THE REPUBLICAN CURE FOR PANICS

Careful Summary of Emergency Currency Law---How Wall Street is Protected---How the Depositor is Ignored---A Dishonest Bill

(From the Denver Daily News)

Here is a careful summary of the "emergency currency law," the law which the do-nothing congress passed at the last moment. It is a confused, rambling bill; hard to reduce to orderly meaning; but we believe we have here stated that meaning fairly. We call particular attention to the way in which the republican party protects the interests of the bank depositors. Now for the law:

Careful Summary of the "Emergency Currency Law"

Before any emergency can even be asked for, national currency associations must be formed. These must consist of at least ten banks, each of which must have an unimpaired capital, and a surplus of twenty per cent; and the total capital and surplus of the association must not be less than $5,000,000. No bank can belong to more than one currency association. No bank can be kept out of an association in its district, if it can meet the requirements of the law. No association can be formed of widely separated banks, scattered over the country; and no more than one association can be formed in any one city.

The currency association must file with the secretary of the treasury of the United States a certificate giving its name, the names of its members, and other information. On doing so, the association becomes at once a corporation, with corporate rights and privileges.

The association is governed by the usual officers and an executive board of five members.

Having caught the hare, that is, having formed the association, the next thing is the application for emergency currency. The procedure is rather involved.

Any bank belonging to a currency association may make application to the association for emergency currency, depositing, at the same time, securities with the association. The officers of the association examine the securities, and pass the application on to the comptroller of the currency. The comptroller passes it on to the secretary of the treasury. The secretary looks into the matter, and if the securities seem good to him, if the bank making application has a regular circulation equal to forty per cent of its capital stock, and the conditions warrant such an action, he orders the issuance of desired currency. This is supplied to the bank by the government.

Basis for Currency

The securities on which currency may be issued include "commercial paper," and the bonds of any city, county, state, or town, which has had a good record of paying its debts, principal and interest, for the previous ten years, and which does not owe more than ten per cent of its assessed valuation. Banks depositing these state or municipal bonds may secure emergency currency to the amount of ninety per cent of the cash value of the bonds. Banks depositing other securities can secure only seventy-five per cent of their cash value in emergency currency. There are several other restrictions.

No bank may secure currency to the amount of more than thirty per cent of the commercial paper it deposits with the association. If it deposits state or municipal bonds, it can secure more than this, but always the total circulation, emergency and regular, of any bank must be limited to the amount of its capital and surplus. The total issue of emergency currency in the United States must never exceed $500,000,000.

The currency thus issued is secured to the holder by the United States government, which will redeem in coin all emergency currency presented at the United States treasury.

The government is secured against loss in several ways. In the first place, the issuance of the currency is in all cases left to the discretion of the secretary of the treasury.

In the second place, "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 such additional circulation."

In the third place, whenever state or municipal bonds are made the basis of emergency currency, the title to those bonds is vested, ipse facto, in the treasurer of the United States, to be held in trust for the association. Finally, each bank must keep on deposit with the treasurer of the United States money to the amount of five per cent of its emergency circulation. The treasurer can use this fund at need to redeem the circulation of any bank that has become insolvent.

The emergency currency is distributed among the states in proportion to the capital and surplus of the national banks of those states. But if Colorado, for example, should not use up its possible emergency currency privileges, the secretary of the treasury could allow any adjoining state to take up the balance. Wall Street will approve this provision.

Provisions are made for the manner in which the emergency notes are retired. A tax is levied at the rate of five per cent per year for the first month, and one per cent a month for each month more that an emergency note is outstanding, until the tax reaches ten per cent per year. In Scotland the average life of a credit note is a little over thirty days; in Canada about forty-five days. The tax would, therefore, cut little figure.

That is about all. But we haven't told the safeguards for the bank depositor?

What of the Depositor?

