

ing for this year's work of treachery and betrayal.

"This newspaper believes today as always in real protection and in real republicanism. And it is with sorrow that we make the prediction that the sowing of the wind by these false leaders will bring ultimately a harvest either of annihilation or of disaster nearly approaching it to the party as now controlled and organized. America has no room for a traitor—whether a party or a public man."—Philadelphia North American.

#### THE CENTRAL BANK

One of the results of the financial depression of 1907 was the appointment of a commission by the house and senate in Washington for the purpose of investigating banking systems generally, and suggesting amendments, if they could, for the improvement of our own system. This commission organized by the election of Senator Nelson W. Aldrich as chairman and proceeded at once to the work for which it was appointed. The commission decided that one of its chief duties was to educate the public in banking and financial affairs. They undertook to do that by means of public speeches and literature. Senator Aldrich made a series of speeches in the principal cities of the middle west. He began this series by criticising our banking system, praising the banking system of the principal countries of Europe and asking whether a central bank would be suitable for our country. He ended the series with a flat-footed stand for the establishment of a central bank.

In addition to this series of speeches, the commission provided for the publication of a library on banks and banking, probably the most comprehensive that has ever been issued. This library consists of something like fifty volumes. It is issued by the government and for the most part it has been prepared by parties specially selected by the commission. After these things had been done, Senator Aldrich, in senate document No. 784, submitted a plan for the establishment by congress of what he calls "The Reserve Association of America" with a capital of \$300,000,000 to be subscribed and held by the national banks of the country. The features of this proposed association could not be described in a newspaper article. It is sufficient to say that it is in essence, a central bank, chartered by congress with the head office in Washington and its branches in every part of the land.

The justification for a public discussion of the proposed law is the evident intention on the part of the captains of industry and certain leaders of the republican party to establish, in our country, a bank which shall be fashioned after the great central banks of Europe. Those who favor the establishment of such a bank must stand upon some one of three propositions, viz:

1. That a central bank would be profitable to its stockholders.
2. That a central bank would be of service to the government in the transfer of its funds and in the transaction of its business.
3. That a central bank would be a cure for panics and financial disturbances.

Whatever may be said of secret motives, I have not heard any one attempt, publicly, to justify his support of a central bank on the ground that it would be profitable to the stockholders. Neither have I heard any one point out a need on the part of the government with its treasury and sub-treasuries and affiliated banks for any new means of transacting its business.

The only one of the three propositions that has been discussed by the commission or by the friends of the bank is that such a bank would be a cure for panics.

President Taft, in one of his messages to congress, says that the monetary commission has found that there are no panics in countries that have central banks. Senator Aldrich, in an address before the Economic club of New York, "asks attention to an examination of some of the methods employed in modern times in the great commercial nations of Europe to prevent financial panics or to relieve congestion and dangerous pressure in the money markets." An examination of the address shows that Senator Aldrich assumes that a central bank is a cure for panics without going to the trouble of showing that such is the case. This address has been published as senate document No. 406.

It is well known that the opponents of a central bank deny that such a bank would prevent panics and it is hard to understand why Senator Aldrich, with his great ability and un-

limited resources in securing information for the public should have left the question open. England has had a central bank since 1694; France has had a central bank since 1800 and Germany has had a central bank since 1876.

If Senator Aldrich had caused a study of these great countries since the establishment of their central banks, to be made with special reference to the influence of these banks on panics, it would, I am sure, have left no room for further dispute. The evidence, one way or the other, must be abundant, but among the fifty volumes he has caused to be published not one deals with this vital question. I do not allege that the omission was intentional but I am willing to allege that an impartial study of the history of the countries above named will furnish no justification for a belief that a central bank is a cure for panics. On the other hand, I believe it will show that panics and money disturbances are world-wide, and, in a general way, such a study will show a European counterpart for each of our American panics.

We are not entirely without instruction upon this question in our own country. We have had two central banks in America. The first one was established in 1791 and lasted for twenty years; the second one was established in 1816 and lasted for twenty years. In 1820, we had a central bank fashioned in every way after the bank of England, and in that year we also had one of the most disastrous panics in our history.

The chief objection, however, to a central bank is not that it would fail to prevent panics. The chief objection is that such a bank is a monopoly—the most powerful and dangerous monopoly that the American people could create. Senator Aldrich praises the efficiency of the central banks of Europe. With equal truth, he could praise the efficiency of Standard Oil, but notwithstanding its efficiency, the people are demanding its destruction.

As I have said above, congress established a central bank in 1791. It proved to be a great bank, the greatest our country had ever known, but when its charter expired in 1811, the people refused it a new charter. In 1816, the financial affairs of our country were in such desperate condition that congress, remembering the efficiency of the old bank, chartered another central bank. Under its powerful and intelligent lead, business revived and plenty smiled upon our fathers in a way they had never known. The second bank was greater than the first; it was the greatest bank the country had ever known but in 1836, when its charter expired, the people refused it a renewal. And what was it that caused our fathers to deny themselves the advantages of this great bank? The answer is evident to any man who reads the story. The bank was a monopoly.

