The Commoner.

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DODGING THE ISSUE

On another page will be found an editorial from the Register and Leader of Des Moines, Ia. It is reproduced because it presents a good specimen of the reasoning used to support an asset currency. It will be noticed that the Des Moines paper starts out with a denial that there is likely to be an asset currency measure enacted. It denies that there is any expression of public sentiment that would justify the expectation of the passage of such a bill. It then suggests that congress is likely to make provision for an emergency currency. It will be noted that the Register and Leader avoids a general discussion of the principle and hides behind an exigency. It quotes, however, with approval an argument made in behalf of an asset currency by the United States Investor, and it is to this argument that attention is now directed. The Investor takes the total amount of assets and the total amount of liabilities of the national banks, and from that constructs an argument in favor of a currency based on assets. And note the argument. We are gravely told that there would still be a margin of $483,000,000 between the assets and the liabilities, but as the liabilities are $4,386,000,000, it would seem that the margin of assets would only be a little more than 10 per cent above the liabilities. Would any bank be willing to loan a merchant $9,000 if his total assets were only $10,000? In loaning on real estate, the most permanent form of property, the money loaners insist that the loan shall not be more than two-thirds of the present market value of the property, and yet we are told that an asset currency is safe if the liabilities are nearly 90 per cent of the face value of the assets.

The weakest point in this argument is that it is based on averages, whereas the currency would be issued by individual banks. Nothing is more deceptive than an "average." Those who apologize for any evil condition always hide behind an average. If you point out to them that an increasing number of people are being endangered by a bad system, they tell you that "the average" wealth of the United States is increasing. While money is being taken from the many and put into the pockets of the few, the apologists for the system use the average to return in figures what the poor lose in fact. Those who study social and economic conditions must consider not merely the total accumulation of wealth, but the equity of its distribution. So, in considering an asset currency, it is not sufficient to take the total assets of the banks, and their total liabilities, and insist that there is a sufficient margin to permit the issue of an asset currency (even upon this basis the margin is not sufficient to cover the dangers of a panic or of an industrial depression), we must remember that an asset currency is issued by individual banks and the value of such a currency depends, not upon the margin between the total assets of all the banks and the total liabilities of all the banks, but upon the margin between this particular bank's assets and liabilities. If a bank issues an asset currency and then its officials embezzle the money, what is to become of the currency? A few failures of this kind would soon throw discredit on the entire system and currency issued by good banks would share the odium with the currency issued by bad banks.

The present bank currency, while obnoxious to democratic principles and gross favoritism to the banking element, has at least the merit of being secure. The government holds the bonds and the currency is therefore safe, but an asset currency is not safe and could not be made safe for, if the bank had to put up security the very purpose of the emergency currency would be defeated. If, for instance a bank had to put up any kind of bonds it would have to first buy the bonds, and probably at a premium, so that it would obtain in currency less money than it paid for the bonds. Such a currency could not, therefore, be of any assistance in an emergency. If the currency is unsecured it might possibly relieve the bank in one way, but it would be almost sure to embarrass it in another, for while it might give it more ready money today it would be likely to deprive it of deposits tomorrow.

The Des Moines Register and Leader is wise in avoiding any general discussion of the asset currency, for it cannot be defended, but it is a little inconsistent to dodge the question itself and, while protesting that the enactment of an asset currency is improbable, yet at the same time present by indirection an argument in favor of such a departure from sound finance.

Legitimate Banking.

The Wall Street Journal accuses Mr. Bryan of being opposed to banks, and then it proceeds to quote Daniel Webster on the usefulness of banks.

The trouble with the Wall Street Journal is that it forms its opinions without regard to facts, and then inflicts those opinions upon the public. Mr. Bryan is not opposed to banks, and nothing that he has ever said can be tortured into support of the Journal's statement. Mr. Bryan is opposed to banks of issue, and in that position he has honorable company. Whether Daniel Webster can be included in that number is not a matter of vital importance, but it is certain that Thomas Jefferson and Andrew Jackson were among the number of those who opposed banks of issue, and they are quite as good company, at least from a democratic point, as Daniel Webster and the Wall Street Journal.

The democratic party is not opposed to banks of deposit and discount, nor is it opposed to the use of credit. There is no reason, however, why the government should loan the people's money to the banks and thus put the national treasury under the control of the financiers.

In another column will be found some reasons why The Commoner opposes the Aldrich bill and bills of that kind. If the Wall Street Journal desires to treat the matter in a candid and honest way, let it answer the objections to the Aldrich bill and not bolster up a bad cause by misrepresenting the position of those who are opposed to Wall street's financial policies.

The postoffice department informs us that an unusually large number of dead letters were left undelivered in the dead letter department last year. But this may not be an indication of growing carelessness on the part of the people. It may be an indication that some of the employes were too busy doing work on "side lines."

THE ALDRICH BILL

To Secretary Shaw: You are quoted as having expressed yourself in favor of the Aldrich bill or of some measure of like character. The object of this bill is to enable the government to deposit in the national banks a much larger sum than it has been in the habit of depositing. It has been estimated that according to the provisions of the Aldrich bill something like three hundred millions of government money could be deposited with various national banks. Notwithstanding the fact that the republican national platform of 1888 condemned the loaning of the government's money "without interest to pet banks," you have loaned more money to pet banks without interest than any former secretary of the treasury, and the purpose of the Aldrich bill is to still further increase these loans.

There are certain objections to the Aldrich bill, and you ought to be prepared to meet them before you urge such a measure upon congress. In the first place the loaning of government money to the banks is an act of favoritism. The secretary of the treasury has to select the banks. Whether he selects justly or unjustly is a question which the public cannot pass upon, because it has not the facts before it. It is a fact that one of the New York city banks urged its claim to consideration on the ground that its directors rendered valuable assistance to the republican party in the preceeding campaign. The power of the government to thus reward political friends and to withhold deposits from political opponents is a tremendous power in the hands of an administration that is disposed to use it for personal or party advantage. What has happened since 1888 to make the loaning of government money to pet banks less reprehensible than it was then?

Second—The loaning of government money to the banks makes the government dependent upon the banks. If it loans a large sum (as it is doing now) it is hardly at liberty to withdraw the money, for the withdrawal of a considerable sum would disturb business and threaten a panic. If the government goes into the business of loaning money to the banks it will be difficult to withdraw deposits, and what is therefore regarded as an emergency deposit is very apt to grow into a permanent deposit.

Third—By loaning the government's surplus to the national banks these powerful institutions are given a pecuniary interest in the maintenance of high taxes and in the collection of large revenues, for the more money the government collects the more it has to deposit. It is evident that every banker who has a large government deposit is permanently interested in preventing any reduction of taxation, however onerous the burden may become to the people. Can we afford to array so potent an interest against a reduction of taxation? Is it not difficult enough now for the taxpayer to secure a hearing? Will it not be more difficult when the national banks profit largely by heavy taxation? Can the people afford to use their own money to hire the national banks to work against them.

Fourth—The Aldrich bill provides for the payment of interest at the rate of 1½ per cent. Some opposition has been expressed to this provision,