

debt. We are opposed to this private corporation paper circulated as money but without legal-tender qualities and demand the retirement of the national-bank notes as fast as government paper or silver certificates can be substituted for them.

This measure provides for the gradual retirement of national-bank circulation over a period of 20 years and the reversion of the right of note issue to the government of the United States. Such an alteration in the existing system necessitates the refunding of United States 2 per cent bonds, which afford the basis of bank-note circulation. To my mind it needs no argument to determine that both the honor and the credit of the government are involved in the proposition that whenever the government withdraws the circulation privilege from its 2 per cent bonds it should reimburse the holders of its securities for the inevitable depreciation which will ensue. The refunding scheme which we have here provided contemplates this; and while it involves the assumption by the government of a slightly increased interest charge, it is perfectly manifest that the government has long ago received its compensation in the abnormally low rate at which it has been enabled for years to float its indebtedness under the existing system.

But aside from this, Mr. Chairman, the bill provides other compensations. It enables the government to resume and exercise a function which for 50 years has been confided to private corporations, the value of which has been variously computed to be between 1 1/2 and 2 1/4 per centum on the amount of circulation outstanding. In addition to this the government shares in the excess earnings of the regional reserve banks; and finally, but most important of all, this new system will provide a rediscount scheme so much less expensive than the existing bond-secured currency plan as to make certain a reduction in the interest charge upon commercial transactions with the banks; so that, from every practical point of view, as well as upon considerations of public honor, the 2 per cent government bonds should be refunded into 3 per cents or paid by the government at par with accrued interest. I am well aware that there are critics of this plan who are not mere cavillers; but we do not fear to subject our attitude on this question to the dispassionate judgment of the American people.

**DIVISION OF EARNINGS**

The division of earnings provided by this bill for the federal reserve banks will stand the test of fair disputation, albeit many of the bankers are insisting that the cumulative dividend provided should be increased from 5 to 6 per cent. The rate fixed by this bill is exactly the rate fixed by the Aldrich bill, which the bankers unanimously indorsed. But the contention is that the Aldrich bill did not shift reserves and thus

deprive the country banks of the 2 per cent interest which they have received upon their balances with correspondent banks. That is true. Neither did the Aldrich bill reduce country reserves from 15 to 12 per cent and other reserves from 25 to 18 per cent, nor did the Aldrich bill provide, in addition to a cumulative dividend, that the stockholding banks might receive 40 per cent of the excess earnings of the system. I have already pointed out that the interest to be derived by country banks from credit extensions based on the reserve-release clause of this bill will greatly more than compensate them for the loss of interest on their balances, to say nothing of the vastly superior advantages of a banking system which will never break down over a banking system which has repeatedly involved all the banks and the whole country in disaster.

**NOTE ISSUES**

In this country there is sharp division of opinion upon the question of note issues, one school of thought contending that it is strictly a banking function and another that it is an essential function of government. In this bill we have provided that the government shall issue the notes, but only upon application by the banks and through the banks. The controversy over this provision is entirely sentimental. The section as it stands constitutes a compromise; but there is not a single element of unsoundness in the provision. Behind the notes is a gold reserve of 33 1-3 per cent, commercial security amounting to dollar for dollar, a first and paramount lien on all the assets of the reserve banks and, superimposed, the obligation of the United States. To those who advocate government issue, it may be said that they have it here in terms, with discretion in the federal reserve board to issue upon application or to withhold. To those who contend for bank issues, we may say that, in the practical operation of the system, you have it here; because only upon application of the bank can the government issue. To those who affect, or sincerely entertain, solicitude for the government's credit, it may be pointed out, as a practical fact, that the security behind the notes here provided is many times more than sufficient to protect the government before the note holder would reach the treasury counter. Whatever other objections may be urged to the system, not a critic of this bill—banker, business man, or specialist—has ever suggested that the note here provided is not as sound as gold itself. (Applause.)

**CONCLUSION**

I will not, Mr. Chairman, weary members with an explanation now of the minor details of this measure; these are fully set out in the printed report which accompanies the bill. We have made provision for foreign banking, designed to extend our foreign trade by furnishing quicker exchanges and affording infinitely better banking facilities in that field of enterprise. We have incorporated in the bill a saving-department clause, which will enable the national banks of the country to do business of this nature under authority of the statute rather than in disregard of the law. We have provided a more effective and less expensive method of domestic exchange and collection and also a system of examination and publicity which better safeguard the banking operations of the country.

The work of the banking and currency committee has been arduous and laborious, dealing with a subject exceedingly complex and upon the details of which, if not upon the general principles involved, there are wide divergencies of opinion and varying degrees of antagonism. We



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have done the best we could. Without practical banking experience, disclaiming expert knowledge of the subject, I have tried as chairman of the committee to reconcile conflicting views, to compose all friction from whatever source arising, to embody in the bill the technical knowledge of the banker, the wisdom of the philosophers, and the rights of the people. We have not desired to approach or consider the question from the standpoint of party politics. It is too universal a problem for that. It is not a matter for party advantage. I have kept in constant contact and pleasant intercourse with

the ranking minority member of the committee, giving him every successive reprint of the bill, affording all the information that he might desire, and inviting in good faith such suggestions as he might care to make. And now, Mr. Chairman, sure of our ground, yet conscious of human limitations, we submit this bill to the judgment of the house, challenging a fair consideration of its provisions and devoutly invoking the patriotic co-operation of our colleagues in what should be a great service to the country and a memorable achievement of the Sixty-third congress. (Loud applause.)

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