

Senator Shafroth on Gold Reserve

In a speech delivered in the U. S. senate in discussing Senator Hitchcock's amendment to the administration currency bill Senator Shafroth said:

Senator Hitchcock's amendment to the bill provides that no less than 33 1-3 per cent of gold shall be kept as a reserve and that the amount ordinarily to be kept shall be 45 per cent, with a permit to let the reserve be depleted to 33 1-3 per cent upon there being paid an interest charge of 1 per cent on each 2 1-2 per cent exhaustion of the gold reserve. In other words, under normal conditions the reserve required under the Hitchcock amendment will be 45 per cent in gold, and the amount required according to the house bill and the Owen amendment will be 33 1-3 per cent.

In most of the issue banks of Europe there is no minimum reserve required. The Bank of France, while it usually holds a very large reserve in gold, has no minimum fixed by law. The Reichsbank of Germany prescribes that a reserve of 33 1-3 per cent shall be maintained in gold. The Bank of Belgium maintains a gold reserve of 19 per cent.

STRAIN ON GOLD

The result of requiring the maintenance of a very large gold reserve will be to produce increased demands for gold; and as gold is the international money of the world, any increase by one nation necessarily makes the struggle for gold which is now going on a little more severe.

The flow of gold to or from a country is regulated by the banks of issue of the various countries raising or lowering the rate of discount. In order to attract gold the bank of issue of a European country will raise the rate of discount; that is, raise the rate of interest which the banks charge. That tempts money from other countries to make investments at the higher rate of interest, and therefore brings the money with which to pay for such securities; and as international balances must be paid in gold, the transaction therefore brings gold to the country that raises the rate of discount.

The other nations that have lost gold by that process must, in order to get it back, raise their rate of discount a little higher. Thus this seesaw in raising the interest rates with the object of attracting gold continues until interest rates become very high. This competition and raising the rate of discount among the various nations of the world to get more gold is counteracted only when enterprises that are contemplated are confronted with a rate of interest too high to make such enterprises profitable, and thus a less demand sets in for money, which, according to the principle of supply and demand, effects the lowering of the rate of interest.

HIGH DISCOUNT RATE PRODUCES STAGNATION

When the rate of discount gets high throughout the world it generally produces stagnation in business, commerce, and enterprise. Consequently, the least strain upon gold that can safely be made and yet maintain the gold standard comes nearest permitting business and enterprises to continue in a prosperous way.

It is said that at the present time there is less gold in circulation in proportion to the credits outstanding than ever existed at any other period in the history of the world. That means that there is more of a strain upon gold for reserve and redemption purposes in proportion to the business conducted than at any other time in the world's history. In the general policy, therefore, of relieving the strain on gold there is a tendency to let commerce thrive, while requiring large reserves increases the strain on gold and thereby makes a depressing effect on business and commerce.

At the end of the first six months of the present year the aggregate gold reserves of all the principal banks and treasuries of the world amounted to \$4,693,104,000.

At the end of the first six months of the year 1911 the gold holdings of the various institutions were \$466,867,000 less than in 1913. Notwithstanding this increase within the last two years in the gold holdings of the treasuries and banks of the gold-standard nations, the great banks of issue assert that they have not gold enough and view with each other in raising their discount rates, so that they may jealously protect their holdings.

This struggle for gold among the nations of the earth in the last fifteen years has produced great increases in the rates of interest.

At the close of the nineteenth century the discount rate of the Bank of England remained normally in the vicinity of 2 to 2 1-2 per cent per annum, but has since been gradually climbing to 4 per cent, which it reached in 1912; and recently the rate has gone still higher to 4 1-2 per cent, and later still to 5 per cent per annum.

According to Mr. Paul Leroy-Beaulieu, an eminent French economist, the following advances in the rates of discount charged by the banks of issue of various countries have been made from June 30, 1911, to June 30, 1913:

	1911	1913
	Per ct.	Per ct.
Bank of France.....	3	4
Bank of England.....	3	4 1/2
National Bank of Belgium.....	3 1/2	5
National Bank of Switzerland..	3 1/2	5
Imperial Bank of Germany.....	4	6
Bank of Austro-Hungary.....	4	6
National Bank of Denmark.....	4 1/2	5
National Bank of Norway.....	4 1/2	5 1/2
National Bank of Spain.....	4 1/2	4 1/2
Russian State Bank.....	4 1/2	6
Bank of Issue of Italy.....	5	5 1/2
Bank of Japan.....	4.74	6.54

It can be readily seen from these extracts that the greater the gold reserves are made the greater the strain upon gold will become, and that the way to retain gold will be by increasing the rate of discount. This may be very satisfactory to the bankers, because they reap more profits when they lend out their money at a higher rate of interest, but it is not to the interest of the people who are compelled to pay the higher rate of interest fixed by banks of issue under the claim that they are trying to get more gold.

