banks. It is operated by a board of nine directors, two-thirds of whom are selected directly by the member banks and one-third by the federal reserve board. Three of the nine directors must fairly represent the commercial, industrial, or agricultural interests of the community.

SMALL BANKS PROTECTED

In order to provide against control by the larger banks of a given district, the member banks of each region are divided into three groups equal, as nearly as may be, in number and of similar capitalization. Each bank, regardless of its size, is given one vote in the selection of directors. Notwithstanding the care which has been exercised to protect the rights of the small banks in the selection of directors, fears continue to be expressed that the larger banks of the district may control the system. By reference to the last annual report of the comptroller of the currency anybody who entertains a doubt on this point may readily have his apprehension quieted. I shall embody the table taken from the comptroller's report in my remarks.

Number of national banks, classified by capital (paid in), on Sept. 4, 1912.

Class	No.	Per cent	Amount	Per cent
$25,000	2,004	27.09	$ 50,069,730	4.79
Over $25,000 and less than $50,000	381	5.15	12,849,335	1.23
$50,000 and less than $100,000	2,321	31.38	124,452,200	11.90
$100,000 and less than $250,000	2,006	27.12	254,053,385	24.29
$250,000 and less than $1,000,000 ..	498	6.73	195,282,230	18.67
$1,000,000 and less than $5,000,000 ..	169	2.29	234,305,700	22.40
$5,000,000 and over	18	.24	175,000,000	16.72
Grand total	7,397	100.00	$1,046,012,580	100.00

It will be noted that of the 7,397 national banks 2,004 have not more than $25,000 capital; 2,321 have less than $100,000; 2,006 have less than $250,000, while only 685 banks exceed a capitalization of $250,000. Thus of the 7,397 national banks in the system 6,712 may be classified as small banks, making it next to impossible for the larger banks to control.

NUMBER AND RESOURCES

The question has repeatedly been asked as to why the number of federal reserve banks is fixed at 12, to which I reply that the number adopted is a compromise between the extreme suggestion of 50 on one hand and 3 on the other. The great central reserve city bankers advocate but 3 regional reserve banks, to be located, of course, in their central reserve cities, while a distinguished member of the other branch of congress advocates 1 for each of the 48 states. The committee in fixing the number at 12 gave consideration to the amount of available capital of all the national banks, which aggregates $1,046,012,580. Three competent actuaries have made suggestive divisions of the country into 12 regions, and there can be no possible doubt, if all the national banks go into the system, that the minimum capital can be secured in the weakest of the 12 districts. The New York bank will have approximately $20,000,000 capital; the Boston bank more than $10,000,000; the Chicago bank nearly $11,000,000; the St. Louis bank $9,000,000; the Cincinnati bank $10,000,000; the Pennsylvania bank $12,000,000; the Washington bank $8,000,000, and, as previously stated, the weakest bank in the system, located experimentally at New Orleans, $5,500,000. This, of course, is merely a suggestive division of the country; the actual division is to be made by the federal reserve board after painstaking investigation.

The resources of the federal reserve banks can only be approximated. Basing the calculation on the aggregate capital of the national banks, the federal reserve banks will have a capital of $104,000,000; about $400,000,000 in reserve funds and, perhaps, $200,000,000 of government deposits, making a total of $704,000,000, giving them an aggregate credit-extending capacity of great proportions. That such additional facilities are needed for the development of the country can not seriously be questioned. In this connection I shall ask leave to insert in my remarks at this point an Associated Press dispatch from Sackett's Harbor, N. Y., under date of September 5, 1913, containing the testimony of Frank A. Vanderlip, president of the National City bank of New York City, who asserts that $2,000,000,000 can be profitably invested within the next five years in developing the electrical industry of this country alone:

COULD USE BILLIONS

Sacketts Harbor, N. Y., September 5.

Eight million dollars a week for five years—$2,000,000,000 in all—can profitably be invested in developing the electrical industry in this country, in the opinion of Frank A. Vanderlip, president of the National City bank, of New York. Mr. Vanderlip so declared tonight in addressing representatives of the electrical industry in the United States, meeting at Association island. He said in part:

"In making such an estimate one does not need to draw on one's imagination. Little more is needed than a grasp of present-day statistics, compared with those of 5 or 10 years ago, to give the basis for such an estimate.

"When we think what is certain to be done in the way of electrification of steam railroad terminals and heavy mountain grades; when we reflect on the larger use of electrical energy for industrial power, in agricultural uses, and in continued growth of necessary interurban lines, we do not need to look further into the possible development of the industry to see a requirement for $40,000,000 a year of new capital.

"That means an $8,000,000 new capital issue every week for the next five years. It is such a capital requirement that you gentlemen are facing, and which must be successfully met if your energies are to have an adequate field of display. Can you get it?

"To get a full apprecfation of the difficulties, you may well glance outside of your own field, however, and note that there will mature within that five-year period well over $1,000,000,000 of steam railroad securities. The railroads in five years will need, say, $4,000,000,000 for refunding and fresh capital. States and municipalities will absorb in the neighborhood of $1,500,000,000 more, so with the $2,000,000,000 your industry will need there should be provided between now and the end of 1918 between $7,000,000,000 and $8,000,000,000 for these three purposes alone, to say nothing of general industrial and other needs.

"These are bewildering figures. They sound more like astronomical mathematics than totals of round, hard-earned dollars. The raising of these sums, however, is the practical problem that financiers have directly in front of them."

