

ury alone, thus conferring upon a single political appointee of the president the tremendous responsibility, as well as the great power, of dispensing \$500,000,000 of currency and, within his sole discretion, determining the validity and sufficiency of \$650,000,000 of commercial paper and other securities.

Among other things, the Vreeland-Aldrich bill, section 2, dealing with the application of banks for currency, provides that:

The comptroller of the currency shall immediately transmit such application to the secretary of the treasury with such recommendation as he thinks proper, and if, in the judgment of the secretary of the treasury, business conditions in the locality demand additional circulation, and if he is satisfied that a lien in favor of the United States on the securities so deposited and on the assets of the banks composing the association will be amply sufficient for the protection of the United States, he shall direct an issue of additional circulating notes to the association on behalf of such bank, etc.

I beg these critics to note the language of the statute:

If in the judgment of the secretary of the treasury business conditions demand additional circulation!

And again:

If the secretary of the treasury be satisfied that the securities deposited are amply sufficient for the protection of the United States. Could anybody conceive of power more arbitrary or of centralization more complete? There is nothing comparable to it in this bill, for here we commit the power to a board of seven, having a trained and trusted representative at every point of origin, applying every precaution and going through every detail known to prudent banking processes.

When this extraordinary power was conferred by this house five years ago on a single official of the government and objection was made by Mr. James, now a senator from Kentucky, the leading republican member of the banking and currency committee, Mr. Burton, now a senator from Ohio, exclaimed with much feeling and effect:

I say that for one I favor lodging authority with the secretary of the treasury and allowing him, under the great responsibilities of his position, to determine the amount of issues rather than to leave the decisions to the banks.

With how much more reason, Mr. Chairman, may we who stand for this currency bill insist now that this power shall be lodged with a government board, composed of high and experienced men, four of them with long tenure of office and all of them, let us hope, keenly appreciating their great responsibilities and courageously determined to do their duty as representatives of the American people. There is no politics in this matter; there can be none. It is my earnest conviction, based upon long and serious reflection, that no man can conceive, as none has yet pointed out, how any part of this system can be perverted to political uses. In my judgment if the United States has ever had a president ingenious enough to do this evil thing, it has never had one desperate enough, and never will have one shameless enough, to thus betray the confidence of the nation. I happened to be present when an eminent banker suggested such a possibility to the present occupant of the executive chair, and heard this banker vainly challenged to show how it might be done. I shall not soon forget the emphasis with which the president of the United States declared that no man would ever be found who would be willing to imperil his reputation or tarnish his fame by so flagrant a prostitution of his high office! It brought to mind the splendid declaration made on this floor by Congressman Burton, of Ohio, five years ago in discussing this very topic, when he compacted the whole thing in a single sentence, exclaiming:

There are executive acts which are theoretically possible, but which the incumbents, with their weighty responsibilities, would never dare perform, because they would know that if their course was marked by favoritism or injustice they would be discredited while living and dishonored when dead.

The X ray of publicity is turned full upon the operations of this federal reserve board. There can be nothing sinister about its transactions. Meeting with it at least four times a year, and perhaps oftener, will be a bankers' advisory council representing every regional reserve district in the system. This council will have access to the records of the board and is authorized to give advice and offer suggestions concerning its general policy. How could we have exercised greater caution in safeguarding the public interest?

#### BANKING REFORM AND THE FARMER

For a brief period and in certain quarters this bill was assailed by those who professed to be-

lieve that it was written in the interest of the creditor class. I suspect, Mr. Chairman, that there are some folks who are incapable of accurately discriminating the real "creditor class" when it comes to the banking business. As a matter of fact, in the great volume of business transactions the "creditor class" is the people who loan money to banks. In this sense the banks themselves are distinctly debtors to their depositors notwithstanding the latter are many times borrowers of money and credit. But, for populist purposes, the "debtor class" has been craftily turned to mean everybody who borrows or desires to borrow money; and the attempt is made to have it appear that under this bill greater difficulty will be experienced by "the plain people" in negotiating loans than under the existing system.

A persistent and pernicious effort has been made to create the impression that this bill, in some unexplained way, discriminates against the American farmer. To cure these imaginary discriminations there have been suggested financial nostrums that would cause the judiciary to grieve and which, if accepted, would involve the whole country in ruin. Presented in the interest of the farmer and in the name of democracy, they would impoverish the former and eternally discredit the latter. Some of these suggestions have been prompted by an exuberant but utterly misdirected zeal; others by a pitiful ignorance of the subject, and others still have their inspiration in the perennial and ubiquitous demagoguery of a certain class of politicians. It would have been sheer foolishness, Mr. Chairman, for the proponents of this bill to have undertaken any discrimination against the American farmer, to whose favor a vast majority of members here owe their political existence and whose interests they were commissioned to represent. And, sir, it would have been cowardly in the banking and currency committee of the house had it sought to please the agricultural interests by partial legislation, hurtful to the banking and commercial interests of the United States. We have done neither of these things. We have sought to do exact justice to all classes; and any public man who would have us do otherwise affronts the intelligence and disparages the patriotism of the American farmer no less than he outrages the sense of justice of the American merchant and banker. It is gratifying to report to the house that while in some directions there have been manifestations of selfishness and in others amusing rhetorical exhibitions in behalf of the people, the committee has had a clear perception of its duty and has yielded neither to greed nor to declamation. It has steered a straight course, right between Scylla and Charybdis.

