THE ASSET CURRENCY SCHEME--WATCH IT

The so-called currency "reform" plan agreed upon by committees of the American Bankers' association and the New York Chamber of Commerce, is described by the following extract from the report recently made public:

"We, therefore, unanimously recommend the enactment into the law of the following, having the firm conviction that thereby will be provided a bank note currency, safe beyond peradventure and automatically varying in volume as needs of commerce vary.

"1. Credit Bank Notes: Any national bank having been actively doing business for one year and having a surplus fund equal to twenty per cent of its capital shall have authority to issue credit notes, as follows, subject to the rules and regulations to be determined by the comptroller of the currency:

"(a) An amount equal to forty per cent of its bond-secured circulation, subject to a tax at the rate of 2½ per cent per annum upon the average amount outstanding, provided that if at any time in the future, the present proportion of the outstanding unmatured United States bonds to the total capitalization of all existing national banks shall diminish, then the authorized issue of credit notes shall be increased to a correspondingly greater percentage of its bond-secured notes.

"(b) A further amount equal to 12½ per cent of its capital shall be subject to a tax at the rate of five per cent per annum upon the average amount outstanding in excess of the amount of the first mentioned. The total credit notes and bond secured notes shall not exceed the capital.

"2. Reserve: The same reserves shall be carried against credit notes as are now required by law to be carried against deposits.

"3. Guaranty Fund. The taxes provided upon credit notes shall be paid in gold to the treasurer of the United States and shall constitute a guaranty fund for the redemption of notes of failed banks, and for the payment of the expenses of printing and the cost of redemption. In order that the guaranty fund may be ample from the beginning, any bank making application to take out credit notes for issue shall deposit with the treasurer of the United States in gold an amount equal to five per cent thereof. The unused portion of this payment shall be an asset for the contributing banks, respectively and shall be refunded from time to time when this may be done without reducing the guaranty funds to below an amount equal to five per cent of the credit notes taken out.

"4. Redemption: The comptroller of the currency shall designate numerous redemption cities, conveniently located in the various parts of the country. Through the agency of the banks in such cities, adequate facilities shall be provided for active daily redemption of credit notes.

"5. The provision of existing law limiting the retirement of bond-secured notes to $3,000,000 per month shall be repealed.

"6. All public moneys above a reasonable working balance, from whatever source derived, shall be currently deposited from day to day in national banks without requiring collateral security or special guarantee therefor, but in no case shall the balance carried with any bank exceed fifty per cent of the capital thereof. All banks receiving such public moneys on deposit shall pay into the United States treasury interest thereon at the rate of two per cent per annum."

James R. Branch, secretary of the American Bankers' association, and secretary of its currency committee, gave to the Associated Press the following statement in explanation and support of the plan: "The provision limiting the issue of credit notes to forty per cent of the bond-secured circulation and not exceeding twenty-five per cent of the capital stock is for the purpose of preventing any tendency by banks to sell government bonds now held to secure circulation, in order to avail themselves of the new circulation. Such action is taken because it is desired that the measure proposed if enacted shall not tend to depress the market for government bonds. No part of the assets of banks are to be specially pledged to secure the credit notes, but they are to be protected by the same legal reserve now required against deposits—in reserve cities, twenty-five per cent and in country banks fifteen per cent. The members of the committee think that the claim of the credit notes of a failed bank upon its assets should not be given a lien prior to that of the depositors, but that the guaranty fund, with the addition of a pro rata claim on the assets with the depositors would afford adequate protection. The members believe that the tax on the note issues will create a guaranty fund many times larger than necessary to meet the notes of failed banks."

Already many republican papers whose editors heretofore opposed asset currency, are falling in line with the "new plan." This plan is not materially different from the plan as proposed in the Fowler bill, the Aldrich bill, the McCleary bill, or any of the various measures introduced in congress and repudiated by editors and republican leaders. All of these measures aimed at the end sought by this asset currency plan—to give national banks, in addition to their already great privileges, the privilege of issuing money on their assets.

In this way they have the privilege, without expense to themselves, of expanding the volume of currency whenever expansion suits their purpose.

An essential part of the asset currency scheme is the repeal of the existing law, providing that not more than $3,000,000 of national bank notes shall be retired each month. The repeal of this provision would make it possible for the national bankers to contract the currency at will.

So the asset currency plan in brief—by whatever catchy name it may be known—gives to the national banks the power to expand or contract the volume of currency according to the bankers' interests, and gives to them also the extraordinary privilege of actually creating a considerable portion of this currency.