FEDERAL RESERVE BOARD

I do not desire to weary the house, Mr. Chairman, with too detailed a description of the provisions of this bill; therefore in the balance of my time I shall deal only with its several vital features. Overseeing the whole new system of federal reserve banks, as a capstone of the scheme, is created a federal reserve board, consisting of seven members, three of them, the secretary of the treasury, the secretary of agriculture, and the comptroller of the currency, are members ex-officio, and the other four members are to be appointed by the president of the United States for a term of eight years each. As set out in the report of the committee, the reasons for the selection of the two treasury officials is self-evident. The treasury department not only is, but will continue to be, a fundamentally important factor in the financial organization of the country, while the comptroller of the currency, in charge of the national banking system, will be a necessary adjunct in the management of the reserve bank system proposed in this bill. The secretary of agriculture has been added because of the belief that conditions in the producing regions of the country would deserve special consideration at the hands of the federal reserve board, and that the secretary of agriculture is the natural representative of these interests. It is further thought that the presence of this official on the reserve board will give its deliberations a broader character than if it were composed altogether of members primarily equipped for the technical details of banking. The bill provides that not more than two of the presidential appointees shall belong to the same political party, thus emphasizing the view of the committee that the board should be a nonpartisan institution.

NO CENTRAL BANK

By not a few persons of intelligent observation and long experience the confident belief is entertained that no necessity exists for any central body of control. They contend that we might safely limit the operations of the new system to a given number of regional reserve banks with the function of divisional clearing-house associations and distinctively independent of one another. But the best expert and practical banking opinion insists that the first essential of banking and currency reform is a correlation of all the national banks at least, so as to render possible a quick mobilization of reserves at any threatened point in time of emergency. On this latter theory was based in large degree several currency plans considered by the banking and currency committee of the house prior to the adoption by congress of the Vreeland-Aldrich act; and altogether based on this theory was the proposal of the monetary commission to establish a single reserve association, which in reality would have provided a central bank of banks. Indeed, in its final analysis this scheme of the monetary commission, more familiarly known as the Aldrich bill, falls short of being a central bank in the broad sense of the term only because it contains no provision which would authorize the transaction of business with the public. There was method in this omission, it being part of the general contrivance to avoid every semblance of competition with the great banks of the country.

I have observed, Mr. Chairman, that certain eminent bankers, appearing recently before a legislative committee of the other branch of congress, have spoken consistently and vehemently in favor of a central bank; but if you will carefully examine the hearings had by the banking and currency committee of this house last winter you can not avoid the conclusion that these gentlemen do not mean exactly what they say. They do not want a real central bank. They simply want to establish a central banking institution which they may control and use for their own convenience, but to which the American people may not resort for any business purpose whatsoever. These gentlemen, when appearing before the banking and currency committee of the house, were distinctly asked if they should be understood as advocating a national central bank with branches throughout the country, doing business with individuals, firms, and corporations, as well as with individual banks, whereupon they very promptly replied that they were simply advocating a central bank of banks. A central bank such as I have described, Mr. Chairman, or a central bank such as Andrew Jackson destroyed, is the very last thing that the great banks of this country would desire to see, for the reason that such an institution would necessarily import for them competition of the very sharpest description. Hence, in the construction of the bill of the monetary commission, great pains were observed and much ingenuity exercised to avoid anything of this kind.

VICES AND DANGERS AVOIDED

In the report of the banking and currency committee of the house now before the members we have in some detail set forth the objections of the committee to this Aldrich scheme, and in the construction of the bill now under consideration the committee very anxiously and carefully sought to avoid the vices and the dangers which are now generally recognized in the Aldrich plan. In that plan there was absolute lack of adequate governmental control; and while there was great pretense of protecting the interests of small banks, the very genius of the scheme and the involved nature of its mechanism made it certain that the practical operation of the system would inure to the advantage of the large financial institutions of the country. Moreover, the possibilities of inflation under this Aldrich scheme were so startling that the banking community of the country itself became alarmed; and the distinguished publicist whose name and fame were chiefly associated with the measure was practically driven from the public platform by the terrific exposure of this defect in the bill by a prominent banker of the west, addressing a society of political economists and showing that it involved expansion to the amount of six thousand millions before the regulating tax applied. Even James B. Forgan, of Chicago, and John Perrine, of California, strong advocates of the scheme, admitted that it provided "such vast credit-extending power as to be almost beyond belief and certainly far beyond requirements in any panic." Aside from its clumsy mechanism, its dangers of inflation, its peril to the independent banking system which the spirit of this republic and the business habits of the American people have for 50 years sustained, the whole thing was literally saturated with monopolistic tendencies.

In the federal reserve board, which the bill reported by your committee provides, there will not be discovered any of the defects which were essential features of the Aldrich bill. No capital stock is provided; no semblance of acquisitiveness prompts its operations; no banking incentive is behind, and no financial interest can pervert or control. It is an altruistic institution, a part of the government itself, representing the American people, with powers such as no man would dare misuse. I do not ignore the fact that the batteries of the big bankers have been directed against this board or that the sharpest criticisms of this bill relate to the powers with which this federal reserve board is vested; and yet, Mr. Chairman, there is scarcely a power enumerated in section 12 of this bill which has not been exercised by the government for 50 years or, indeed, which has not been confided to one or two public functionaries.

NO EXTRAORDINARY POWERS

Nearly every power conferred by this bill on the federal reserve board, composed of seven members, has been for half a century vested by the national bank act in the secretary of the