ASSET CURRENCY

For the benefit of those readers of The Commoner who are not familiar with the argument advanced to show the necessity of asset currency legislation, the following quotations will be made. After referring to Secretary Shaw's plan in his annual message to congress President Roosevelt said:

> "According to this plan, national banks should be permitted to issue a specified proportion of their capital in notes of a given kind, the issue to be taxed at so high a rate as to drive the notes back when not wanted in legitimate trade. * * * Such a plan would tend to prevent the spasms of high money and speculation which now obtain in the New York market; for at present there is too much currency at certain seasons of the year, and its accumulation at New York tempts bankers to lend it at low rates for speculative purposes; whereas, at other times, when the crops are being moved there is urgent need for a large, but temporary, increase in the currency supply."

The comptroller of the currency, Mr. Ridgley, in his annual report refers to "the great value of crops and products which have to be moved at certain seasons, calling for large and varying amounts of cash," and says that "the autumn of each year makes more apparent the urgent necessity of some additional facility or means by which the demand for the crop-moving fund can be supplied," and that "the necessity for this is always most acutely felt in the late summer and early autumn, or at crop-moving time."

While President Roosevelt refers to the high interest rates on call loans in the New York call money market, and argues that an addition to the circulating medium in the shape of bank notes would tend to prevent it, yet his main argument for an asset currency is that a large, but temporary, increase of currency is needed to move the crops. And that is the argument usually put forth by all advocates of an asset currency, and this argument is used because it sounds good and is more likely to be accepted by the masses than any argument they could bring forward.

One would naturally expect that a law which is to provide an increase in the currency supply for the sole purpose of moving the crops would contain some provision specifying the time of year when the issues of bank notes may be made, especially in view of Mr. Ridgley's statement fixing the time when such increase is needed as the "autumn of each year" and again as the "late summer and early autumn." As not a single asset currency bill that has been prepared, either in congress or out of it, contains the slightest reference as to the time of year when banks may issue asset notes, the argument that such notes are to be used solely for moving the crops falls to the ground. The absence of a provision fixing the time for issuing asset notes shows that the advocates of the measure are insincere.

If congress passes an asset currency law without a provision specifically fixing the time of year when banks may issue asset notes and the time when such issues must be retired, Wall Street speculators will furnish an opportunity for issuing them within ninety days, and when the banks issue them to the legal limit Wall Street will be crying for more. Secretary Shaw, in a resume of the financial record for the year 1906, which appeared in the papers on January 1, 1907, states that the money in circulation increased over $200,000,000 during the year. Notwithstanding this vast increase the end of the year found Wall Street speculators struggling with high rates of interest on call loans and beseeching the secretary of the treasury to come to their rescue. The proposed asset currency law, it is estimated, will permit the issuance of about $200,000,000 of bank notes, and as that amount was absorbed last year with Wall Street crying for more, there is every probability that an issue of $200,000,000 of asset notes would be absorbed in the same way.

President Roosevelt, as well as all other advocates of an asset currency, contends that the taxing of asset notes will drive them back when not wanted in legitimate trade, and at the same time he says that they are to be issued for legitimate trade—for moving the crops. If the asset notes are "to be taxed at so high a rate as to drive the notes back when not wanted in legitimate trade," how in the name of common sense is legitimate trade going to draw out the issue in the first place? The tax proposed for forty per cent of these asset notes is two and one-half per cent, and for the remaining ten per cent the tax is to be five per cent, the total issue being limited to fifty per cent of the bond secured circulation. With the interest rate on call loans at from six to fifteen per cent, which is no unusual thing, it is a very easy matter to see where the asset notes will go and what will draw them out, and when crop-moving time comes around we shall hear the same old story.

But grant that the tax will keep the notes back until crop-moving time comes and also drive the notes back when crop-moving time is over, why should money for crop-moving be taxed and money for all other purposes, including stock-gambling, go untaxed? To be sure the issuing bank will pay this tax directly, but it will eventually and inevitably fall upon those who borrow the money—the farmers and farm laborers. Is it because the farmers and farm laborers are getting rich too fast that the republican party proposes to compel them to accept taxed money for their labor? If this bill passes and the taxed asset notes are used only for crop-moving, the farmer will be compelled to accept less for his produce, for he will have to pay the tax.

Referring again to the above quotation from President Roosevelt's message, particular attention is invited to the statement that "at present there is too much currency at certain seasons of the year, and its accumulation at New York tempts bankers to lend it at low rates for speculative purposes." If there is too much money at certain seasons of the year with the present volume, it should be retired and reissued when legitimate trade demands an increase. To permit it to remain in circulation when not wanted in legitimate trade means that it will be used in illegitimate trade, that is, it will be used to "bull" the stock and bond market, or raise prices of stock and bonds, and this in turn furnishes an opportunity to overcharge the public to pay dividends on inflated values. Every increase in the value of railroad stocks furnishes an excuse for exorbitant freight and passenger rates, or at least an excuse for not lowering transportation charges.

The remedy proposed by an asset currency law will make matters worse in every way, for instead of bettering conditions the increase of currency will make money still cheaper, that is, prices higher, and the stringency at crop-moving time will be felt more than ever. Instead of making it possible for the national banks to inflate the currency still more, the national banking law should be amended so that the present bond-secured circulation can not be increased except at certain seasons of the year when it is known that legitimate trade demands more money. Under the law as it stands national banks are permitted to issue bond-secured notes whenever they choose to do so, and they usually issue them when not needed in legitimate trade. In a published letter to Mr. J. H. Schiff dated February 7, 1906, Secretary Shaw pointed out that the New York city banks increased their circulation $5,000,000 during July and August, 1905, when money was plentiful and actually contracted their circulation $2,750,000 during the months of October and November, 1905.