At one time or another, ten presidents have been parties to the bank controversy and ten presidents are on record in opposition to a central bank.

Madison vetoed a bill to charter a central bank; Jackson vetoed a bill to re-charter a central bank; Tyler twice vetoed bills to charter central banks.

President Jefferson, speaking of the first central bank established by congress said: "This institution is one of the most deadly hostility against the principles and the form of our constitution. An institution like this, penetrating by its branches, every part of the union, acting by command and in phalanx, may, in a critical moment, upset the government."

President Van Buren, at a banquet one night, proposed this toast: "Uncompromising hostility to the United States Bank."

Theodore Roosevelt, in his life of Benton, says: "Good ground can be shown for thinking Jackson's veto proper."

Henry Cabot Lodge, in his life of Hamilton, says: "A central bank with branches, such as we had in Jackson's time, would be dangerous to a perilous magnitude."

During the Tippecanoe and Tyler campaign of 1840, General Harrison was asked to state in writing whether, in case of his election, he would favor the establishment of a central bank. His answer was, "I will not give my sanction to a bank of the United States unless by the failure of all other expedients it should be demonstrated to be necessary to carry on the operations of the government and then only as a fiscal and not as a commercial bank."

In December, 1861, when the expenditures of the government amounted to \$2,000,000 per day, when the treasury was empty and the enemy was threatening our capital city, Secretary Chase sent a call to congress for financial help. The need was so urgent that the secretary asked congress to pass a law the very day

it received his report, and what did he recommend? He knew the financial history of our country, and of other countries and he knew that a central bank was the quickest and surest way to secure the help he needed but he did not ask for the establishment of a central bank. He asked for the establishment of a system of independent banks scattered throughout a thousand cities, and the reason Secretary Chase gave for his recommendation is a significant reason. He said: "A system of independent banks will enable the government to procure loans without risking the perils of a great money monopoly."

More than one hundred years ago James Madison declared in the congress of the United States that the bank of England can never serve as a model for this country. "The genius of the British monarchy," he declared, "favors the concentration of wealth and the concentration of power while the genius of our government requires a diffusion of wealth and a diffusion of power." Speaking further, he said, "A system of independent banks is in harmony with our institutions." For half a century we have had a system of independent banks and notwithstanding their faults, the record of that half century for industrial progress is unmatched in the history of the world.

In every generation a central bank has been the dream of the holders of swollen fortunes. It would be in their hands a magic wand which would enable them to control the industries of a republic. Three-quarters of a century ago, a distinguished democratic president, contemplating the over-reaching tendencies of the captains of industry, gave utterance to a sentiment that I am willing to make my creed. He said: "It is to be regretted that the rich and powerful too often bend the acts of government to their selfish purposes. Distinctions in society will always exist under every just government. Equality of talent, of education or of wealth can not be produced by human institutions. In the full enjoyment of the gifts of heaven and the fruits of superior industry, economy and virtue, every man is equally entitled to protection by law; but when the law undertakes to add to these natural and just advantages, artificial distinctions, to grant titles, gratuities and exclusive privilege, to make the rich richer and the potent more powerful, the humble members of society who have neither the time nor the means of securing like favors to themselves have a right to complain of the injustice of their government. There are no necessary evils in government. Its evils exist only in its abuses. If it would confine itself to equal protection and, as heaven does its rains, shower its favors alike on the high and the low, the rich and the poor, it would be an unqualified blessing.

H. S. MARTIN.

Marion, Kan., September 6.

#### INTEMPERATE LANGUAGE

What a contrast between Congressman Underwood's excited, intemperate roast of Bryan on the floor of the house the other day, and Mr. Bryan's dignified and gentlemanly reply to said roast. Mr. Bryan, in an article in *The Commoner*, had charged Underwood with being a protectionist. Underwood replied that Bryan is a liar and a would-be dictator, and said many other harsh things about him. Now comes Bryan's reply, in which he says the information on which his editorial was based was contained in a Washington dispatch in an Omaha newspaper, and that if the information is erroneous he will gladly acknowledge the mistake. He also states that he will give the democratic leader of the house an early opportunity to explain some other things.

The fates never intended that William J. Bryan should ever become president of the United States, and Mr. Bryan no doubt realizes that fact. But he is none the less recognized as the leading and most influential democrat in the United States today, and neither his reputation nor his influence will be impaired by anything Mr. Underwood may say of him. Through his party leadership of fifteen years Mr. Bryan has always been scrupulously honest, sincere and consistent, and these well known qualities constitute the foundation of a reputation that Mr. Underwood will not be able to successfully assail.

The first skirmish shows the striking difference between the two men—a difference that emphasizes Bryan's bigness and Underwood's littleness. Underwood lost his head completely, as his intemperate language indicates, while Bryan maintains the dignified, temperate bearing that has always been one of his chief sources of power.—Merced County (Cal.) Sun.