Currency Speech of Carter Glass

The speech made by Hon. Carter Glass of Virginia, before the house of representatives, September 10, 1913, in support of H. R. 7837, known as the administration's currency bill, was declared by many to be the most effective delivered in congress for many years. Readers of The Commoner will be greatly interested in this speech because of its clear explanation of the various provisions of the bill, and also for the fund of authoritative information it contains on the currency question. Addressing the house, sitting in committee of the whole on the state of the union, Mr. Glass said:

I think it is pretty generally agreed that there is a pressing necessity for currency legislation in this country. The country itself thinks so if any significance may be attached to the thousands of letters received by the banking and currency committee of the house within the last six months or to the resolutions passed by hundreds of commercial bodies throughout the United States calling for immediate consideration and action by congress. From every quarter and from all classes of citizens the demand has proceeded; and, in the judgment of the banking and currency committee, congress should no longer evade an imperative duty.

"A BARBAROUS SYSTEM"

For more than a quarter of a century there have been strong symptoms of an intense dissatisfaction with the prevailing national banking and currency system; and this spirit of discontent has been accentuated as, from time to time, the utter inadequacy of the system has been made manifest in periods of financial peril. While the existing system has operated satisfactorily under ordinary business conditions, and while the administration of the system for the 50 years of its history furnishes a high tribute to the integrity and efficiency of those concerned in its operation and oversight, its very best friend is bound to admit that, in time of stress and storm it has broken down utterly. This has occurred so often and the ensuing disaster has been so dreadful as to cause the banking experts of other nations and practical financiers everywhere to marvel at our continued failure either to adopt a better system or correct the evils of the one we have. Financial textbook writers of Europe have characterized our American system as "barbarous," and eminent bankers of this country who, from time to time, have appeared before the banking and currency committee of the house, have not hesitated to confess that this bitter criticism is merited. While we may boast that no note holder has ever lost a dollar, and that the losses of depositors constitute an inconsiderable percentage of the total liabilities of the banks, nevertheless the failure of the system in acute exigencies has caused widespread business demoralization and almost universal distress. Five times within the last 30 years financial catastrophe has overtaken the country under this system; and it would be difficult to compute the enormous losses sustained by all classes of society—by the banks immediately involved; by the merchants whose credits were curtailed; by the industries whose shops were closed; by the railroads whose cars were stopped; by the farmers whose crops rotted in the fields; by the laborer who was deprived of his wage. The system literally has no reserve force. The currency based upon the nation's debt is absolutely unresponsive to the nation's business needs. The lack of co-operation and co-ordination among the more than 7,300 national banks produces a curtailment of facilities at all periods of exceptional demand for credit. This peculiar defect renders disaster inevitable.

EFFORTS AT REFORM

For years the business and banking community has been casting about for a remedy. In 1898 the Indianapolis monetary commission met and offered suggestions which were ignored. Later the American Bankers' association at Atlantic City drafted an emergency currency bill which was introduced by Mr. Fowler, referred to the banking and currency committee, but never reported or enacted into law. Several years thereafter we had the Lovering bill, and next the Fowler bill, consideration of which latter measure was rudely interrupted by the action of the republican congressional caucus in May, 1908. Ignoring the banking and currency committee, the party caucus agreed upon the Vreeland bill for an emergency currency and caused the discharge of the house banking and currency committee from further consideration of currency matters at that session of congress. Meanwhile, Mr. Aldrich had introduced a bill in the senate and, by an act of legislative miscegenation, the two became one, and in hyphenated form we have the Vreeland-Aldrich law, which soon will expire by limitation. Not one dollar of currency has ever been issued under its provisions, thus literally confirming the prediction made at the time by those who opposed the measure. However, the commission for which the bill provided was duly appointed and for three years, at a cost of nearly $300,000 to the government, prosecuted the work of investigation, making its report and recommendations to the sixty-second congress.

THE ALDRICH SCHEME

I do not desire at this time to make any comments upon the work of the monetary commission. It is treated in some detail in the report of the banking and currency committee which accompanies the bill now under consideration. It is sufficient to say that those members of the banking and currency committee peculiarly charged with the responsibility of recommending legislation felt precluded from considering the so-called Aldrich bill by reason of the fact that the platform of the democratic party adopted at Baltimore explicitly denounced that proposed legislation. It is interesting to note also that the platform of the progressive party likewise denounced the plan of the monetary commission, while the platform of the republican party was silent on the subject. The wisdom of these platform declarations has since been justified by the fact that thousands of bankers have abandoned the Aldrich bill and even some of those whom it was most intended to benefit have publicly confessed that the measure contains some exceedingly dangerous provisions.

