

the issue of bank notes upon certain specific securities deposited with the government. The Fowler bill contemplates an entire change in our bank currency. It is even more radical than that proposed by the Aldrich bill. At present the bank notes rest on government bonds and I do not think it is so absurd, as Mr. Gage seems to, that the government should make its bonds the basis of notes, if we are to have bank notes or that the government should guarantee the notes that rest upon its own bonds. And the stringency is not now as great as it would have been if there had been doubt as to the ability of the banks to redeem their notes. The best feature of the bank note is the government guarantee; when men take it, they do not ask whether the bank is a good one, they take it because the government is back of it. Here is the difficulty about the emergency currency proposed. It must either be a bank currency or a government currency, and those who want a bank currency seem to be so determined that it shall be a bank currency that they are not willing that the distress shall be relieved by a government currency. In other words, the principle involved is to them more than the need to be supplied. Certainly, the emergency is not great if it can be postponed or defeated merely because you have to accept a government note instead of a bank note. The first thing to be considered is whether this should be a government note or a bank note. If I were discussing the Aldrich bill, there are several features which I would criticize, one of them the use of the railroad bond as a security. If I were discussing the Fowler bill, there are a number of features of that bill that I would criticize. The Aldrich bill proposes a bank note resting on various kinds of bonds, and the Fowler bill proposes a bank note resting upon no bonds, but upon the assets of the banks. I prefer that the emergency currency shall be a United States note, and not a bank note at all. I am not afraid to trust the United States; I am not afraid to have its notes issued. And I remind those who are fond of bank notes, that when gold and silver went to a premium, the banker did not take the trouble to go out and find gold and silver. The greenback was good enough for him; he redeemed bank notes with it. Concede the point that this note shall be a government note and it will be easy then to agree upon the security upon which it shall be loaned. And, my friends, I would not appreciate your courtesy as I do, if I did not speak to you frankly. I do not live in New York. I am some distance from New York, but we in the west have had experience. How many banks have suspended in New York? How many in Brooklyn? Our experience teaches us that it is better to trust the government than to trust the financiers in the control of money. If any of you think that proposition unsound, present the opposite proposition and give the voters a chance to express themselves. This is a government of eighty millions of people and not a government of six thousand bank presidents. No financial system can be expected to be permanent in this country that does not have back of it the hearty approval of the public. We are told that this must be left to a commission made up of men who will put their patriotism above their party. Financiers are not the only patriotic men. You can find men in every hamlet who put their patriotism above their party. A few people can not settle these things for the rest of the people. If you appoint your commission, the bill, when it comes in, has to be passed upon by all the people through their representatives in congress. Now, if you concede the point that the government shall issue the money then it becomes a matter of detail. The government can meet the need simply and quickly, and I believe provision should be made for the issue by the government of the United States notes, like our greenbacks in form and in redemption, and that these United States notes should be loaned by the government upon sufficient security and at a rate of interest which will compel the retirement of the notes when the emergency is over. I am not sure but we could combine the suggestions made in different bills. One suggests that bonds be deposited, state, county and municipal bonds, and we have between two and three billions of them. They would make a good basis. All the government needs is security, if it is going to loan the money, and these would make good security. I do not think that railway or industrial bonds ought to be used for such security. Mr. M. E. Ingalls suggests that the country be divided into clearing house districts, enough so that there will be a representation of the needs of different communities. He suggests that these clearing houses might borrow from the government on

collateral other than bonds. I will go further than that. If we create a district and authorize the clearing house of the district to bind all the banks of the district, the government could loan money to it without any specific security, for it has back of it all the assets of all the banks. And if the loan was limited to a certain per cent, say, for instance, to twenty or twenty-five per cent of the total capital and surplus of the banks, there could be no loss to the government. But there is no difficulty about details. If we need emergency currency, if elasticity is desired, it is possible to provide it without any change in our monetary system. Without any innovations at all, it is possible to provide all the elasticity for which anybody can show a need. And are we asking too much when we insist that this shall be in the control of the government and not in the hands of individuals?

What we need, I think, even more than an increase in our currency is confidence. Think of it! (Applause.) I am now the "advance agent" of confidence. I am now the "advance agent" of confidence. If we can bring money from hiding and hoarding and get it into the banks, the banks will have more money to loan than we can possibly furnish them by any emergency currency. What we need today is to restore confidence in the depositors. John Wanamaker was quoted as saying—I can not rely entirely on what the newspapers say—but he was quoted as saying that a billion dollars was hidden under carpets. The government only loaned the banks about 250 million dollars and if Mr. Wannamaker is right we have four times as much in hiding. The postmaster general in recommending a postal savings bank, says that we are sending out many millions every year to be deposited in government banks in Europe, by people who are not willing to trust our banks. The people of this country are being driven to the postal savings bank because they need a place to deposit their money where they can get it when they want it. Some of you have thought me very anxious to enlarge the work of the government. I have never insisted that the government should undertake any business that could be done satisfactorily by the individual. I believe in individualism; I want the individual to have the largest possible sphere of action.

