

# "It is to the Democrats in Congress That We Must Look for any Early Financial Legislation"

*This is the Statement of Henry W. Yates, President of the Nebraska National Bank of Omaha, in a Vigorous Attack Upon the Aldrich Currency Bill*

Before the Nebraska Bankers convention, held at Omaha, August 27th, Henry W. Yates, president of the Nebraska National Bank, Omaha, delivered the following interesting address:

Gentlemen of the Nebraska Bankers association: The opportunity has not heretofore been given me of expressing to you in an address my objections to the banking and currency plan now pending in congress, known as the Aldrich bill.

Inasmuch, however, as I have published these views in pamphlet form, to which some considerable circulation has been given, I will not undertake to repeat them on this occasion, except to the extent of emphasizing those particular points which in my opinion utterly condemn the measure as it is now presented and render its adoption improbable.

In the position I have taken upon this subject, which is so much at variance with that of numerous prominent bankers, I think you can not but see that I have been impelled by no personal motives whatever; I have not even had a pet plan of my own which would be set aside by the adoption of this plan. In fact, the only criticism to which I have been exposed is that of pulling down without offering some substitute to meet the admitted defects in our banking system. I have been actuated solely by a sense of public duty connected with questions with which I have had a lifetime familiarity and from sympathy for our independent banking system with which I have been engaged for a period lacking now only one year of being a half century.

## TWO DIVERGING LINES

As a student of these subjects I could not fail to have noticed that from the foundation of our republic there have existed, both in finance and in general politics, two widely diverging theories. One has leaned strongly toward a powerful central authority, the other has advocated the largest individual liberty along all business lines consistent with the public welfare. For a brief period in our history the centralized theory of banking was given its opportunity, but its errors and weaknesses were soon developed. The acts and operations of the United States bank did not commend it to the public opinion of that day. It was drawn into politics as all such creations must inevitably be, and after one of the most exciting political campaigns this country has ever known, in which it was a vital issue, it was utterly repudiated and has had no advocates since until in recent years, our so-called money reformers have endeavored to resuscitate it under various "nom de plume."

## INDEPENDENT SYSTEM

On the other hand the independent system of banking has never been so strikingly demonstrated and advanced as during the past fifty years—a period during which, notwithstanding the civil war and two destructive panics, our country has grown in power and importance among the nations of the world, financially and otherwise, to a degree never dreamed of by our early statesmen who founded our government.

Believing that this independent system of banking has borne no small part in this magnificent national upbuilding—that it has accomplished all and more than any other system could have done—that the two systems can not exist together—it is natural that I should oppose with all my power a proposition which would eventually destroy this independent system and erect in its place the autocratic continental system of Europe.

If this part of the question could be fairly discussed and not be cloaked as it is by misstatements and indirection which conceal and confuse it, the claims in favor of the new system could easily be refuted. But it is not met in this manner. On the contrary, it is claimed that the new system will in no manner interfere

with the old, but at the same time it will be noticed that the orators favoring the new system do not cease to declare on every occasion that we have the "worst banking system in the world."

We will concede that this system has some defects; that its career and growth have been irregular and unsystematic. But what it is has been gained from actual experience and almost perfect adaptation to the conditions under which it has existed. The living organism is now in evidence, and whatever is done in the way of reform should be in the direction of improving and strengthening this system, not in destroying it.

Far stronger arguments than any which have been advanced should be demanded before the first step is taken to effect the revolution which would be involved by the disappearance of our independent banks.

## THE CURRENCY

The change proposed in our currency system should also be resisted.

Ever since the decline and fall of the old state bank currency this country has had for its currency only gold and silver with such paper money as the government itself has put out or has authorized for its own benefit and advantage.

So far as our national bank currency is concerned, it may all be retired without any loss to the banks if their bonds are provided for. The profit derived from the issue of the notes is so insignificant as scarcely to deserve consideration.

But if any currency is to be issued for the benefit of the government, it is far better that it should be done through banks in this manner with the responsibility upon them of current redemption, rather than that it should be issued in the form of notes direct from the treasury. It will be conceded, however, that the volume of national bank notes ought to be limited to some definite sum.