The requirements of the American farmer for bank credit are no different from the needs of other members of the community. The farmer requires loanable capital to enable him to extend his agricultural operations as far as there is profit in them, and to take advantage of market conditions which call for the application of more wealth than he actually possesses. However, while thus essentially on the same basis as others in respect to loanable funds and his need of credit, the farmer is peculiar in the respect that he ordinarily requires a longer term of credit than do some other members of the community, and in most countries requires currency in the transaction of his business rather than book credit with the bank.

#### FARM LOANS

The present bill is intended to render capital available to banks through the rediscounting operation, and at this point I desire briefly to call attention to those phases of the bill which bear upon the farmer and his welfare and in regard to which it is probable that the agriculturist will be directly helped.

In section 14 of the bill we have provided for the rediscounting of paper possessing a maturity of not more than 90 days in one case and in another case paper possessing a maturity of not more than 120 days. In the same section we have provided for the making of acceptances by national banks and the rediscounting of those acceptances by federal reserve banks.

There has been a great deal of misapprehension in many quarters with reference to the meaning of the 90-day provision in this paragraph. The claim has constantly been made that this 90-day provision would be of no service whatever to the farmer, because the farmer never bothers with so short a loan as 90 days. This, of course, is an entire misapprehension of the whole situation. The terms of the bill do not provide that the paper shall not be discounted if it runs more than 90 days, but

merely that it shall not be discounted until it is within 90 days of maturity. In other words, the bill enables the banker who holds the farmer's paper to shorten the life of the farmer's paper by 90 days and to that extent get new funds with which to aid the farmer. Now, just what does this mean? Suppose that the loans of a farming community made by national banks will average 90 days, with a renewal for 90 days, or six months in all. It is evident that a bank which had loaned, let us say \$25,000, for four months would be able to present this paper at the end of the first 30 days of the life of the loan and to get a rediscount for the remaining 90 days. That is to say, it would be able to draw back the amount of the farmer's credit at the end of the first 30 days and to relend that sum to other people. When the time came for renewal the bank would, of course, have to be in position to pay its loan or rediscount to the federal reserve bank if it extended the farmer's accommodation for another 90 days out of new funds that have come in meanwhile; but it could again rediscount at the end of another 30-day period. In other words, if the community were doing its banking upon a four months' period of credit the bank would be able to shorten this in practice to a 30-day period of credit. It is entirely conceivable that by this process it should practically treble the amount of banking capital which it could, if necessary, place at the disposal of the community.

Now, let us suppose that the country bank, as is no doubt frequently the case, does not have a steady run of loans such as would justify the use of the method just described. Let us suppose instead of that that the demand for loans is likely to be "bunched" in the late spring and then to slacken so that the funds of the banks are tied up on, let us say, six months' paper. Under the 120-day provision of this bill such banks would be able to take six months' paper as soon as it was two months old to a federal reserve bank and rediscount it. In other words, funds that would ordinarily have been tied up for four months longer will now be actually available to meet such additional demands as may come to the bank in the course of the summer and early autumn. Here, again, it is evident that the loan period being practically cut down by two-thirds the loaning power of the bank is trebled, assuming that it is able to obtain from the federal reserve bank the rediscounts for which it has the basis in the shape of paper growing out of agricultural transactions.

#### HANDLING FARM CROPS

I have been constantly hearing that the proposed bill afforded no basis for accommodating the farmer who had raised his crops and who desired to get means that would enable him to carry them along pending improvement of prices. Nothing could be more unjust or further from the facts of the case than this. As a matter of fact, the bill makes ample provision for the handling of the great export crops of the country, such as cotton, wheat, corn, and the like. Not only does it provide for loans of the kind already referred to, but in the paragraph relating to acceptances it makes ample provision for enabling the owner or raiser of crops to retain the title to them while they are being disposed of abroad. Let us see how this works. If a cotton grower in the south, for example, needs funds he may arrange with a bank near his home to grant him a specified credit of, say \$50,000. In this event he would draw a bill of exchange or draft on the bank in question for, say, six months and would attach to it the documents showing shipment. The bank would accept this paper and he would then be in position to sell the bill practically anywhere. The credit would be based on an actual ownership of cotton protecting the actual amount of the bill and investors practically everywhere would feel entirely at liberty to purchase this paper freely because it had been guaranteed by the bank which accepted it. Everywhere in the country where there were idle funds there would be a demand for these bills. Not only federal reserve banks, but other banks would constitute a market for such bills. When rediscounted there they would constitute a virtual extension of credit to these banks, enabling them to increase their loaning power tremendously and thereby to give to their customers accommodation which the latter could not otherwise have expected.

#### LOWER INTEREST TO THE FARMER

The unquestionable effect of this new system would be to draw funds now idle in various

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