

# The Fowler Bill and the Nick Biddle Affair.

The periodical, "Sound Currency," in its March issue, prints an interesting article entitled, "The demand for centralized banking," and written by H. Parker Willis. This article, like all the articles now being issued by the single gold standard literary bureau, is evidently designed to give support to the Fowler bill, that remarkable measure which has been recommended for passage by a republican committee of the house.

Mr. Willis shows, what a great many observing people cannot fail to have noticed, that the so-called demand for centralized banking is being gradually complied with. Mr. Willis says:

It is true that some efforts are making towards centralization in the larger cities, but the principle is well known that consolidation only results in fiercer competition as the number of contestants grows smaller, UNLESS IT IS SUDDENLY REDUCED TO ZERO BY THE CRUSHING OUT OF ALL SAVE ONE. This principle may be seen in operation in our banking system at the present time, the recent consolidations having had the result merely of throwing certain groups of institutions into sharper contests with other groups without bringing with it the advantages usually supposed to accompany centralized control.

Evidently this plan of centralization is not satisfactory to those whom Mr. Willis represents; and he points out what, in his view, comprises a necessity for a centralized system of banking. He says there are, in general, two ways of securing such a system. One way is by "government initiative" and the other by "private effort."

The government initiative plan would be met, so Mr. Willis says, by the establishment of institutions similar to the early banks of the United States, the stock of which should be largely held by private individuals, the government only retaining so much as would enable it to exercise a certain oversight in the management of its affairs.

The private effort plan, according to Mr. Willis, "can probably be fully attained only if all restrictions upon banking centralization shall be removed so that the business community can be left to work out its own ends unhampered. Chief among these removals would be the withdrawal of the prohibition on branch banking."

In considering the actual feasibility of the different methods of concentration of the banking powers of the country Mr. Willis concedes, at the outset, that "any positive action by government initiative or recognition looking toward the establishment of a bank with which the treasury department should enter into special relations is out of the question." According to Mr. Willis, this is so for reasons "connected both with our past history and our political and economic organization."

In brief, Mr. Willis refers to the banking history of our country which made Andrew Jackson's "By the Eternal" famous; and he admits that it will be "a long time before the history of the Second Bank of the United States will be so far forgotten as to permit of the creation of a successor to it, even though there should be every reason of expediency dictating such a course and no tangible opposition on other than sentimental grounds."

Mr. Willis quotes former Secretary Gage as having said: "The proposition for a large centralized bank with broad powers for the establishing of branches, OFFENDS THE COMMON INSTINCTS OF OUR PEOPLE and may fairly be looked upon as at present impossible of realization."

Then Mr. Willis says that, accepting these interpretations of public opinion as correct, "it will

be impossible to secure the adoption of a centralized banking system by the natural method, that is to say, by direct organization. The organization leading to a change must be brought about in such a way as to require no assistance from legislation, but to be merely the result of spontaneous association and agreement among those affected by it. That is to say, organization, if it takes place, must be largely voluntary, and must aim at the combination of existing institutions for the supply of credit facilities."

In other words, it will be impractical for the organization of a banking trust by the creation of a bank similar to THE "NICK" BIDDLE AFFAIR; so a banking trust is to be organized by a measure known as THE FOWLER BILL, which will accomplish, in a covert way, the end which Mr. Willis and Mr. Gage and others have admitted could not be accomplished in an open and manly way.

Mr. Willis prints some interesting figures, showing the progress of local consolidation, and says:

It goes without saying that the tendency thus noted toward increase in the capitalization of the average national bank and the relative decrease in the number of institutions is still at work WITH MORE FORCE THAN EVER, as may be seen by an analytical study of the organizations and capitalizations under the gold standard law of 1900. Such analysis shows that there has been no change in the tendency noted, although it has been obscured by the addition of a large class of small new banks, which vitiates the general comparison.

