per cent referred to would be about $356,000,000, while the amount which the banks at their option might or might not obtain in this way would be about $213,000,000, the actual cash required to be held by them under the new plan being as follows:

Central reserve city banks	$141,127,835
Reserve city banks........	175,128,701
Country banks	180,533,642
Total	496,790,178

Add to this the amount which the reserve banks can at their option make it worth while for the other banks to hold in cash, or to deposit with them in cash, and we have a total of about $710,000,000. The actual cash held today by the banks at home and in the redemption fund is about $950,000,000. Something like $240,000,000 would thus be released under the probable working out of the system and this would be drawn upon for the other purposes already referred to.

COUNTRY BANKS UNDER THE BILL

There has been a strenuous effort to prejudice the country banks against the bill, inspired, as I believe and have reason to assert, by banking institutions with close and extensive Wall street affiliations. The propaganda was not prompted by any special solicitude for the country banks, but by chagrin over the prospect of being deprived by this bill of the reserve funds of the country banks. Mr. Owen, the senator from Oklahoma, in a letter which has since been made a senate document, sharply pointed out the fallacy of the contention that country banks are offered no inducements to come into this system; so it would seem superfluous for me to present this aspect of the case here. However, I shall do so very briefly.

Let it be assumed that a bank of $100,000 capital (no surplus) is the owner of $75,000 in United States 2 per cent bonds and has outstanding $75,000 of circulation. Let it also be assumed that this bank has total outstanding deposits of $400,000. The bank is a country bank.

How will the new plan affect this institution? In the first place, the bank in question, if it has $400,000 of deposits, must have on hand in its own vaults 6 per cent of that amount in cash, or $24,000, and must have 9 per cent of that amount, or $36,000, as a balance with the reserve city bank.

Under this bill this bank must have a reserve of 12 per cent instead of 15, of which 5 per cent, or $20,000 must be in cash in the vaults, while $20,000 must ultimately be placed with the reserve bank and $8,000 may be kept either in the one place or in the other, when the whole measure has become operative at the end of three years.

As the bank has $24,000 cash when it enters the system, it is $4,000 ahead of the amount required to be held in its own vaults. It can draw for the remaining $28,000 required of it upon its present reserve city correspondent, with which it holds $36,000, sending the $28,000 check to the new federal reserve bank. After the transaction is over its reserves will be complete, and it will have $4,000 in cash and $8,000 in balances over and above what it needs to meet its reserve requirements.

The bank, however, must contribute $10,000 to the capital stock of the federal reserve bank which it has joined. If it pays this amount out of the $12,000 surplus it will become the owner of $10,000 stock in the new reserve bank and will still have $2,000 surplus out of its former balances.

This bank was receiving probably 2 per cent upon the $36,000 balances it carried, making in all $720 a year. Assuming that the stock in the new reserve bank pays 5 per cent, it will yield an income of $500 a year. The bank, moreover, has $2,000 of free cash still remaining which it can loan after withdrawing it from its present correspondents—say, at 5 per cent, bringing in $100 annually. Or if it were to use this $2,000 as a reserve upon which to build up new loans it could lend about $16,000 thereon, which at 5 per cent would yield it $800. On this basis the changed situation of the bank might result in a loss of about $120 a year or in a gain of $580 or in anything between those two sums. The reasonable expectation would be that the bank would get a material increase in its revenue. Just how much would depend upon the extent of the loans it could make in response to demand in the community.

The bank would be able to exchange each year 5 per cent of its present $75,000 or 2 per cent bonds, or $3,750. If we assume that the bank sells the 3 per cent bonds it receives through this exchange at par, and with the proceeds pays off the notes now outstanding against them, the effect is simply to reduce its assets and liabilities by equal amounts, at the same time releasing it from the necessity of retaining the 5 per cent redemption fund in Washington which at once becomes available as a basis for reserve loans at home. This 5 per cent redemption fund would be on $3,750 equivalent to about $185. If this were loaned directly at 5 per cent it would yield an income of $9.25. If the $185 were used as a 12 per cent reserve against loans, about $1,500 of loans could be made which at 5 per cent would yield $75. This if taken in connection with the showing made above would reduce the loss to $45 a year or would increase the gain to $655, with corresponding changes in intermediate points between these two extremes. If the banks had no notes outstanding against the bonds which it converted and sold, it would get fluid funds equal to the amount of the bonds thus sold which could be loaned at 5 per cent instead of the 2 per cent now paid by the bonds. This would be a difference of 3 per cent per year in favor of the new plan on a principal of $3,750. On the other hand, if the bank simply paid off its outstanding notes out of non-reserve money on hand (as in many cases it might) and held the new 3 per cent bonds as an investment it would profit to the extent of 1 per cent over the existing situation on a principal of $3,750 a year or $37.50 the first year, $75 the second year, and so on. At the end of 20 years it would be 1 per cent ahead on its whole $75,000 bonds, or $750 annually. In this event it is clear that within three years the increased revenue from its bonds would offset any possible loss due to the sacrifice on the 2 per cent interest on reserves. Against this might fairly be set off the income, if any, that it might have made by loaning the cash used to cancel its outstanding bank notes.

