

treasury and the comptroller of the currency, to be exercised in the conduct and control of the national banking system. It does not seem necessary here and now to enumerate these powers; they relate to examination, regulation, publication, and control. Strictly speaking, the federal reserve board performs no banking function; the banking business of the system is within the exclusive jurisdiction of the regional reserve banks, owned and operated by an aggregation of individual member banks. But two of the powers conferred by this bill upon the federal reserve board have been brought in serious question or subjected to pungent criticism. One of these powers is the right of the board to "require, in time of emergency, federal reserve banks to rediscount the discounted prime paper of other federal reserve banks." And it is a singular fact that the raging controversy which this provision has aroused was initiated by bankers who contributed thousands of dollars to fasten upon this country the wretched Aldrich scheme, which would have impounded the surplus funds of the entire banking community of America in the vaults of a single central bank, to be by it transferred at any time to any point for any purpose that might appeal to the sweet will or whim of the governing board of that institution. Here we provide, under the severest restrictions, a mobilization of banking strength "in time of emergency," by requiring a strong regional reserve bank to go to the temporary relief of another regional reserve bank in a plain business transaction, without risk, but actually with greater profit to the succoring bank than it might command under ordinary circumstances.

MOBILIZING RESERVES

This power literally correlates the regional reserve bank system; it is a part of the process of mobilizing reserves. And yet gentlemen of the banking fraternity who have for five years perpetually rolled this phrase on their tongues mark this provision of the committee's bill an object of bitter attack. They were perfectly willing, under the Aldrich scheme, to confide this power to bankers, operating for gain, but are unwilling to lodge it with the government of the United States to be used for patriotic purposes under a system devised for the good of the country, including the solvency of the banks themselves. As a matter of fact, Mr. Chairman, strictly safeguarded as we have it here, this power is neither dangerous nor extraordinary. It is essential to the system proposed and somewhat analogous to the power exercised for years by the secretary of the treasury alone, when, in time of emergency, he has withdrawn government deposits at will from banks in one part of the country and transferred them to banks in another part of the country in an effort to cure a desperate situation, the difference being that, whereas the transfers have heretofore been made to the great money centers for the purpose of arresting stock-gambling panics, the transfers under this bill, if ever required at all, will be made to promote legitimate commercial transactions. Such transfers, you will note, are only required by this bill to be made in time of exigency. We believe that the power will not be invoked once in half a century, for the reason that if this bill should be enacted into law it will so withdraw the reserve funds of the country from stock speculative uses and apply them to commercial, industrial, and agricultural transactions that we shall rarely ever again have bank panics in the United States.

SUSPENDING RESERVES

The other power conferred by this bill upon the federal reserve board which has been moderately criticised is the right given said board to suspend the reserve requirements against deposit liabilities. Yet, Mr. Chairman, a power akin to this has been exercised by the comptroller of the currency with respect to national banks for nearly 50 years. Under section 5191 of the national-bank act, the comptroller is implicitly authorized to tolerate for a period of 30 days a violation of the reserve requirements of the act without applying any penalty. By this officer the power has sometimes been abused and violations have been tolerated for several years instead of for a single month. The penalty prescribed by the national-bank act for the offense indicated is so radical that it has not been applied in the whole history of the national banking system. But here we have committed the power to a board of seven men charged with the duty of prescribing and enforcing a reasonable penalty for violation of the law. Like the power of enforced rediscounts, this function will rarely, if

ever, be exercised by the federal reserve board. It is, however, important that the federal reserve board should have this power. It was suggested by the fact that three times within 60 years the British parliament found it necessary to sanction by law the action of the Bank of England in suspending specie payments in order to arrest panics in Great Britain.

"POLITICAL CONTROL"

But, Mr. Chairman, bitter as has been the criticism leveled at the powers of the federal reserve board provided by this bill, they have not been comparable to the denunciation by big banking interests of what is termed the "political structure" of this board. It is contended that the banks should have at least a minority representation upon the federal reserve board; and I frankly admit that the claim upon its face seems both reasonable and expedient. Indeed, the first tentative draft of this bill contained such a provision; but, after thorough consideration and full discussion, a different conclusion was reached. This federal reserve board is distinctly a government institution, and eminent bankers who were here in Washington last winter and spring contending for representation were met with the challenge to cite one instance where private interests were represented on any government board in this or any other civilized country. They could not answer.

As already pointed out, the associated banks will own and operate the regional reserve banks provided by this bill, which are made after a period of years the exclusive mediums of government issues and subject to no severer examination nor greater control than national banks of the existing system in their relations to the government. If it may be said that they have important responsibilities, it may likewise be said that they are given great privileges, holding the reserve funds of the country and the deposits of the government, amounting in the aggregate to nearly \$600,000,000. The federal reserve board, technically speaking, has no banking function. It is strictly a board of control, properly constituted of high government officials, doing justice to the banks, but fairly and courageously representing the interests of the people. The danger which the banking community professes to see is not the real danger which I apprehend. The bankers seem to fear that men of their craft will be excluded; but the real peril of the provision is the possibility of too many bankers being included. Observe what I mean: The secretary of the treasury will be a member of this board, and nine times out of ten that functionary is a practical banker.

The comptroller of the currency will be a member of this board, and nearly always that official is a practical banker. In addition to this, the bill requires that one of the four presidential appointees shall be a person of banking experience; so that we shall undoubtedly have ample banking representation on the board, and the talk of political control, in the last analysis, is the expression of a groundless conjecture.