And only where it is impossible for the individual to act, or unsafe for the community that he should act, have I suggested that the government should act. I have believed for years that if the banks did not allow the banking to be made safe they would drive the country to the postal savings bank. I would rather have the banking done by the bankers than by the government. (Applause.) I am in favor of the postal savings bank, but a postal savings bank is only an alternative to be selected if we can not get the security that the people demand.

And today, the greatest need we have is legislation that will make people feel that when they deposit money in the banks they can go and get it whenever they want it; the stringency that has spread over this country in a night has taught the people the necessity for this protection.

They tell us that the timidity which people have manifested is not justified. That is generally true. I am not prepared to speak for this community, but I am sure that in the west there is no reasonable excuse for this timidity. (Laughter.) Our crops have been bountiful; our prices have been good; our people have money; they fill the banks with their money, and there was so much that they sent a large part of it down here to New York to be invested, and they have been waiting, waiting, waiting for its return. (Laughter.) Our banks are good, and yet, my friends, when a bank suspends payment on checks you need not be surprised if the ultra-timid become alarmed and want to get their money out. (Laughter.) If I were a banker I would not be proud of a system that had to run rivalry with a carpet as a safety deposit vault, and have the carpet preferred in times of stress. (Laughter.) A man does not hide money under a carpet if he can find any safer place. (Laughter.) I repeat that what we need today is to make the bank safe. You may laugh down here in New York, but in Oklahoma—you call it a wild western state—the first thing they did was to pass a law to guarantee bank deposits. How did they do it? They authorized a banking board to collect an assessment on the 17th of this month of one per cent on the deposits of the banks. I think it is higher than necessary; one-half of one per cent would have been enough, even one-fourth of one per cent would have been sufficient, but they said one per cent and they em-

powered the board to assess at any time and to any extent necessary to keep that reserve intact. And thus they put behind every bank the assets of all the banks. In anticipation of the operation of that law, the bankers of Kansas petitioned their governor to call a special session of the legislature to pass a law like it so as to keep the money from being drawn out of Kansas banks and deposited in Oklahoma. (Great laughter.)

And the legislature is now in session. It will enact such a law. It has been introduced in Illinois. It has been introduced in Ohio, and I had the honor to receive an invitation from the republican legislature of Ohio to come and address that legislature on a guaranteed bank. Possibly, I was invited because some fourteen years ago I tried to secure the enactment of such a law by congress. We had a failure in our town and many poor people suffered the loss of their savings, and the hardships visited upon our community caused such a cry of distress, that someone came to me—I wish I could remember his name—and suggested a guarantee fund, and I introduced in congress a bill that provided for the collection of a small tax each year until a guarantee fund was provided. The bill provided that when a bank failed, the comptroller should from this fund pay every depositor immediately, so that there would be no interruption of business to the community and no loss to the depositor, and then proceed to collect the assets of the bank and reimburse the fund as far as the assets would go.

Now that was some thirteen or fourteen years ago. What was the objection raised? That if all the banks were good, the big banks would not have any advantage over the little ones—that the depositors should all be unsecured that the big banks might have an advantage over the little banks. Where is the patriotism that we have been hearing about in our financiers? Do they insist upon a system that requires that the depositor shall have his interests jeopardized, and that the community shall suffer that the big banks may have an advantage over the little banks?

I went out to Nebraska and got that bill introduced there. I thought, surely, if we can not have it in the United States, we can have it in Nebraska. (Laughter.) But when the bill came up there was a lobby of national bankers to oppose it. "Why," they said, "if state banks are safe, people will not deposit in national banks." (Laughter.) What is the objection now? Mr. Forgan, the head of one of the largest banks in Chicago, stated as his objection that it would make all banks secure. (Laughter.) What an objection! He said that, under such a system, you could just step in any bank and deposit your money! That would be awful! (Applause.) I ask you this question, my friends, must we leave the depositor helpless? Must we leave the community helpless rather than have all banks secure? What is more important than the security of the depositor? Why not look at this question once from the standpoint of eighty millions of people who have lost hundreds of millions of dollars in this particular crisis that they never can get back? Is that not sufficient reason for a different plan, or shall we sit back and say "No, it would not do to make all banks secure, for then the big banks would not have any advantage over the little banks." The big bank will still have an advantage over the little bank. It does not need to rest upon the insecurity of all. The fact that it has a large capital and surplus enables it to loan more to one individual than the small banks can. A bank can only loan one-tenth of its capital and surplus to one person, and a bank that has ten times the capital and surplus of another can accommodate the man who wants to borrow large sums. Isn't that an advantage? And then there is another advantage. It has an advantage resting upon vanity. People like to do business with the big banks; they like to go in and have the president of the biggest bank bow to them and smile. (Laughter.) Isn't that some advantage? Wouldn't that remain, even when all banks were safe?

What is the other objection? They say that, if all the banks are secure and the depositor can not lose, the banks will be recklessly managed. I am glad that that argument is made now, when we have seen the extreme care that is exercised under present conditions. (Laughter and applause.) My good friend here, Chairman Stetson, suggested that a difference as large as an ocean separated him from some of the speakers, and I thought I could notice a slight inclination of the head in my direction. (Laughter.) I wonder if there can be a large gulf between us on this subject. The manager becomes careless! Why, my friends, the officers