Gentle reader, there are no safeguards for the bank depositor. The bank depositor isn't even mentioned in the whole bill. The wise men of the republican party who passed this hotch-potch didn't know, apparently, that such a thing as a bank depositor existed. You know it, and we know it, you know and we know, that the bank depositor starts every panic that is ever started; that if he could be made secure the problem of emergency currency would be nothing more than getting out a circulating medium to meet the varying volumes of business. But the republican party in congress doesn't know this—to judge from the bill that party has sent out.

Here is a bill, designed to prevent panics like that which swept over the land last fall. And nowhere in the bill do you find the slightest mention of the cause of that and all other panics—the distrust of the bank depositor. If the situation were not so serious, this bill would be the most colossal joke of the century.

And the neglect of the bank depositor is by no means the only fault of the bill. It is like most compromise measures—it has the faults of both sides, and the virtue of neither. Th[illegible] give neither gives the elastic currency of the [illegible] plan, nor the direct government action of the democratic plan. The machinery for issuing the emergency currency is so roundabout that half a dozen panics could be well under way before the circulating medium could get out. The plan for distributing it insures the benefit of the big money centers, and while they would doubtless permit the rest of the land to drink at the fountain, they would charge handsomely for that privilege. In a real emergency there would not be enough trained experts in the United States to give more than the most cursory examination of the securities offered as a basis for the emergency currency. And so one might go on raising very real and valid objections for an hour.

But the principal fault of the bill is that it isn't honest. The government is asked to go into partnership with the banks, even farther into partnership than now. When the United States government lends its name to an enterprise, the least it can do is to insure that everyone dealing with that enterprise gets fair play. If the government is to co-operate in the banking business, then the government must secure the bank depositors. If this is not done, then the government should withdraw altogether and meddle no more with banks than with grocery stores.

Either way would be honest. But the News believes, and feels sure that the country believes, that only one way would be sens[illegible]. That way is for the government to guarantee every deposit in national banks. That is the Bryan plan, the democratic plan, the honest and sensible plan. It would abolish panics at one stroke. This done, congress could proceed with confidence to work out an emergency currency measure that would facilitate trade without at the same time facilitating the graft of a small clique of financiers.

DEMOCRATIC LITERATURE

Charles Stephens, Columbus, Kan.—I herewith enclose $3.60 to pay for the following subscriptions. Since the sample copies you sent me had much to do with securing over 200 subscribers in this town recently and an organized effort is to be made to increase its circulation in other towns in this county, I take the liberty to ask you to send fifty copies of last week's paper to each of the following parties. The great [illegible] circulation of your pape[illegible] Roosev[illegible] may is having a wonderful [illegible]en the position that some of us are offering [illegible]e issues of [illegible] working hard to further [illegible] its influence.

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"ITS PRESENT RANK"

The Pittsburg Gazette-Times is quite sure that if the United States is to "maintain its present rank and continue as a leading factor in preserving the peace of the world" it must build many more battleships and keep pace with naval growth of other countries. Time was when the United States was recognized as the "greatest factor in preserving the peace of the world," but it was not because of battleships and large standing armies and imperialism disguised as altruism. It was so recognized because of its peaceful example and the profits accruing therefrom. The Gazette-Times points to what it calls the "helplessness of China" to show whither the peace at any price policy may lead, but this is neither fair nor logical. "P[illegible] at any price" has never been the policy of this nation, and the only time that any foreign nation thought to impose upon the supposed helplessness of the United States—supposed because we had no boasted navy—that foreign nation received a very lasting lesson. An adequate navy does not mean a navy better than any other. It does not mean that we must enter into rivalry with other nations in the building of battleships. The power of a righteous example is greater than the power of "Dreadnoughts" and "Thunderers," and the sooner we dispel the dream of world power by military and naval force and return to the power of example, the better off we will be.

NO DEMAND FOR IT

[illegible]n our judgment there was neither an economic demand nor a public demand for an emergency bill.—New York Tribune.

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ALDRICH IS BOSS

The currency commission will not lack a certain kind of resourcefulness with Senator Aldrich, general manager of the United States, at its head.—Boston Herald.

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THE WORST TO COME

It is true that the do-nothing congress passed a makeshift currency act, but its makeshift currency commission is yet to be heard from.—St. Louis Republic.