but public justice and equal rights would have been maintained.

"Artificial persons (i. e. corporations), or those who control them, should never have been permitted to assume or usurp privileges, which natural persons, however numerously associated, can never collectively exercise; for the creator is thereby made secondary and tributary to the creature.

"To print and issue false tokens of single dollars is to counterfeit. And they who do it are condemned to imprisonment. To print or issue false tokens of capital or multiplied dollars, in limitless amounts, is to finance. And they who do it and gain most thereby, are lauded as ablest exemplars of success among men.

"True capital is the friend and ally of labor of every class and grade; but false capital, thus fastened upon corporations, is its oppressor, and has estranged them; for the body of capital seeking income has been unnaturally and enormously increased thereby, to enable selfishness and greed to tax, oppress and defraud the people.

"The inter-state commerce commission finds that the inter-state railroad system of the country is owned by much less than one-half of one per cent of the population. The regulative process would be a move in the right direction. But it would not be curative of the underlying wrongful cause enabling most of this unnatural and concentrated ownership, viz.: Unnatural concentration of money, and of credits built thereon.

"The permissions enabing reserves to be deposited and loaned, have converted the plain demand of the law as quoted above, to its very opposite, and instead of being faithfully held for the only justifiable purpose of law in compelling the money to be withheld from local public use, viz.: To protect depositors, they are made a tender for speculative money supply and basis for illegitimate ventures.

"The high protective tariff has long been a bone of political contention, and democrats denounce it, as father of the trusts. But unnatural and lopsided distribution of money reserves, and of credits based thereon, has been the nourishing mother of their great watered capitalizations. Better no compulsory reserves whatever than the wrongful distribution and use and disbursements at favored localities.

"A veritable hot-bed for corporate syndicates, mergers, trusts, 'corners' and monopolies has been thus provided, individual competition and opportunity thereby throttled and destroyed, and small industries of the many made profitless.

"Rich, indeed, is our country, and great its seeming prosperity. But multi-millionaires, and their colossal fortunes acquired by a magician's wand, attest national injustice to be their foundation.

"The plain intent and implication of law, was and is, that the reserves should be maintained sacred and unimpaired for the purpose for which

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