

### THE ALDRICH-VREELAND CURRENCY BILL

The Aldrich-Vreeland currency bill is described by the Washington correspondent for the Chicago Record-Herald in this way:

Washington, May 27.—The emergency currency bill, which was reported out of conference today and passed by the house, provides that national bank associations, each having an unimpaired capital and a surplus of not less than 20 per cent, not less than ten in number, having an aggregate capital and surplus of at least \$5,000,000, may form voluntary associations to be designated as national currency associations.

Not more than one national currency association shall be formed in any city and the several members of the association shall be taken as nearly as conveniently may be from a territory composed of a state or part of a state or contiguous parts of one or more states. And provided, further, any national bank having the qualifications shall, upon application approved by the secretary of the treasury be admitted to membership in the association for its city or territory. No bank can be a member of two currency associations.

Dissolution of any bank in an association shall not affect the corporate existence of the association unless there shall then remain less than the minimum number of ten banks. The affairs of the association shall be managed by a board consisting of one representative from each bank. A president, vice president, secretary, treasurer and an executive committee of not less than five members shall be elected by the board.

National currency associations will render available under the direction and control of the secretary of the treasury as a basis for additional circulation any securities including commercial paper held by a national banking association. For the purpose of obtaining such additional circulation, any bank belonging to any national currency association, having circulating notes outstanding secured by the deposit of bonds of the United States to an amount not less than 40 per cent of its capital stock, and which has its capital unimpaired and a surplus of not less than 20 per cent, may deposit with and transfer to the association in trust for the United States such of these securities as may be satisfactory to the board of the association.

The officers of the association may make application to the comptroller

of the currency for an issue of additional circulating notes to an amount not exceeding 75 per cent of the cash value of the securities or commercial paper so deposited. The comptroller of the currency shall immediately transmit such application to the secretary of the treasury, with such recommendation as he thinks proper, and if, in the judgment of the secretary of the treasury, business conditions in the locality demand additional circulation and if he be satisfied with the character and value of the securities proposed and that a lien in favor of the United States on the securities so deposited and on the assets of the banks composing the association will be amply sufficient for the protection of the United States, he may direct an issue of additional circulating notes to the association on behalf of such bank to an amount, in his discretion, not, however, exceeding 75 per cent of the cash value of the securities so deposited.

Upon the deposit of any of the state, city, town, county or other municipal bonds, circulating notes may be issued to the extent of not exceeding 90 per cent of the market value of the bonds. No national banking association shall be authorized in any event to issue circulating notes based on commercial paper in excess of 30 per cent of its unimpaired capital and surplus. The term "commercial paper" is defined to mean only notes representing actual commercial transactions, which when accepted by the association shall bear the names of at least two responsible parties and have not exceeding four months to run.

The banks and the assets of all banks belonging to the association shall be jointly and severally liable to the United States for the redemption of the emergency circulation, and the government shall have a lien on assets of all banks belonging to the association and to the securities deposited by the banks with the association. Each bank of an association shall be liable, however, only in the proportion that its capital and surplus bears to the aggregate capital and surplus of all such banks.

The association may, at any time, require any of its constituent banks to deposit additional securities or commercial paper, or exchange the securities already on deposit, to secure such additional circulation; and in case of the failure of a bank to make the additional deposit or exchange the association may, after ten days' notice to the bank, sell the se-

curities and paper already in its hands at public sale and deposit the proceeds with the treasurer of the United States as a fund for the redemption of the emergency circulation.

If the fund is insufficient the association may recover from the bank the amount of the deficiency by suit in the circuit court of the United States, and shall have the benefit of the lien hereinbefore provided for in favor of the United States upon the assets of the bank. The association or the secretary of the treasury may permit or require the withdrawal of securities or commercial paper, and the substitution of other securities or commercial paper of equal value.

When any bank belonging to an association fails to preserve or make good its redemption fund in the treasury of the United States, the treasurer of the United States shall notify the association to make good the redemption fund, and upon its failure the treasurer of the United States may, in his discretion, apply so much of the redemption fund belonging to the other banks composing such national currency association as may be necessary, and such national currency association may, after five days' notice to such bank, proceed to sell at public sale the securities deposited by such bank with the association and deposit the proceeds with the treasurer of the United States as a fund for the redemption of the additional circulation taken by the act.

Any national bank which has circulation notes outstanding secured by the deposit of United States bonds to an amount of not less than 40 per cent of its capital stock and which has a surplus of not less than 20 per cent, may make application to the comptroller of the currency for authority to issue additional circulating notes to be secured by the deposit of bonds other than bonds of the United States.

The secretary of the treasury will determine the time of issue and fix the amount of the emergency notes to be issued. When the secretary of the treasury authorizes the issue of this bond-secured emergency currency it shall not exceed in amount 90 per cent of the market value or the par value of any bonds deposited.

The state, county and municipal bonds to be accepted must be issued by a state, county or municipality which has been in existence for a period of ten years, and which for ten years previous to the deposit has not defaulted in the payment of any part of either principal or interest of any funded debt authorized by it, and whose net funded indebtedness does not exceed 10 per cent of the valuation of its taxable property.

The emergency currency shall be subject to all the provisions of law affecting national bank notes. The total amount of circulating notes outstanding of any national bank shall not at any time exceed the amount of its unimpaired capital and surplus. The issue of emergency currency is limited to \$500,000,000.

National banks having in circulation emergency currency will be required to maintain in the treasury a redemption fund of 10 per cent of the additional circulation at any time outstanding.

The secretary of the treasury in apportioning emergency currency shall not approve applications from associations in any state in excess of the amount to which that state would be entitled on the basis of the proportion which the unimpaired capital and surplus of the national banking associations in such state bears to the total amount of unimpaired capital and surplus of the national banking associations of the United States. In case the applications from associations in any state

shall not be equal to the amount which the additions of such state would be entitled to under this method of distribution, the secretary of the treasury may assign the amount not applied for to any applying association or associations in states in the same section of the country.

The secretary of the treasury will from time to time furnish information to national banks as to such securities as would be acceptable under the new law. It is proposed to amend the present law so that national banks having on deposit bonds of the United States bearing interest at the rate of 2 per cent per annum, including Panama bonds, to secure its circulating notes, shall pay to the government a tax of one-fourth of 1 per cent upon the average amount of its notes in circulation based upon such bonds, and United States bonds bearing interest at a rate higher than 2 per cent per annum shall pay a tax of one-half of 1 per cent upon the average amount of its notes in circulation based upon such bonds. National banks taking out emergency currency shall pay for the first month a tax at the rate of 5 per cent per annum upon the average amount of this currency and afterward an additional tax of 1 per cent per annum for each month until a tax of 10 per cent per annum is reached and thereafter 10 per cent per annum upon the average amount of such notes. National banks must make monthly returns under oath of the average monthly amount of its emergency circulation. The taxes received on emergency currency shall be added to the reserve fund held for the redemption of United States and other notes.

Not more than \$9,000,000 of United States bond secured circulation can be retired during any calendar month. Emergency currency may be retired by the banks upon the deposit of lawful money without restrictions as to amount.

The emergency currency and United States bond secured national bank notes will be identical in form and will be issued in denominations of \$5, \$10, \$20, \$50, \$100, \$500, \$1,000 and \$10,000. The notes will state upon their face that they are secured by United States bonds or other securities and the promise of the association issuing them to pay on demand. Notes amounting to 50 per cent of the capital stock of each national banking association shall be printed as soon as possible and be held near the place of business of the bank.

All national bank notes of every description when presented to the

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