Our financial history of the past forty years should convince any intelligent, fair-minded man that it will not do to give the national banks the power to expand and contract the volume of currency to suit their interests. If more money is needed at crop-moving time it is the duty of the government to issue it, and not delegate the power to irresponsible hands. B. E. V.

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RAILWAYS AND POSTAL SERVICE

The San Francisco Star prints this strong indictment:

Nowhere is graft more brazenly practiced than in the carrying of the United States mails. Nowhere does the bare-faced robbery of the American people exhibit at once the depths of moral turpitude to which the government itself has fallen and the absolute and imperious power exerted by the corrupt railway interests over the recreant public servants than are seen in the contracts with the railways for mail service. The postal deficit is a deficit only because our railways are owned by private parties on the one hand, and because the government is also the servant of these unscrupulous interests on the other. In his chapter on "The Railways and the Postal Service" Professor Parsons lays bare this unholy alliance on the part of a department of government with the railways which is a confession that the government is the tool of the interests.

"Another and most grievous form of graft," says the author, "consists in excessive charges for the carriage of the mails. While the railways in other countries carry the mails for nothing or at cost, our government has to pay much higher rates than private shippers. The railway tax on the transmission of intelligence is one of the worst handicaps resulting from our transportation system. For hauling mails the railways receive from the government from two to four times as much as they get from the express companies for equal haulage, more than twice what they get for carrying commutation passengers and excess baggage equal weights and distances, two to five times their charges for first-class freight, twelve times what they receive for some of their dairy freight, and sixteen times what they get for the mass of common freight."

Professor Parsons cites at length from Professor Henry C. Adams of Michigan University, the statistician of the United States Commerce Commission, giving Professor Adams' tables, after which he continues:

"On these estimates the railway receipts from the express between New York and Boston would average 50 cents per hundred, and 38 cents for first-class freight, against 89 cents for the mails; New York to Chicago, 75 cents freight, $1.25 express and $3.56 mail; New York to Atlanta, $1.26 freight, $2 express, and $3.50 mail; Chicago to Milwaukee, 25 cents freight, 30 cents express, 34 cents mail per hundred (this seems fairly reasonable); New York to San Francisco, $3 freight, $6.75 express, and $13.28 mail (this seems very unreasonable); Atlanta to Savannah, 61 cents freight, 87 cents express, and $3.17 mail (more unreasonable still).

"These and other data too numerous for insertion here indicate that as a rule railways receive for express 50 to 100 per cent more than for first-class freight, and for mail 100 to 300 per cent more than for express.

"A specific case will show more clearly the relation betwen railway receipts from mail and express. The New York Central gets 40 per cent of the gross earnings of the express company operating over its line. The result is the following relation between mail and express for the route from New York to Buffalo, 439 miles:

Railway earnings per year for 125 tons of mail daily	$1,447,840
Railway earnings per year for 125 tons of express daily	436,250

"Railway officers claim that the value received from the express should be put somewhat above the 40 per cent contract division of earnings because the express performs some 'gratuitous' service in the handling of railway packages, etc., but even make full allowance for this and all other claims of the railroads in relation to such comparison, as Adams does on page 22 of the 'Railway Mail Pay' report, the railway value from express would only be $570,312 in the above statement, against $1,447,840 from the mail without counting receipts for postal-car rentals or value resulting from the stimulation of traffic due to the mails.

"The census of 1890 affords the means of a very broad and instructive comparison. From that census we learn that the express companies paid the railways $19,327,000 for carrying 3,292,000,000 pounds of express matter, or 6-10 of a cent a pound. The same year Postmaster General Wanamaker reported the weight of the mail, paid and free, to be 365,368,417 pounds, or 1-9 of the express weight, and by no means all of this was carried by the railways, yet they received $22,102,000 for less than a tenth of the weight the railways hauled for the express companies for several millions less money. The rate per pound on mail was fully ten times the rate per pound on express. The average haul for express is estimated at 25 to 50 per cent less than for mail. So that the ton-mile rate for mail appears to have been at least five times as much as for express, according to the data of the census and the postmaster general. Since 1890 the express companies have carefully refrained from allowing the census people or any other public authorities to acquire the facts necessary to a broad and accurate comparison.

"The express companies carry magazines and newspapers 500 miles and more at a cent a pound, and the railways get less than one-half a cent a pound, or two cents a ton-mile. That is not all. Any general express agent will tell you that the company will shade the rate for a large shipper. For example, The Cosmopolitan is carried from New York to Boston, 219 miles, for 18 cents a hundred, or less than one-fifth of a cent a pound. This is at the rate of 1.6 cents per ton-mile for the express company and three-fourths of a cent a ton-mile for the railways, a rate about one-sixteenth of the average mail rate and one-ninth of the lowest mail rate on the lines where the volume of mail is greatest. The railways charge the government about three cents a pound for hauling second-class matter, according to Professor Adams, and eight cents according to Postmaster General Wilson, but the same stuff for the express companies for less than a tenth of a cent a pound. And if the railways had any serious objection to such rates they would hardly have permitted them to continue all these years, but would have provided against them in their contracts with the express companies.

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"The mail rate ought not to be higher than the railway rates on express or excess baggage, and should probably be lower than the average excess baggage rate. It is traffic, steady, homogeneous, easily handled, and admits of economy from every