Summarizing, it is safe to say that upon the narrowest possible basis likely to present itself in the case of this bank the institution would, if it paid up its whole reserves under the new plan in cash, fully clear itself and make an additional revenue of from $200 to $500. If instead of paying up its reserves in cash it got the reserve credit by rediscounting, it might profit to a very much greater degree; how much greater can not be estimated without knowing the rate of interest in the community and the extent to which it could obtain paper eligible for rediscount.

REFUNDING BONDS

Retirement of the national-bank circulation, frequently redundant and never elastic, is regarded as one of the essentials of currency reform. During the 12 years that I have served as a member of the banking and currency committee the universal testimony of banker and business man, text writer and political economist has favored this alteration in the existing system. All political parties are pledged to this reform, notably the democratic party, which has repeatedly declared for it. In its platform of 1896 it declared:

> Congress alone has the power to coin and issue money, and President Jackson declared that this power could not be delegated to corporations or individuals. We therefore denounce the issuance of notes intended to circulate as money by national banks as in derogation of the constitution, and we demand that all paper which is made a legal tender for public and private debts, or which is receivable for dues to the United States, shall be issued by the government of the United States and shall be redeemable in coin.

Again, in 1900, the democratic platform on the same subject declared that—

> A permanent national-bank currency, secured by government bonds, must have a permanent debt to rest upon, and if the bank currency is to increase the debt must also increase. The republican currency scheme is therefore a scheme for fastening upon the taxpayers a perpetual and growing

Meaning of Dividends

The Midwest Life began business as an annual dividend company. As dividends to policyholders in life insurance are nothing more than the return of the overcharge in premiums, it was considered only fair and just that this return should be made annually and not deferred for ten, fifteen or twenty years.

When one understands that a dividend on a life insurance policy is in no sense a profit, only the return of that part of the premium in excess of the amount necessary for the company to pay all its expenses and losses and to set aside the required reserve, the query naturally presents itself, "Why collect the excess in the first place?" Dividends can be paid only because the premiums collected were too high. To get dividends one must literally buy them, the increased premium paid being the price. There appears to be a growing tendency among the better informed at least, to buy non-participating life insurance; that is, so much insurance for so much money, with no return of any over charge, because no overcharge is made. Partly in response to this demand, and foreseeing the tendency of the states to restrict companies to the writing of either participating or non-participating insurance, The Midwest Life placed on the market, late in 1907, non-participating policies. On July 1, 1912, it withdrew all participating forms and now writes only stock or non-participating insurance.

The distinction between participating and non-participating insurance is a simple one. A company selling participating policies charges more than the insurance is worth and agrees to refund this overcharge either at the end of each year or at the end of five, ten, fifteen or twenty years. No other business is conducted on this principle. Men do not buy clothing, groceries, land or furniture in any such way. A company which sells non-participating insurance charges a premium based upon what the insurance costs. If you want a policy on which there is no guess work as to the cost, either in the first, second, fifth, tenth, or any other year, a policy in which there are no estimates, and every figure and statement is a guaranty, call or write

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Stomach, Nerves and Thinker Restored by Grape-Nuts Food.

The number of persons whose ailments were such that no other food could be retained at all, is large and reports are on the increase.

"For 12 years I suffered from dyspepsia, finding no food that did not distress me," writes a Wisconsin lady. "I was reduced from 145 to 90 pounds, gradually growing weaker until I could leave my bed only a short while at a time, and became unable to speak aloud.

"Three years ago I was attracted by an article on Grape-Nuts and decided to try it.

"My stomach was so weak I could not take cream, but I used Grape-Nuts with milk and lime water. It helped me from the first, building up my system in a manner most astonishing to the friends who had thought my recovery impossible.

"Soon I was able to take Grape-Nuts and cream for breakfast and lunch at night, with an egg and Grape-Nuts for dinner.

"I am now able to eat fruit, meat and nearly all vegetables for dinner, but fondly continue Grape-Nuts for breakfast and supper.

"At the time of beginning Grape-Nuts I could scarcely speak a sentence without changing words around or 'talking crooked' in some way but I have become so strengthened that I no longer have that trouble." Name given by Postum Co., Battle Creek, Mich.

"There's a reason," and it is explained in the little book, "The Road to Wellville," in pkgs.

Ever read the above letter? A new one appears from time to time. They are genuine, true, and full of human interest.