A FUTILE OUTCRY

No great reformation in any existing institution was ever accomplished except in the face of severe contention. The clatter which we have heard in certain quarters about the "unconstitutionality" of this proposed system and the "confiscatory" nature of the power conferred upon the federal reserve board is merely part of a cunningly devised propaganda to force concessions in another direction and to coerce congress into yielding on certain other points which vitally affect certain big banks with extensive stock exchange connections. We have taken every reasonable precaution against asserting any power here that may be regarded as unconstitutional. We are not proposing to disturb any vested interest. There is nothing of a confiscatory nature in any of the powers to be exercised by the federal reserve board. This talk takes us back to the predictions of disaster when the interstate commerce commission was established. Then there was an outcry that congress was about to "disturb the business interests" of the country; then we encountered the frantic contention that the government was about to "seize private property."

Senator Hoar, of Massachusetts, said:

Here is a proposition which would be destructive to great business interests of the country, especially to the export business of the principal city of the state which I represent. I hope the public interest affected will have a full opportunity to be heard.

Senator Nelson W. Aldrich, of Rhode Island, said:

In order to cure evils which are apparent to the farmers of Illinois or Michigan, you propose to

demoralize the whole commerce of the country; you propose to establish an arbitrary, unjust, unreasonable, impracticable rule.

Senator Orville H. Platt, of Connecticut, predicted that the passage of the interstate commerce bill—

would result in an immediate rate war by all the railroads of the United States, the evil consequences of which would be greater than any evil now existing under pooling contracts. It would ruthlessly demoralize business and be far-reaching in its injurious results.

Senator Leland Stanford, of California, declared:

If this bill shall become a law its consequences will be most disastrous to the various business interests of the country.

Senator Joseph E. Brown, of Georgia, said:

The fact that a few bad men have controlled great lines of railroads is no reason why congress should seriously cripple the great railroad interests of the country and destroy the property invested in by hundreds of thousands of people. This bill will prevent the rapid and cheap transportation of commodities, retard the growth of our cities, and do immeasurable damages to our productive resources.

Gen. Charles H. Grosvenor, of Ohio, predicted that:

It will unsettle rates, disorganize the industries of the country, and thus force a reconstruction of systems of production. Meantime labor will suffer, farm products will lack a remunerative market, and uncertainty will discourage industry. It is a dangerous stride toward centralization of power in the hands of the few to the hindrance, vexation, and permanent injury of the many.

William C. Oates, of Alabama, said:

In Holland it is a capital felony to kill a stork because the stork destroys the eels which bore through the dikes and inundate the country. To my mind this bill is a knot of eels which may bore through the dikes of safety and flood this country with trouble. I view it with grave apprehension.

Charles H. Allen, of Massachusetts, declared:

To pass this bill would be to put us at very great disadvantage, and while I am not prepared to go so far as some and see in imagination the yawning walls marking in desolate ruin the spot where once stood thriving and populous factories, yet I must say * * * that the result of any shrinking of values is quite likely to show itself first upon the poor people. * * * I must protest against the passage of this measure, destined as it is to work an injury against New England and New England interests.

Lewis Hanback, of Kansas, said:

My judgment * * * leads me to believe that the legislation proposed by the bill in question will be fatal to the best interests of my state, as well as to the whole country. I think it safe to say * * * that these great lines of industry, the product of capital and the employer of labor, ought not to be interfered with, as they will be by the provisions of this bill.

I. Newton Evans, of Pennsylvania, said:

It is also of the utmost importance that we legislate so that the millions and millions of dollars invested and otherwise employed in the internal commerce of this vast country shall not be so deranged as to bring about a crisis in our financial affairs, which not only bankrupt many railroads, but, like the pebble on the smooth waters, its influence would be felt far and wide. Agriculture, commerce, manufactures, and, most of all, labor would suffer greatly by such a result.

The National Republican (republican), of Washington, commented:

It is fair to suppose that congress did not intend to wreck railways, to ruin communities, to destroy private property, to impoverish whole sections of the country, to break down manufacturing interests, to give foreign traders the advantage over home ones, to discriminate over one port in favor of another, to advance the interests of the Canadian railways, or to re-enact the civil rights bill, yet it did all these things when it passed the bill entitled "A bill to regulate commerce."

The Chicago Journal (republican) reflected newspaper opinion largely when it said:

The president should be urged to call congress together at once that it may rescue the commercial interests of the country from impending disaster. Let the power that enacted the offending statute be given an opportunity to right the great wrong it has done—and the sooner the better.

THE CRITICS CRITICISED

And now, Mr. Chairman, in connection with this bill, we have the same outcry from interested quarters and through inspired newspaper comment. The critics, whether of one political party or another, accentuate objection to government control and affect to stand aghast at the tremendous power confided to a political board. This criticism emanates at times from men who should be ashamed to protect it; from gentlemen who stood upon this floor and upon the floor of another chamber five years ago and vehemently supported the Vreeland-Aldrich act. Those who now affect consternation at the powers with which we propose to vest this federal reserve board should look to their own records in currency legislation. When they complain that we give this government board of seven public officials the arbitrary right of note issue, for very consistency's sake they should recollect that under the Vreeland-Aldrich act they voted to confide this power in even more arbitrary degree to the secretary of the treas-