

Secretary McAdoo's Charge to Banking Interests

An Associated Press dispatch from Washington, under date of July 28, follows:

Secretary McAdoo issued a statement flatly charging that the decline of government two per cent bonds to 95 1/2, a new low record, was due "almost wholly to what appeared to be a campaign waged with every indication of concerted action on the part of a number of influential New York city banks to cause apprehension and uneasiness about these bonds in order to help them in their efforts to defeat the currency bill."

Banks throughout the country own almost entirely \$730,882,130 of the two per cent bonds. Their market value today was approximately \$30,000,000 less than when the banks bought them. Almost all the entire issue is used as security for national bank notes. At the present price, however, the discrepancy between the market value and the issue of notes against the bonds is covered by what is known as the five per cent redemption fund, deposited by the banks with the treasury to care for retirements of national bank notes.

Secretary McAdoo announced that it was not his intention to require the banks to charge off the present depreciation below par, but that the banks might continue to put in the bonds at par in their statements to the comptroller of the currency, at least "until some material change in conditions should compel the adoption of another course."

In his statement Secretary McAdoo declared that two per cents were worth par, notwithstanding their decline in the New York market, and continued:

"The idea seems to be that the country banks, which hold about two-thirds of the two per cent bonds, and use them as the basis for their circulating notes, may be induced to unite with the New York city banks in opposition to the bill, if they can be made to believe that the currency measure is going to injure these bonds and cause losses to the banks. That is, of course, unfounded.

Meantime it is folly for any bank to sell government two per cents at a sacrifice because of any apprehended legislation adverse to government bonds, as no such legislation will result. In the 124 years of its existence, the government has kept faith scrupulously with its creditors, and it is not going to change its honorable character now. If the necessities of any bank oblige it to sell bonds at depressed prices, that, of course, is another matter—a matter solely for the bank to determine."

The secretary said that not only had nothing occurred to impair the value of the two per cent bonds, but that the amendment already adopted by the banking and currency committee of the house enhances their intrinsic worth.

First—Because the bank and all other holders of two per cent bonds are given a privilege, not possessed, of exchanging the twos for the threes without the circulation rights at the rate of five per cent per annum of their holdings, present or hereafter acquired, so long as they do not make the exchange, they may retain or sell and buy the two per cent bonds, and exercise the circulation privileges attached thereto.

Second—At the end of twenty years, the government will pay at par and interest all two per cent bonds which at that time remain outstanding. In view of the fact that the twos have no due date, and are payable after 1930, only at the option of the government, the definite

promise of payment at the end of twenty years is distinctly beneficial to the holders of the two per cent bonds.

The secretary spoke with amusement of the grave statements sent out from New York to the effect that if the currency bill shall pass and government deposits are put in the federal reserve banks, the two per cent bonds, now used to secure deposits, will be thrown on the market and their value thereby impaired. As only \$13,900,000 of the twos out of a total of \$730,882,130 are used to secure government deposits, it can be readily seen how trivial this is. If the bonds are not used to secure deposits they can be used for additional circulation.

"Nearly all of the twos are owned by the banks. If the price is marked down, it is because the banks themselves are putting pressure on the market and depressing the value of their securities. The fault is their own. It would seem the part of good sense and good business not to do it. The secretary expressed the hope that the process, if continued, will not be carried to a point where the department will have to take action.

"There is and always has been a narrow market for the two per cent bonds, just as there is for many inactive, although high grade corporation bonds and everyone knows how easy it is to put up or down the quotations for such bonds, especially when a favoring state of mind has been skillfully created.

"The department, because of its relation to the banks and its necessarily important part in the financial affairs of the country, has a deep interest in the welfare of the banks, in the stability of the financial situation, and in a continuance of the prosperity now attaching to agricultural and industrial enterprises and general business.

For these reasons the secretary said that he hoped that the banks would not consider a suggestion from him as impertinent. In many quarters there is a disposition on the part of the banks to restrict legitimate credits. There is nothing in the situation to warrant such a course. The banks should not put undue restraint on business. Should any unusual stringency appear, the secretary said that it could easily be met through resort to the \$500,000,000 emergency currency, now held in reserve, which can be issued if the banks need it or by use of the resources of the treasury department, or both.

