

shorter hours for their employes. Therefore, while there must be just and reasonable regulation of rates, we should be the first to protest against any arbitrary and unthinking movement to cut them down without the fullest and most careful consideration of all interests concerned and of the actual needs of the situation. Only a special body of men acting for the national government under authority conferred upon it by the congress is competent to pass judgment on such a matter.

Those who fear, from any reason, the extension of federal activity will do well to study the history not only of the national banking act but of the pure food law, and notably the meat inspection law recently enacted. The pure food law was opposed so violently that its passage was delayed for a decade; yet it has worked unmixed and immediate good. The meat inspection law was even more violently assailed; and the same men who now denounce the attitude of the national government in seeking to oversee and control the workings of interstate common carriers and business concerns, then asserted that we were "discrediting and ruining a great American industry." Two years have not elapsed, and already it has become evident that the great benefit the law confers upon the public is accompanied by an equal benefit to the reputable packing establishments. The latter are better off under the law than they were without it. The benefit to interstate common carriers and business concerns from the legislation I advocate would be equally marked.

#### PURE FOOD LAW

Incidentally, in the passage of the pure food law the action of the various state food and dairy commissioners showed in striking fashion how much good for the whole people results from the hearty co-operation of the federal and state officials in securing a given reform. It is primarily to the action of these state commissioners that we owe the enactment of this law; for they aroused the people, first to demand the enactment and enforcement of state laws on the subject, and then the enactment of the federal law, without which the state laws were largely ineffective. There must be the closest co-operation between the national and state governments in administering these laws.

#### CURRENCY

In my message to the congress a year ago I spoke as follows of the currency:

"I especially call your attention to 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 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 re-

ceive 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 at 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 times 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 the 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 standpoint of the city banker and the country banker."

I again urge on the congress the need of immediate attention to this matter. We need a greater elasticity in our currency; provided, of course, that we recognize the even greater need of a safe and secure currency. There must always be the most rigid examination by the national authorities. Provision should be made for an emergency currency. The emergency issue should, of course, be made with an effective guaranty, and upon conditions carefully prescribed by the government. Such emergency issue must be based on adequate securities approved by the government, and must be issued under a heavy tax. This would permit currency being issued when the demand for it was urgent, while securing its retirement as the demand fell off. It is worth investigating to determine whether officers and directors of national banks should ever be allowed to loan to themselves. Trust companies should be subject to the same supervision as banks; legislation to this effect should be enacted for the District of Columbia and the territories.

Yet we must also remember that even the wisest legislation on the subject can only accomplish a certain amount. No legislation can by any possibility guarantee the business community against the results of speculative folly any more than it can guarantee an individual against the results of his extravagance. When an individual mortgages his house to buy an automobile he invites disaster; and when wealthy men, or men who pose as such, or are unscrupulously or foolishly eager to become such, indulge in reckless speculation—especially if it is accompanied by dishonesty—they jeopardize not only their own future but the future of all their innocent fellow-citizens, for they expose the whole business community to panic and distress.

#### THE TARIFF

This country is definitely committed to the protective system and any effort to uproot it could not but cause widespread industrial disaster. In other words, the principle of the present tariff law could not with wisdom be changed. But in a country of such phenomenal growth as ours it is probably well that every dozen years or so the tariff laws should be carefully scrutinized so as to see that no excessive or improper benefits are conferred thereby, that proper revenue is provided, and that our foreign trade is encouraged. There must always be as a minimum a tariff which will not only allow for the collection of an ample revenue but which will at least make good the difference in cost of production here and abroad; that is, the difference in the labor cost here and abroad, for the well-being of the wage-worker must ever be

a cardinal point of American policy. The question should be approached purely from a business standpoint; both the time and the manner of the change being such as to arouse the minimum of agitation and disturbance in the business world, and to give the least play for selfish and factional motives. The sole consideration should be to see that the sum total of changes represents the public good. This means that the subject can not with wisdom be dealt with in the year preceding a presidential election, because as a matter of fact experience has conclusively shown that at such a time it is impossible to get men to treat it from the standpoint of the public good. In my judgment the wise time to deal with the matter is immediately after such election.

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#### WASHINGTON LETTER

Washington, D. C., December 2.—The vigorous criticisms, expressed or implied, made within two days by a justice of the supreme court of the United States, Mr. Justice Brewer, and by former Senator Spooner upon the attitude and the actions of President Roosevelt are today the talk of all Washington.

Justice Brewer based his criticism upon the eligibility of the president for a second term, and said that if he were declared ineligible he would not now have "the spectacle of a president playing hide and seek in politics." Senator Spooner followed the next day with this assertion: "It was not the federal government came to the aid of the country during the crisis encountered, but a few days ago. It was the financial leaders who took the burden on their shoulders and they were led by the uncrowned king of them all, J. Pierpont Morgan. Never in the history of this country has the standard of business men been higher or purer than today."

Continuing Senator Spooner sneered at the Roosevelt assertion that the administration and the treasury had saved the day in Wall Street. He applauded Secretary Cortelyou for possessing the gift of silence, "which I have begun to think is a very important gift in a public official. It gives him time to think." This is regarded in Washington as a distinct slur upon our somewhat voluble, not to say vociferous, president. With him, as a statesman of my acquaintance remarked today, there is always time to speak, the time to think comes afterwards.

In a letter which I sent out yesterday I outlined Mr. Bryan's plan for the correction of the admitted evils of the present currency system. I have learned today that at least three members of congress are preparing bills to be introduced in the first week of the session to give it effect. It must be admitted that the chance of the enactment of any of these bills is a slender one. Some sort of currency legislation will be pressed vigorously upon congress as soon as it meets. The banks would like to push through what is known as the asset currency law. The opposition to this among the people is so great that there is no chance whatsoever of its passage, but it will have enough support, both politically and financially, to make of it a serious obstacle to the passage of any other measure. Possibly the serious state of banking credits in the United States might force congress to act upon any measure except that of asset currency, that one never can be passed.

The president's plan for correcting the financial difficulty of the business world by selling bonds and certificates of indebtedness has been received with very faint praise by bankers and public men. Coincidentally with its announcement I saw a paragraph written by a mere flip-pant humorist who probably did not think himself that he knew anything of the currency question. He was commenting upon the statement of Harry Payne Whitney who said that he had mortgaged his Fifth Avenue house for \$500,000, not because he was hard-up, but because he didn't want to draw that amount of money out of the banks in which he was a depositor and thereby add to the financial stringency.

"Where did Mr. Whitney get the money that he borrowed?" said the paragrapher. "Did he meet some man on the street who just took \$500,000 out of his own pocket and handed it over?"

If the banks buy \$100,000,000 worth of three per cent certificates, where is the money coming from? It will only lessen their reserves and by so doing certainly not increase the confidence of depositors.

WILLIS J. ABBOT.