The proponents of the bill now under consideration did not hesitate to appropriate any suggestion of a meritorious nature made by the monetary commission, just as the so-called Aldrich scheme embodied many of the provisions of the Fowler bill and the Muhleman central bank plan. We also made a careful study of the branch banking system of Canada and while we found it had admirably served its purpose in that country we came to the conclusion that it would not be possible to apply it to the American system without vital alterations which would run athwart the banking principles and the business habits to which the American people have been so long accustomed. Hence, after exhaustive investigation and hearings, extending over a period of many months, the pending bill was drafted and, after full consideration as to every detail, is reported to the house with the recommendation that it be passed. Thus, Mr. Chairman, the banking and currency committee feels that it has fully discharged its own duty and that further responsibility is with this body.

TIME TO ACT

I venture to express the sincere hope that the house will not delay the enactment of this bill. The chief and everlasting curse of attempted banking and currency legislation in this country has been the proneness of public men to procrastinate. When the Vreeland-Aldrich makeshift was adopted ex-Secretary Lyman J. Gage warned the committee and congress that the bill was "merely a dangerous narcotic to lull the nation to sleep, from which slumber it would some day awaken in agony." Remembering that financial panics in the United States are decennial, and that we are fast approaching the time-limit from 1907 to 1917, it seems to me that the obligation to legislate is immediate. We should no longer, from habit or timidity, gravely shake our heads and insist that we "will not be hurried in this matter;" that we want further time for consideraion; that we must have other hearings and additional information. Sometimes I am brought to wonder, Mr. Chairman, what sort of information is wanted by the public men who eternally plead for delay. There is no theme on earth upon which information may more readily be obtained than upon the currency question. There is no topic upon which we have more authoritative expert expression and there are few subjects upon the general principles of which expert opinions are in greater accord. If it did no other good, the monetary commission, at a cost of approximately $150,000, assembled a great library on the subject of banking and currency reform, which for two years has been accessible to every member of congress. Less than six months ago the banking and currency committee of the house closed exhaustive hearings on the subject, at which the best selected representatives of every known national group testified—big bankers and little bankers, merchants and farmers, credit men and manufacturers, currency experts, laboring men and textbook writers. And there is scarcely a provision of this pending currency bill which may not be related to these hearings. They took the widest range and reflected every conceivable variety of opinion; and there is absolutely no excuse for further delay.

THE PLEDGE OF PARTIES

All parties are committed to the solution of this problem. When the Vreeland-Aldrich bill was passed five years ago the republican party in congress solemnly pledged itself to speedily replace that temporary expedient with a permanent and comprehensive statute, while one of the latest public expressions of the last republican president was upon the necessity of banking and currency reform. Mr. Taft declared that—

> It is more important than the tariff, more important than conservation, more important than the question of trusts and more important than any political legislation that has been presented.

The last national platform of the democratic party committed us to "a systematic revision of the banking laws of the country," and the democratic president of the United States who was elected on that platform appeared at the speaker's desk of this house more than two months ago and urged congress not to wait until "the demands of the country shall have become reproaches." The president recommended the lines upon which we should proceed, saying:

> We must have a currency, not rigid as now, but readily, elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings. Our banking laws must mobolize reserves; must not permit the concentration anywhere in a few hands of the monetary resources of the country or their use for speculative purposes in such volume as to hinder or impede or stand in the way of other more legitimate, more fruitful uses. And the control of the system of banking and if issue which new laws are to set up must be public, not private, must be vested in the government itself, so that the banks may be the instruments, not the masters, of business and of individual enterprise and initiative.

REGIONAL RESERVE BANKS

Upon these precise lines this bill is cast. Guided by the lamp of experience, taking note of the fact that, in time of emergency, clearing-house associations in the great money centers, and even in smaller communities, repeatedly succeeded in arresting financial disaster, the house banking and currency committee conceived the idea that regional organizations of individual banks throughout the country might effectually prevent disaster. Hence, the fundamental idea of the bill now presented is the creation of a new class of banks to be known as federal reserve banks. The country is to be divided into twelve parts, having reference to capital and the existing course of business; and in each of these regions is to be organized a federal reserve bank. The minimum capital is to be $5,000,000 and the bank is to be owned and operated by the stockholding banks of the district, both national and state. The capitalization of the reserve bank is to be 20 per centum of the capital of the stockholding banks, one-half paid in and one-half subject to call. The business of the reserve bank will be the rediscounting of paper presented by member banks growing out of commercial, industrial, and agricultural transactions, with a maturity in some cases of not more than 90 and in others of not more than 120 days. These banks may also buy and sell government securities, gold and silver bullion, foreign coin, foreign exchange, and open-market bills of given maturity. They are also to conduct, without charge, the fiscal operations of the United States government.

Under this bill there is vastly less interference with the existing independent banking system than was provided by the Aldrich scheme. Each member bank is to deal directly with its regional reserve bank in securing rediscounts, and in no case is its paper to be guaranteed by other banks. While subject to limited control by the federal reserve board, the regional reserve bank is given an independent status as well as exceedingly important functions. It has the initiative in fixing rates of discount within its territory and the exclusive determination of the amount of paper to be rediscounted for member