The Aldrich plan would do away absolutely with the national bank notes, through whose means the government has always obtained a low market for its bonds and at the same time has derived no inconsiderable revenue from the tax imposed upon them. It would substitute for them the untaxed and unsecured "promises to pay" of the corporation it proposes to create with no resulting advantage whatever to the government.

## PUBLIC CREDIT LOWERED

To effect the disposition of the United States bonds held by the national banks, it is proposed to refund the 2 per cent bonds into bonds carrying 3 per cent. This places the government for all future loans it may need in the market of the world like any other borrower, and thus at the outset depreciates and discredits its financial standing.

Many bankers' conventions, this association among the number, have voted their formal approval of the Aldrich plan and so far as public utterances have gone, it would seem that the banking fraternity is a unit in its favor.

In the speeches of its promoters the plan is made very alluring to bankers. You are told when your demands for money exhaust your loanable supply, all that you will have to do will be to exchange your bank paper for the notes of the reserve bank, and perpetual motion is at once secured.

But you may examine the measure closely for yourselves or call in the assistance of some of these promoters, and nowhere can it be shown that the ordinary paper you take in the course of business can be used either at the bank itself or at any of its branches. The only suggestion I have heard ventured is that if you do not have the prescribed paper yourselves, your city correspondent will have it, and

the privilege is given you of "doing business at the old stand."

The reserves of the entire country concentrated in one single institution will amount to a vast sum, and when this fund is doubled, as it may be under this proposed law by the issue of bank notes, and this added to the money on hand, the figures produced are so immense that they will stagger the ordinary mind to comprehend them.

It is quite natural that the ordinary banker should conclude that in some way a part of this vast hoard will reach him, and perhaps it would.

## THE PUBLIC OPPOSED

But granting that bankers may see something in the scheme, which will work to their advantage, and therefore favor its adoption, it does not follow that the public will look at it in the same way. The concentration of this vast fund with the power it would carry with it in a single corporation, operated it may be by a very few individuals, would bode no good for the public welfare. This public may be willing to accept the leadership of bankers in some questions pertaining to their business, but when it comes to the great public questions of a central bank, authorized to hold all the bank reserves of the country and to issue unlimited unsecured and untaxed notes to circulate as money under government prestige and authority, it will be found that an intelligent people will form conclusions of its own, and that the consensus of this opinion will be against the scheme.

This I think is already clearly indicated in the financial planks of the various party platforms.

The president was induced to give his support to the Aldrich plan and urged its adoption vigorously in a special message. It would naturally be supposed that the party which nominated him would declare distinctly in its favor. The plank adopted by no means does this. It may be so intended, but if so it is a case of finding words in which to conceal meaning. All the other platforms distinctly denounce it. I think it can be safely asserted that no currency or banking scheme which provides for a central bank and the issue of unsecured and untaxed bank notes has any possible chance of becoming a law.

## DISCUSSION OF SERVICE

But the discussion may prove of some service. It has been mainly one-sided; the pleadings have been really all from the promoters of the scheme, who by means of their strong financial backing have been able to make a thorough and able presentation of their claims.

As can be clearly seen these arguments have not succeeded in convincing the public; they have, however, attracted attention, which is of itself a great advantage. The time is ripe for some decisive action, and if the banks will join in asking for some law giving them the power to combine their reserves for mutual use, and the power to expand their credit in emergencies to a reasonable and safe extent, there can be no reason to doubt but what men of all parties will join in affording them the desired relief.

## PANICS

It is generally agreed that the main weakness in our banking system is its inability to withstand panics.

In the publications of the National Citizens' League this is the club used to make the plan go. The Aldrich bill is claimed to be a complete and permanent cure for panics. But due candor is not used in the impression sought to be made upon the public, as to the kind of panic which will be cured.

A bank panic is one thing; an economic panic is entirely another. The latter marks the turning point in business activities when a readjustment of prices must be made to indicate values, and this is continued to the ruination point