

Currency Bill Reaches the Senate

After nearly three months of preliminary work, the committee on banking and currency submitted three currency bills to the senate on November 22. The original Glass-Owen bill went to the calendar on Chairman Owen's request, but without recommendation.

The debate on the currency question was opened in a speech delivered by Senator Owen, November 24, on behalf of the administration forces, and on Tuesday, November 25, Senator Hitchcock spoke against the administration bill in a speech setting forth the position of the republican members of the banking and currency committee.

COMPARISON OF THE BILLS

Following is a comparison of the administration house bill, the administration senate bill and the Hitchcock-republican bill, as published in the Philadelphia Public Ledger:

ADMINISTRATION HOUSE BILL

Creates 12 regional banks, capitalized at \$100,000,000. Stock, which is to be subscribed by individual banks, represents 20 per cent of their combined capital; national banks are compelled to join, but state banks and trust companies may join.

The federal reserve banks shall be banks of issue and rediscount and shall be the fiscal agents of the United States government.

Stock shall be subscribed by the national banks. One-fourth shall be paid for in cash, one-fourth in 60 days and the remaining one-half subject to call.

Division of Earnings

Stock to pay 5 per cent. Additional earnings to be divided as follows: One-half to create a sinking fund of 20 per cent. Above that net earnings shall be distributed 60 per cent to the government and 40 per cent to member banks in the ratio of their average balances with the reserve bank.

Regional Bank Officers

Nine directors shall conduct each regional bank, six to be chosen by the banks and three by the federal reserve board. One-half of those named by the banks shall represent the financial and commercial interests of the district.

Federal Reserve Board

Shall consist of seven members, including the secretary of the treasury, secretary of agriculture and controller of the currency. Four shall be named by the president with due regard to the geographical divisions of the country. Salaries \$10,000 and term of office eight years.

Rediscounts

Rediscount privilege shall be restricted to member banks and limited to commercial paper maturing within three months. Four months paper may be rediscounted, however, when reserve bank has one-third cash reserve.

Reserve banks shall receive deposits of money, checks and drafts for collection and bills of exchange. They shall also receive all government funds above the necessary working balance in the treasury.

Foreign Branches

Any national bank with \$1,000,000 capital may establish a branch abroad.

Savings Department

National banks may segregate 20 per cent of their capital stock and operate a savings bank department.

Reserves Against Deposits

Country banks shall maintain a 12 per cent reserve, of which 5 per cent

shall be in their own vaults in lawful money.

For 14 months 3 per cent and thereafter 5 per cent of its reserves shall be maintained with the reserve bank. The remainder may be left on deposit with reserve city banks.

Note Issues

The federal reserve notes are to be issued at the discretion of the federal reserve board. They shall be redeemable in gold or lawful money.

Notes shall be issued on collateral security of equal amount. They shall be secured by a reserve of 33 1-3 per cent in gold or lawful money.

Redemption Fund

A 5 per cent redemption fund in gold shall be maintained at the treasury.

Collections

Reserve banks shall receive at par checks and drafts upon any of its depositors, making no charge for collection.

Bond Redemption

Any national bank may apply to the secretary of the treasury in any one year for the refund of 5 per cent of its 2 per cent bonds bearing the circulation privilege and shall receive 3 per cent 20-year bonds without their circulation privilege.

At the end of 20 years all twos shall be refunded and the outstanding circulation canceled.

ADMINISTRATION SENATE BILL

Creates eight regional reserve banks, to be capitalized at \$106,000,000, equal to 6 per cent of the combined capital and surplus of member banks.

Membership of national banks is made compulsory and of state banks permissive.

If the stock is not subscribed by the banks it shall be offered to the public, and that not absorbed shall be taken by the government. No person or corporation except a member bank shall secure more than \$10,000 of stock.

Division of Earnings

Stock shall pay 6 per cent dividend. The surplus earnings shall first go to create a 20 per cent surplus fund and after that to the United States as a franchise tax. The government's earnings shall be applied to reducing its bonded indebtedness.

Regional Bank Officers

The affairs of each federal reserve bank shall be administered by a board of nine directors of three classes: Class A—Three members chosen by the banks. Class B—Three members chosen by the banks' representatives from the agricultural, industrial and commercial world. Class C—Three members selected by the federal reserve board.

Federal Reserve Board

Supervision of the whole system is lodged in a federal reserve board of seven members, including the secretary of the treasury and six members named by the president.

The directors shall be chosen with due regard to a fair representation of the "financial, commercial and geographical divisions of the country." They shall serve for six years and receive \$10,000 per annum.

Rediscounts

Reserve banks may rediscount the direct obligations of member banks, secured by "satisfactory securities." The amount loaned shall not exceed three-fourths the value of these securities.

Discount of bills receivable or foreign bills and acceptances shall be

subject to regulations imposed by the federal reserve board.

Foreign Branches

Any member bank with \$1,000,000 capital and surplus may establish a foreign branch.

Savings Department

Stricken out of the bill.