A BOUQUET OF REFORMS

After devoting space to each one of the larger reforms the president groups a number of minor ones which he is not willing to pass by unnoticed—a sort of bouquet of remedial flowers, whose perfume is expected to draw forth a favorable response from the legislators. These remedial measures are as follows:

"Three or four matters of special importance and significance I beg that you will permit me to mention in closing.

"Our bureau of mines ought to be equipped and empowered to render even more effectual service than it renders now in improving the conditions of mine labor and making the mines more economically productive as well as more safe. This is an all-important part of the work of conservation; and the conservation of human life and energy lies even nearer to our interest than the preservation from waste of our material resources.

"We owe it, in mere justice to the railway employees of the country, to provide for them a fair and effective employers' liability act; and a law that we can stand by in this matter will be no less to the advantage of those who administer the railroads of the country than to the advantage of those whom they employ. The experience of a large number of the states abundantly proves that.

"We ought to devote ourselves to meeting pressing demands of plain justice like this as earnestly as to the accomplishment of political and economic reforms. Social justice comes first. Law is the machinery for its realization and is vital only as it expresses and embodies it.

"An international congress for the discussion of all questions that affect safety at sea is now sitting in London at the suggestion of our own government. So soon as the conclusions of that congress can be learned and considered we ought to address ourselves, among other things, to the prompt alleviation of the very unsafe, unjust, and burdensome conditions which now surround the employment of sailors and render it extremely difficult to obtain the services of spirited and competent men such as every ship needs if it is to be safely handled and brought to port."

W. J. BRYAN.

Senator Cummins, who hopes to be the next republican nominee for president, told his fellow-members that he hesitated to participate in the debate over the currency bill because he did not wish to give it, before the country, the color of

actual deliberations, after the democratic caucus had decreed its form. After which he talked not to exceed sixty minutes. Copies of the speech may be secured during the next campaign for the republican nomination for president.

GOOD WORDS

Lee Riddle, Los Angeles, Cal.—I wish to state that I have been much pleased with the course of "The Commoner." The demands upon the time of an active business man are so numerous as to make it almost impossible for him to get the meat of what is going on in political life by means of the daily press. And besides, on account of factional interest, one who desires the truth and nothing but the truth is discouraged by the loose methods of the newspapers in reporting facts. But I find that, by means of "The Commoner," a holiday or Sabbath day at home enables me to get the truth relative to political questions and that from the pen of men who are broad and patriotic enough to use as their bases correct moral and spiritual principles. I certainly am highly pleased with the course which has been pursued by our president up to the present time. If I understand him aright, he is using his best endeavors to turn the promises of the last platform into enactments of law and in this he has and will, in my judgment, continue to have the earnest and faithful support of every unselfish, honest member of his party, and will gradually secure the respect, confidence, and added support of all other conscientious, intelligent men. To aid him in this undertaking "The Commoner," in my judgment, is doing a great work and I hope that it may continue steadfast and faithful to the principles it now champions and to the cause of humanity as now exemplified by its columns.

Patrick H. Dunn, Bangor, Maine.—Enclosed please find check to renew my Commoner which I value among the highest periodicals coming to my notice away down here in Maine. We appreciate the valuable service it is rendering to humanity and are prouder than ever of the great Commoner and his associates at Washington in spite of the criticisms of those who would have a nation deluged in blood for a money consideration.

Edward S. Corser, Minneapolis, Minn.—I am very glad to evidence my continued approval of the Commoner, and enclose a renewal subscription. I am, however, fully aware that my loyal attachment to the publishers of the Commoner and my personal admiration of and loyalty to Mr. Bryan, are well known by both of you, and I could not give you any further and stronger assurance of this than you already possess. The hard work of the administration, which was certainly known and understood by our citizens who have average good sense, seems to have been very carefully scrutinized by the nation, and has a general and more than usual approval, with but few openly dissenting. Eternal vigilance is needed to obtain control of the finances of the nation by the people, and I am sure that the wisdom and high moral purpose of the administration has general appreciation and approval. To go as you are now and holding yourselves unshaken to the level of the high purpose of the administration, all will be well with you.

Editor The Commoner: I am highly elated, and exceedingly pleased with the change in The Commoner. It is a great inspiration to me to read its contents and to know I am reading the truth of government affairs, although I am like the young lady that was receiving the attentions of a young man. She was rather anxious to know when he would call again. He hesitated a moment and asked how would five weeks do. She said it would do, but it looked like he never was coming again. So The Commoner. Seems to me a long time coming, but when it does come I am well paid and rejoice in reading it in every detail. I have great confidence in the present administration to do things that will be an everlasting blessing to mankind. I do know that the light of a new day has dawned and I thank God we have men now at the head of this government that have the courage to do right.—L. W. Beaman, Sterling, Tex.

Editor The Commoner: I received your big monthly and highly esteemed Commoner all O. K., and must say it is a hummer. It was always good, but I esteem your monthly much more than the former style and predict success for it. The articles are more full, explicit and certainly convincing to the most skeptical, if fair minded. Vive La Commoner.—William D. Roop, Marion, Ind.