In conclusion the secretary said, with emphasis, "that there is not going to be any financial trouble, and that large crops now in progress are going to be moved without difficulty and that the powers of the department will be exercised in their greatest amplitude, for the protection of the business interests of the country."

WHY NOT?

Well, why shouldn't President Wilson demand that the democratic caucus shall stand behind his banking and currency reform plan or any other measure that promises relief from present national ills?

President Wilson is the responsible party and he is shirking nothing. If the reforms he advocates and which he is pledged to introduce fail, if his administration falls short of what the country expects of it he will have to bear the brunt of the blame.

Congressmen can go to their constituents and say, "We have deferred to the president's wishes, we have done the best we could." Nothing the president can say will help his



CAUGHT IN THE ACT

—(From the Denver News.)

case. He has had his chance and failed.

If the administration is a success nobody will have to explain anything. The people can understand success, but they cannot always comprehend failure.

The president should have his way untrammelled as far as the general principles of his program is concerned. As to the details he himself is not disposed to be arbitrary.

He has indicated what he wants done and laid down the keel of the work. The superstructure he insists shall correspond symmetrically and effectively, and it is not an unreasonable insistence.

Congress will have a wide latitude on the banking and currency bill just as it has on the tariff bill. The president is a stickler only for results. Whatever will produce the satisfactory kind is agreeable to him.—South Bend (Ind.) News-Times.

A QUESTION OF QUALIFICATIONS

Some protest is heard against selection of John Lind as special envoy to Mexico. It is said he has always lived just as far as possible from Mexico, and knows just as little as possible about it. Ergo, he is not equipped for his present mission.

Perhaps it is opined that a man with a million acres of grazing land in Mexico would see with a clearer vision.

Or one with a lot of mining concessions and an ardent desire for peace at any price, that he might develop them.

Or somebody with a lot of petroleum rights granted by Diaz and a haunting fear that a new regime might take them away from him.

Perhaps Henry W. Taft, who was of all Americans the most feared by Mexican progressives because he was deep in Mexican enterprises and the influential brother to the president of this republic—perhaps Henry W. Taft would suit the critics of John Lind. He knows plenty about Mexico.

It would be very easy to get a man for this mission who knows too much about Mexico.

It isn't necessary in this juncture to send an expert in Mexican institutions, history, finance, concessions, and intrigue. Mr. Lind will command the more confidence because

there is no possible suspicion that he has any ulterior motive or interest whatever. There has been altogether too much of that kind of interest in Mexico.—Washington Times.

AN OLD NURSE

Persuaded Doctor to Drink Postum

An old faithful nurse and an experienced doctor are a pretty strong combination in favor of Postum, instead of tea and coffee.

The doctor said:

"I began to drink Postum five years ago on the advice of an old nurse.

"During an unusually busy winter, between coffee, tea and overwork, I became a victim of insomnia. In a month after beginning Postum, in place of tea and coffee, I could eat anything and sleep as soundly as a baby.

"In three months I had gained twenty pounds in weight. I now use Postum altogether instead of tea and coffee; even at bedtime with a soda cracker or some other tasty biscuit.

"Having a little tendency to Diabetes, I used a small quantity of saccharine instead of sugar, to sweeten with. I may add that today tea or coffee are never present in our house and very many patients, on my advice, have adopted Postum as their regular beverage.

"In conclusion I can assure anyone that, as a refreshing, nourishing and nerve-strengthening beverage, there is nothing equal to Postum."

Name given by Postum Co., Battle Creek, Mich. Write for booklet, "The Road to Wellville."

Postum comes in two forms.

Regular (must be boiled)

Instant Postum doesn't require boiling but is prepared instantly by stirring a level teaspoonful in an ordinary cup of hot water, which makes it right for most persons.

A big cup requires more and some people who like strong things put in a heaping spoonful and temper it with a large supply of cream.

Experiment until you know the amount that pleases your palate and have it served that way in the future.

"There's a Reason" for Postum.