

The President's Message to Congress

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America notably for fast mail lines to the chief South American ports."

Referring to "currency reform" the president says: "I especially call your attention to the second subject, the condition of our currency laws. The national bank act has ably served a great purpose in aiding the enormous business development of the country; and within ten years there has been an increase in circulation per capita from \$21.41 to \$33.08. For several years evidence has been accumulating that additional legislation is needed. The recurrence of each crop season emphasizes the defects of the present laws. There must soon be a revision of them, because to leave them as they are means to incur liability of business disaster. Since your body adjourned there has been a fluctuation in the interest on call money from two per cent to thirty per cent; and the fluctuation was even greater during the preceding six months. The secretary of the treasury had to step in and by wise action put a stop to the most violent period of oscillation. Even worse than such fluctuation is the advance in commercial rates and the uncertainty felt in the sufficiency of credit even at high rates. All commercial interests suffer during each crop period. Excessive rates for call money in New York attract money from the interior banks into the speculative field; this depletes the fund that would otherwise be available for commercial uses, and the commercial borrowers are forced to pay abnormal rates; so that each fall a tax, in the shape of increased interest charges, is placed on the whole commerce of the country.

"The mere statement of these facts shows that our present system is seriously defective. There is need of a change. Unfortunately, however, many of the proposed changes must be ruled from consideration because they are complicated, are not easy of comprehension, and tend to disturb existing rights and interests. We must also rule out any plan which would materially impair the value of the United States two per cent bonds now pledged to secure circulation, the issue of which was made under conditions peculiarly creditable to the treasury. I do not press any especial plan. Various plans have recently been proposed by expert committees of bankers. Among the plans which are possibly feasible and which certainly should receive your consideration is that repeatedly brought to your attention by the present secretary of the treasury, the essential features of which have been approved by many prominent bankers and business men.

According to this plan national banks should be permitted to issue a specified proportion of their capital in notes of a given kind, the issue to be taxed so high a rate as to drive the notes back when not wanted in legitimate trade. This plan would not permit the issue of currency to give banks additional profits, but to meet the emergency presented by time of stringency.

"I do not say that this is the right system. I only advance it to emphasize my belief that there is need for the adoption of some system which shall be automatic and open to all sound banks, so as to avoid all possibility of discrimination and favoritism. Such a plan would tend to prevent the spasms of high money and speculation which now obtain in New York market; for at present there is too much currency at certain seasons of the year, and its accumulation at New York tempts bankers to lend it at low rates for speculative purposes; whereas at other times when the crops are being moved there is urgent need for a large but temporary increase in the currency supply. It must never be forgotten that this question concerns business men generally quite as much as bankers; especially is this true of stockmen, farmers, and business men in the west; for at present at certain seasons of the year the difference in interest rates between the east and the west is from six to ten per cent, whereas in Canada the corresponding difference is but two per cent. Any plan must, of course, guard the interests of western and southern bankers as carefully as it guards the interests of New York or Chicago bankers; and must be drawn from the standpoints of the farmer and the merchant no less than from the standpoints of the city banker and the country banker.

"The law should be amended so as specifically to provide that the funds derived from customs duties may be treated by the secretary of the treasury as he treats funds obtained under the internal revenue laws. There should be considerable increase in bills of small denominations. Permission should be given banks if necessary under settled restrictions, to retire their circulation to a larger amount than three millions a month."

The president pleads for "a lower tariff or else absolute free trade in Philippine products." He asks that American citizenship be conferred on the people of Porto Rico. He says that the administration of all of "our new possessions" should be directed under one executive department, "by preference the department of state or the department of war."

The president devotes quite a long

chapter to an essay on "international morality," and he adds: "I am prompted to say this by the attitude of hostility here and there assumed toward the Japanese in this country. This hostility is sporadic and is limited to a very few places. Nevertheless, it is most discreditably to us as a people, and it may be fraught with the gravest consequences to the nation. The friendship between the United States and Japan has been continuous since the time, over half a century ago, when Commodore Perry, by his expedition to Japan, first opened the islands to western civilization. Since then the growth of Japan has been literally astounding. There is not only nothing to parallel it, but nothing to approach it in the history of civilized mankind. Japan has a glorious and ancient past. Her civilization is older than that of the nations of northern Europe—the nations from whom the people of the United States have chiefly sprung. But fifty years ago Japan's development was still that of the middle ages. During that fifty years the progress of the country in every walk of life has been a marvel to mankind, and she now stands as one of the greatest civilized nations; great in the arts of war and in the arts of peace; great in military, in industrial, in artistic development and achievement. Japanese soldiers and sailors have shown themselves equal in combat to any of whom history makes note. She has produced great generals and mighty admirals; her fighting men, afloat and ashore, show all the heroic courage, the unquestioning, unfaltering loyalty, the splendid indifference to hardship and death, which marked the Loyal Ronins; and they show also that they possess the highest ideal of patriotism. Japanese artists of every kind see their products eagerly sought for in all lands. The industrial and commercial development of Japan has been phenomenal; greater than that of any other country during the same period. At the same time the advance in science and philosophy is no less marked. The admirable management of the Japanese Red Cross during the late war, the efficiency and humanity of the Japanese officials, nurses and doctors, won the respectful admiration of all acquainted with the facts. Through the Red Cross the Japanese people sent over \$100,000 to the sufferers of San Francisco, and the gift was accepted with gratitude by our people. The courtesy of the Japanese, nationally and individually, has become proverbial. To no other country has there been such an increasing number of visitors from this land as to Japan. In return, Japanese have come here in great numbers. They are welcome, socially and intellectually, in all our colleges and institutions of higher learning, in all our professional and social bodies. The Japanese have won in a single generation the right to stand abreast of the foremost and most enlightened people of Europe and America; they have won on their own merits and by their own exertions the right to treatment on a basis of full and frank equality. The overwhelming mass of our people cherish a lively regard and respect for the people of Japan, and in almost every quarter of the union the stranger from Japan is treated as he deserves; that is, he is treated as the stranger from any part of civilized Europe is and deserves to be treated. But here and there a most unworthy feeling has manifested itself toward the Japanese—the feeling that has been shown in shutting them out from the common schools in San Francisco, and in mutterings against them in one or two other places, because of their efficiency as workers. To shut them out from the public schools is a wicked absurdity, when there are no first class colleges in

the land, including the universities and colleges of California, which do not gladly welcome Japanese students and on which Japanese students do not reflect credit. We have as much to learn from Japan as Japan has to learn from us; and no nation is fit to teach unless it is also willing to learn." Throughout Japan Americans are well treated, and any failure on the part of Americans at home to treat the Japanese with a like courtesy and consideration is just so much a confession of inferiority in our civilization.

"Our nation fronts on the Pacific, just as it fronts on the Atlantic. We hope to play a constantly growing part in the great ocean of the Orient. We wish, as we ought to wish, for a great commercial development in our dealings with Asia; and it is out of the question that we should permanently have such development unless we freely and gladly extend to other nations the same measure of justice and good treatment which we expect to receive in return. It is only a very small body of our citizens that act badly. Where the federal government has power it will deal summarily with any such. Where the several states have power I earnestly ask that they also deal wisely and promptly with such conduct, or else this small body of wrongdoers may bring shame upon the great mass of their innocent and right-think-

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