Mr. Willis bluntly declares:

If the growth in the capitalization of the banks were solely the result either of the advance of the country in wealth and its demand for the services of larger institutions or even of a more than proportionate tendency to organize institutions of large capital, it might mean merely that the superior economies and advantages of organization on a large scale were coming to be better appreciated. But the movement MEANS MORE THAN THIS. It represents not simply an increase in the number of large institutions, but A TENDENCY TO CONSTRUCT THESE INSTITUTIONS BY THE USE OF SMALLER ONES AS COMPONENT PARTS.

Mr. Willis then pleads, in effect, for the passage of the Fowler bill and he says that in order to give the desired scope two classes of legislation are needed: "First, all restrictions upon FREE COMPETITION in banking must be removed; and, second, the banks of the country must be made to feel the pressure of those responsibilities WHICH WILL COMPEL CONCERTED ACTION on their part."

Perhaps we do not clearly grasp Mr. Willis' meaning, but it would seem that his first proposition pretends to the encouragement of "free competition" and the second proposition would make it practically impossible for any "free competition" to exist.

Mr. Willis evidently realizes that the smaller bankers throughout the country are making a vigorous battle against the Fowler bill, for he says:

Country bankers foresee danger to themselves in the possibility of inroads upon their fields of effort, should the larger institutions of the cities be permitted to establish branches and compete with them in their home market on equal terms. They know that such a policy would result in a reduction of interest rates in their towns and that their chances for the profitable use of their funds might thereby be somewhat diminished unless they were prepared to go as far as their new rivals in serving customers cheaply. The usual complaint

against such proposals is that they would result in building up a money power which would crush the small banks out of existence. A more absurd reversal of the actual facts in the case could scarcely be imagined. What the establishment of branches would actually do would be to destroy the local money power which now practically stifles many forms of legitimate industry by the pressure of excessive interest rates, and by other even less justifiable means.

The banking trust sought to be created by the Fowler bill would unquestionably operate, in methods and results, similar to other trusts. The great bank could operate its branch bank in a certain town with far less expense than is assumed by the local banker. Undoubtedly in the beginning interest rates would come down, because it would be necessary for the banking trust to decrease the rate of interest in order to drive the local banker out of business; but after the local banker had been driven out of business, what then?

After all the local bankers in the country had been compelled to close their doors and this centralization process had continued all over the country until one immense banking house controlled the local banks of the country, every one must see that the same power which could decrease the rates of interest and drive the local bankers out would be sufficient after a while to raise the rates of interest to whatever figure the banking trust desired to fix.

It is characteristic of the trust system that in order to crush out competition, it decreases prices only to raise prices according to its own pleasure when it has finally become master in the field.

It will be observed that in one of the paragraphs quoted from Mr. Willis' article, he said, referring to the efforts being made toward centralization in the larger cities: "The principle is well known that consolidation only results in fiercer competition as the number of contestants grows smaller, UNLESS IT IS SUDDENLY REDUCED TO ZERO BY THE CRUSHING OUT OF ALL SAVE ONE." This is somewhat inconsistent with Mr. Willis' statement with respect to the country bankers.

Evidently the eyes of the country bankers are beginning to open. They were persuaded that in order to maintain "national honor," they must vote the republican ticket. They were deceived on one or two occasions; but it stands to reason that it will be somewhat difficult to make these country bankers understand that any benefit is to be obtained either by the country bankers or by the general public in the creation of an enormous banking trust which shall first prey upon the selfishness of money borrowers, by reducing interest rates for a time in order that it may obtain the power necessary in its effort to take "the pound of flesh" from the people generally.

## Why Not a Filipino?

In a speech delivered at Havana, President Palma said: "Words cannot express my deep feeling when I see how united the people are for the good of our country. I hope they will be forever firmly cemented, making a nation dignified and honorable like her sister republic, the United States, that great, honorable nation."

Is it not indeed regrettable that nothing like this can come to us from the Philippine islands? Did we act toward the Cubans so that they regard us as "a great, honorable nation" simply because we gave them our pledge that we would be honorable?

Or did we act as we did toward the Cubans because such conduct was in accordance with simple justice?

Then, why may we not act toward the Filipinos as we acted toward the Cubans? And why may we not make it possible for some Filipino patriot to arise and pay to the United States the cordial tribute which was given by the Cuban president-elect?