Reserve Against Deposits

Federal reserve banks shall maintain a 35 per cent reserve in gold or lawful money against its deposits and note issues in circulation. Its gold reserve in its own vaults and with the treasury for redemption shall be 33 1-3 per cent of notes outstanding.

County banks shall maintain a 12 per cent reserve against their demand liabilities and 5 per cent of their time deposits.

The disposition of these reserves varies after 14 months, and again after 36 months.

Collections

A federal reserve bank shall collect checks and drafts for its member banks or other reserve banks, but a reasonable charge may be made by the member bank making the collection, subject to the approval of the federal reserve board.

Bond Redemption

Any member bank may surrender its 2 per cent bonds to the secretary of the treasury, who shall assume responsibility for the outstanding bank note issues thus secured.

At the option of the federal reserve board these bonds may be converted into 3 per cent bonds, or as one year treasury notes renewable for 20 years and bearing 3 per cent interest.

The limit of redemption shall be \$36,000,000 annually. The circulating notes thus retired shall be redeemed out of funds furnished the secretary of the treasury by the federal reserve bank making the application. The federal reserve board shall, in turn, deliver to the regional reserve bank an equal amount of federal reserve notes. The treasury shall hold the bonds as security for such notes.

HITCHCOCK REPUBLICAN SENATE BILL

Creates four regional reserve banks, capitalized at \$106,000,000, representing 6 per cent of the combined capital and surplus of the banks.

Four additional reserve banks may be created by federal reserve board after two years.

Stock shall be subscribed by the public, but underwritten by the banks, payment to be made in gold or gold certificates, one-third in cash, one-third within thirty days and one-third within sixty days.

Division of Earnings

Stock to pay 5 per cent. Additional earnings shall be divided as follows: One-fourth to create a surplus fund of 20 per cent, then 37 1-2 per cent to create a depositors' insurance fund. All above that goes to the government.

Regional Bank Officers

Nine directors shall operate the regional reserve bank. Five shall be chosen by the federal reserve board and four by the member banks.

Federal Reserve Board

Shall consist of nine members, including the secretary of the treasury. The president shall name eight members for eight-year terms. They shall receive \$12,000 annually.

Rediscounts

Paper for rediscounts shall be accepted from member banks at three-fourths of its face value.

Each member bank, "as a matter of right," may discount up to an amount equal to its capital stock. On 50 per cent more rediscounts it shall

pay an additional tax of 1 per cent and on an additional 50 per cent 2 per cent additional. The limit is made twice the bank's capital stock.

Foreign Branches

Any member bank with \$5,000,000 capital may establish a foreign branch.

Savings Department

Stricken out of the bill.

Reserves Against Deposits

Country banks shall maintain a 12 per cent reserve against deposits—4 per cent in its own vaults, 1 per cent to be deposited each six months in a reserve bank until 4 per cent is so deposited, and 4 per cent either in its own vaults or with the reserve bank.

Note Issues

Federal reserve notes shall be issued under authority of the federal reserve board. They shall be redeemable in gold alone.

Reserves

Notes shall be issued to reserve banks in amount equal to the security deposited and secured by reserves of 45 per cent of gold or gold certificates.

Reduction in the gold reserve below 45 per cent is permitted down to 30 per cent on penalty of a 1 per cent tax for each 2 1-2 per cent decrease.

Redemption Fund

A gold redemption fund of 5 per cent shall be maintained at the treasury, to be increased to 10 per cent at the discretion of the secretary of the treasury.

Collections

Reserve banks shall receive checks and drafts for collection, but member banks may make a reasonable charge for collecting and remitting funds subject to the approval of the reserve board.

BOOKS RECEIVED

Causes and Cures of Crime. By Thomas Speed Mosby, member of the American bar. C. V. Mosby company, St. Louis, Mo. Price \$2.00.

The Future of the Working Class. Economic facts for employers and wage earners. By Roger W. Babson, president of the Babson statistical organization, Wellesley Hills station, Boston, Mass. Based on certain lectures delivered by the author at London and Paris in March and April, 1913. Babson's Statistical Organization, Wellesley Hills Station, Boston, Mass. Price 50 cents.

Markets for the People. The consumer's part. By J. W. Sullivan. The Macmillan company, New York. Price \$1.25.

The Mountains About Williams-town. By George Lansing Raymond, L. H. D. With an introduction by Marion Mills Miller, Litt. D. G. P. Putnam's Sons, New York and London. Price \$2.00, net.

Jim's Western Gems. By J. J. Somers. Prices (postpaid), paper cover, \$1.00; embossed ripple finish, \$1.50. Address orders for this book to J. J. Somers, 417 Fifth Ave., S. Minneapolis, Minn. Care of The Iron Trail Co.

Old Foggy. His musical opinions and grotesques. With an introduction and edited by James Huneker. Theodore Presser Co., 1712 Chestnut St., Philadelphia, Pa.

Labor and Administration. By John R. Commons, professor of political economy, University of Wisconsin, formerly director of the Milwaukee bureau of economy and efficiency and member of the industrial commission of Wisconsin. The Macmillan company, New York. Price \$1.60.