Under existing law, the national banker may invest, say, $50,000 in government bonds. These bonds are exempt from taxation. He may deposit these bonds and have delivered to him $50,000 in national bank notes. From the government he draws interest on the $50,000 of bonds, and then from his customers he draws interest on the $50,000 of national bank notes.

Now, what will the situation be in the event this asset currency plan as proposed by the American Bankers' Association committee and the New York Chamber of Commerce committee be adopted? Understand that the asset currency plan will confer favors additional to the privileges given by existing law. After drawing interest from the government, and interest from his customers on his $50,000 the banker will have the privilege of issuing these "credit bank notes" or asset currency to the amount of forty per cent of his bond-secured circulation.

Where the bond-secured circulation amounts to $50,000, the banker would be entitled to issue $20,000 additional in unsecured circulation.

Then in addition to all that there is to be what they call "an automatic increase equal to 12½ per cent of a bank's capital."

They lay great stress on the fact that they propose a tax of two and one-third per cent on the forty per cent credit notes and a tax of five per cent on the twelve and one-half per cent credit notes, and they expect that by emphasizing these provisions, the people will overlook the great dangers involved in giving to a coterie of men the absolute power to expand or contract the currency according to their own pleasure; they expect the people to overlook the absurdity of the proposition which would seek to take from the government its money issuing function, and deliver this function to the merciless keeping of the money gamblers of Wall Street.

See how "little by little, but steadily as man's march to the grave" the money gamblers have encroached upon popular rights and have obtained for themselves new privileges: A few years ago it was provided that national banks could issue bank notes only to the extent of ninety per cent of the bonds they deposited, but the bankers asked that the law be amended so that they might have the privilege of issuing one dollar in notes for every dollar of bonds they deposited; that request was granted.

Let us illustrate the situation in dollars and cents: The national banker has deposited $50,000 in United States bonds. A few years ago he could issue on that amount of bonds only $45,000. The law as amended permits him to issue the full $50,000; and under the law, as the American Bankers' association and the New York Chamber of Commerce would amend it, the banker, after having deposited $50,000 in bonds and secured thereon $50,000 in ordinary national bank notes, could secure $20,000 additional. Thus it will be seen that the national banker might upon an investment of $50,000 place himself in the position where he could draw interest from the government—through government bonds—on his $50,000 investment, and then as a result of that investment, have $70,000 which he may loan to his customers, and upon which he may secure interest.

Here is a sum of $120,000 upon which the national banker draws interest by reason of an investment of $50,000 in government bonds!

Unquestionably it looks brighter for asset currency at this moment than at any other time since that fearfully and wonderfully made plan was suggested.

An organized effort will be made to push that plan through congress. We are told in Washington dispatches that some distinguished democrats have promised to favor the plan and that an effort will be put forth to make it "a great non-partisan measure." It is not necessary to mince words on this proposition. The democrat who lends his influence to this measure will lose his reputation. The talk about threatened danger in financial circles is pretense, so far as it is made with respect to this plan. The advocates of this measure hope to frighten the people into adopting it, and no democrat worthy of the name will lend his support to the deep laid plan of placing the people even more completely in the power of the money trust than they are today.

PLACE THE COMMONER IN EVERY PRECINCT

In its issue of November 9, The Commoner made this appeal: Now that the elections are over, systematic efforts are to be made to increase The Commoner's circulation. The presidential campaign is now coming on. It will not do to wait until the nominations shall have been made for the discussion of great public questions, but it will be the duty of democrats from now on to seize every opportunity to impress upon voters who have heretofore seemed thoughtless the importance of voting for the public welfare rather than for the benefit of a coterie of men. It is desired that at least one copy of The Commoner be placed in every precinct in every state and territory. This result may be speedily reached if Commoner readers in every county make investigation as to the precincts in their county where The Commoner does not now circulate, and then take advantage of the special subscription offer, in order to place The Commoner in districts where it does not now reach.

In this work the co-operation of every one who believes that The Commoner is engaged in worthy efforts is invited.

Help to place The Commoner in every precinct in every state and territory of the union!

Everyone who approves the work The Commoner is doing is invited to co-operate along the lines of the special subscription offer. According to the terms of this offer cards each good for one year's subscription to The Commoner will be furnished in lots of five, at the rate of $3 per lot. This places the yearly subscription rate at 60 cents.

Any one ordering these cards may sell them for $1 each, thus earning a commission of $2 on each lot sold, or he may sell them at the cost price and find compensation in the fact that he has contributed to the educational campaign.

These cards may be paid for when ordered, or they may be ordered and remittance made after they have been sold. A coupon is printed below for the convenience of those who desire to participate in this effort to increase The Commoner's circulation: