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THE LOBBY INVESTIGATION

The investigation of the "lobby" continues, and the public will profit by the disclosures. One cannot feel much affection for the lobbyist who deserts his employers and sells their secrets, but the man who turns state's evidence is used in court and those cannot well complain who have entered into co-partnership with him in wrong-doing. Care must be taken, however, not to rely too confidently upon the boasts of the lobbyist in his reports to his principals, for he is trying to earn his money and may report that he "influenced" persons whom he only met casually. But, allowance being made for exaggeration and misrepresentation, a good deal of light is being thrown upon the methods employed by the privileged class to secure favors from congress. We are finding out whom the lobby opposed and whom it supported. When the evidence is all in, a few conspicuous offenders, caught in bad company, will retire from public life and those who are really innocent will, by good deeds, proceed to remove any suspicions that may have been aroused and regain popular confidence.

SIGNIFICANT SILENCE

Senator LaFollette has brought to the attention of the senate the fact that only sixty-six replies have been received to the twenty-five hundred sets of questions submitted to manufacturers throughout the country and that the replies received gave little information in regard to comparative cost of production here and abroad. It is certainly significant that the manufacturers make so little protest against the new schedules and that those who do protest so largely ignore the important point, namely, relative cost of production. Moral—The day of high tariffs is past and even the protected manufacturers know it.

The cartoonists have been making use of Senator James' rebuke to the republicans who criticised Mr. Bryan's lecturing. He said that before Mr. Bryan became secretary of state republicans predicted that he would ruin the country if he ever got into office; but now that he is in office they insist that the country will go to ruin if he leaves Washington for a few days.

It used to be that Wall street summoned the secretary of the treasury before it when anything went wrong. Now the secretary invites the bankers to Washington to consider financial matters. What a change!

The business men's associations formed by Wall street two years ago to bring pressure on congress to provide an elastic currency are now back-pedalling to prevent what they claimed they wanted.

The desire on the part of some people to have Secretary Bryan spend his vacation in Washington might be considered as a compliment.

The Banking and Currency Bill

By Senator Robert L. Owen, Chairman Committee on Banking and Currency

The proposed banking and currency bill, senate 2639, mobilizes the reserves and provides for elastic currency.

These are the two great features upon which there may be said to be substantial concert of opinion among those who have studied the financial problem of the United States.

By late report, the national bank reserves amount to $1,422,000,000 against $7,058,000,000 of deposits in the national banking system to-wit:

Central reserve cities	$ 431,000,000
Other reserve cities	483,000,000
Other banks	508,000,000
	$1,422,000,000

and consist of $978,000,000 of specie, legal tenders; lawful money; five per cent redemption fund, and accounts with reserve agents not represented by specie These reserves are unavailable for the purpose of extending commercial accommodation, no matter how urgent the necessity. Whenever these reserves reach the minimum required by law, the banks are not permitted to make any further loans to business men, no matter how urgent their need. Sometime this need is vital. It is of urgent importance to have additional funds available for moving the crops, but these reserves cannot be used when the minimum reserve is reached. It is therefore agreed by all financial experts that the reserves should be mobilized and made more easily available for our national commerce.

This annual demand for more money could be more easily met if we had elastic currency which could be automatically expanded to meet any special necessity.

The proposed bill accomplishes this purpose by authorizing the issuance of treasury notes under conditions which will lead to their automatic retirement when the exigency passes.

In this way by mobilizing the reserve and making them available as a basis of loans and supplementing such funds with elastic currency the business necessities of the country can be adequately and fully met at all times.

When it is necessary to move the wheat crop, the corn crop, to feed cattle and hogs on a large scale, prepare other forms of human food for the market, move the cotton crop, move manufactured articles of every class, and furnish men engaged in similar legitimate industries with reasonable credit accommodations based upon their actual merit, this system will be found adequate and satisfactory.

PANICS PREVENTED

Under this system financial panics will be made impossible because panics are based upon financial fear, and the fear itself is based upon the idea that those entitled to it may not be able to get money when they want it. Under this system anybody actually entitled, can get currency, and therefore no man with a deposit in bank need be afraid that the bank cannot furnish currency while it is honestly and efficiently conducted. This will prevent runs on the banks and in preventing panics it will also prevent unfair and undue constriction of credits with its consequent paralyzing effect on business and on the productive energies of the nation. Business enterprises therefore will have a stability unknown in the past history of the United States. Men will not be thrown out of employment wholesale throughout the country by the fright of financial and commercial panic, but finance and commerce will become steady. Men will be regularly and systematically employed. Men will not be ruined by violent and abrupt changes of values. Hundreds of thousands of men will not suddenly be thrown out of employment during these national waves of depression. There will be no national waves of depression, nor undue feverish buoyancy. The consequence will be that the national energies of our people will be employed upon a firm basis that will be continuous. It is impossible to exaggerate the extreme importance of this work. We have been studying this problem for many years, and have now reached a point of national knowledge and certainty where we not only know what the difficulties are, but we completely understand how to give stability both to our commerce and our finance, and put this country upon a basis of enduring prosperity.

THE RESERVE BANKS

The bill proposes under the United States Federal Reserve Board at least twelve reserve banks with the right to establish a branch for each $500,000 of capital. This would make a maximum of two hundred branches, much more than there would be any need for. The Federal Reserve Board will designate the twelve reserve cities, and the territory belonging to each city. Within the territory assigned to each Federal reserve bank, the national banks, and state banks and trust companies desiring to enter the system, would contribute a capital amounting to ten per cent of the capital of each such proposed member bank. The gross capital would be about $100,000,000, and if the state banks came in, a much larger sum.

The member banks in each federal reserve bank would be divided into three classes according to relative capital, and each class would elect one banker a director of the federal reserve bank, and one business man as a director of the federal reserve bank, making six directors in all. The Federal Reserve Board would name three directors of the federal reserve bank. These nine men would elect the officers of the bank. One of the three appointed by the Federal Reserve Board would be chairman of the board of directors, and at the same time would be the direct "federal reserve agent" representing the interest of the United States at such bank. He would be custodian of any elastic currency placed with such bank for use and retirement, and would have charge and supervision of the security required to safeguard the United States.

The function of the reserve banks would be to receive the capital above referred to of a minimum of $100,000,000. After the banks are started they would hold $160,000,000 of reserves furnished by the national banks of the country and after fourteen months up to $400,000,000 of reserves. These federal reserve banks would also handle the current funds of the United States amounting to from $150,000,000 to $200,000,000, making a total of about $700,000,000.

The federal reserve banks would discount for the member banks, their paper, based on actual commercial transactions maturing within short periods. The federal reserve bank will keep on hand a reserve of 33 1-3 per cent of gold and lawful money, against its demand liabilities. The federal reserve banks will only do business with member banks and with other reserve banks and with the United States, except that it would have the right to buy gold or certain bills in the open market.

The federal reserve banks would be under the general supervision of the Federal Reserve Board of seven members, to-wit: The secretary of the treasury, the secretary of agriculture, the comptroller of the currency, ex officio, and four members chosen by the president of the United States, by and with the advice and consent of the United States senate. These four members would serve for terms of eight years each, with a salary of $10,000. They would have complete supervisory power over the reserve bank, with the right among other things to require or permit one federal reserve bank to rediscount for another, to supervise and if necessary to determine the rate of discount for each federal reserve bank with a view to accommodating the commerce of the country and promoting a stable price level.

ADVANTAGES TO COUNTRY BANKS

The first great advantage to country banks and to other banks is that this system would prevent future financial panics, prevent therefore the destruction of the lives of business men, and therefore would prevent the destruction of the lives of banks. This, of course, would give stability to the banking business.

It would make available the redundant reserves in one part of the country for use where the reserves were short in another part of the country yet where there was urgent need for crop moving purposes in another part of the country. It would prevent a bank from being suddenly embarrassed by a run of its deposi-