

ing and doubtless instructive to some, but it can not be regarded as supremely pertinent to the question under consideration.

This much, however, may be said concerning intrinsic value:

When a man owns a farm from which a sure income is obtained, he has something which possesses intrinsic value; likewise the holder of a first mortgage upon the farm; the mortgage has intrinsic value because it represents the farm.

The same is true for a bank note issued against the security of a government bond. If the promise to pay fails, the bond will protect the holder of the note. The note therefor has intrinsic value because it represents the bond.

Bank notes which are mere promises to pay without security are forced loans from the public and for which when the notes are not taxed the public receives no consideration. They have no intrinsic value.

When once put into circulation in any large volume the bank issuing such notes will hold a club over the country which will enable it to continue the issue, and as inflation fattens on itself, the volume must needs be increased until the end comes.

Its arbitrary withdrawal will occasion the same class of evils which followed the bursting of the Mississippi bubble and the bank failures of 1857.

The public, however, can not be so much interested in the personal views of any individual upon subjects only collateral to the main controversy, especially when such a discussion may be used to obscure or evade the real issue.

It is, however, vitally interested in the details and practical operation of a proposed law which would revolutionize our currency and banking system.

A cause must be very weak which is forced to resort to the methods employed in the so-called reply to this writer's objections to the plan.

The main points raised by him in the papers from which the quotations are taken are entirely evaded. Without going into these objections in detail, the writer will only mention two or three of them which cover the special claims made in favor of the Aldrich propositions.

#### 1.—Concerning the membership in the Association.

This writer has asserted that instead of being "a co-operative union of the banks of the country, big and little," which is constantly affirmed in its favor, not only in "Banking Reform," but in the stereotyped speeches of its orators; the membership in this association will be limited to a comparatively few banks, and he has shown by the bill pending the reason for this assertion.

Every bank joining the association must subscribe to the extent of one-fifth of its own capital in the capital stock of the association and once a member a bank can not withdraw from membership except through the process of liquidation.

The only inducement offered is the facility of obtaining rediscounts, but as the banks throughout the country must loan on longer time than twenty-eight days, this privilege limited in the manner it is would be of little value to them.

Upon this point Banking Reform, replying to Mr. W. S. Delano in this same issue under the heading, "A Confusion of Terms," develops a much greater confusion of ideas in its endeavor to make this limitation applicable to farmers' paper. The farmer, it says, may either make long term loans, called "investment paper," which it says must be left to one side and not recognized in the scheme, or he may make "short time commercial paper whose discount produces funds to pay the cost of labor in cultivating and harvesting his crops and moving them to market," just as if all that could be done in twenty-eight days! Mr. Vreeland, in his able speech in congress, deals in no such nonsense, for he says the paper should represent "the products of the farm and of the factory on their way to market," which is a very different matter and usually can be managed in less than twenty-eight days.

The inconsistency of the statement made by Banking Reform concerning farmers' paper occurs to the editor, however, before the close of his article, for he again says: "If he (the farmer) does not now make short time commercial paper, he will make it when his bank demands it," in order that it may use the paper in the re-discount market.

In other words, this class of paper is to be made to order as wanted and not in the ordinary process of business. Mr. Vreeland also

had something to say along this line, for in reply to a question he said the paper could be renewed in case of need.

Commercial paper manufactured for the purpose of being discounted would scarcely realize that ideal "liquidity" upon which so much stress is placed; a paper which is to come into being with actual commercial transactions and to end when the transaction is closed. Most banks would not care to engage in this ledger-kind of business. They do not have loans on stocks and bonds as city banks have, but must rely solely for their earnings on the discount of such paper as their clients will give them, and for this reason if no other they prefer the longer time loans, which nevertheless are just as strictly commercial paper as paper drawn for twenty-eight days.

If this can be deemed a reply to the objection along this line, then the public should consider it closely and see to what it may easily lead.

The only banks which can supply bona-fide short-time commercial paper are those in the large financial, commercial and industrial centers, and the plan in operation must result in a combination of the large banks all working together under different local organizations, but perhaps under a single control, and using the reserve bank with its gigantic note issuing privilege as an appendage to their respective institutions.

If a banking trust does not now exist, certainly the opportunity for one would be presented to an extent sufficient to satisfy the dreams of the greatest of our captains of finance.

In a later issue Banking Reform touches again upon the twenty-eight day limitation by asserting that banks, if they have any paper at all, must have twenty-eight day maturities. Of course, some paper would be maturing in that time, but it is a fact known to everyone conversant at all with business conditions that in the agricultural districts there is always an increased demand for money at about harvest time, when farmers need advances to hold their crops and not be forced to market at once, and when those who wish to use their produce for fattening stock require money for the purchase of feeders.

If banks in the agricultural districts ever need re-discounts this is the one time, and it would be absurd to suppose that they would hold maturing paper of the same character to an extent sufficient to meet this increased demand.

#### 2 In the Matter of Loans

It is claimed that in no case can a bank borrow of the reserve association upon the security of stocks and bonds. Technically speaking, this is true for ordinary transactions, and at first sight it would look like a clear discrimination against such loans.

In fact, Banking Reform asserts that the "pending plan drives Wall street and its investment collaterals out of the commercial field." When we consider that "Wall street and its investment collaterals" comprehends some of the largest commercial banks in the world and some of the best securities in the world, this assertion seems very broad. What we find in this:

No restriction of this kind is imposed upon the discount operations of the member banks, and in operation the plan will relieve these banks of their commercial paper, which, to a large extent, is a necessary incident to their business, and leaves them free to use their entire resources in loans based upon stock exchange or other securities, gilt-edged or otherwise.

When their own resources are exhausted in this manner they may then have recourse to the reserve bank and obtain loans direct, not only upon commercial paper, but upon paper secured by the pledge of these securities. Under these circumstances the paper must come through and be indorsed by a local association, but this association may be composed solely of the same group of banks.

With the power given to the reserve bank to issue \$1,200,000,000 of untaxed notes and as many more as it may please, subject to tax—will anyone say that this may not lead to the wildest speculation and make possible a note inflation of unbounded extent?

#### 3. Prevention of Panics

This is the strongest card played—I will not say in this game—but in this so-called education of the people.

The public is sensitive upon this subject and many are disposed to jump at anything which

promises to secure them from these harrowing experiences. It means, however, a great deal to the public to realize what it may have to pay for the protection under this plan.

It is conceded by all favoring the plan that panics are caused by excessive loans by banks upon stock exchange and other speculative securities.

Instead of putting a check in some direct manner upon this admitted weakness, the plan meets this difficulty, as has already been shown by a contrivance which will relieve the banks embarrassed in this manner and thereby stimulates and encourages the practices which these reformers apparently condemn.

There are safe ways of preventing panics without incurring the risks covered in this scheme.

Mr. Vreeland, in his speech, admits what this writer has repeatedly affirmed, that the Aldrich-Vreeland bill now provides ample protection against any such happenings as those of 1907.

He says, "the fact that \$500,000,000 in case of a great impending crisis could immediately be brought into circulation would prevent the fear of a money famine."

Granting with Mr. Vreeland that it is ineffective to prevent the trouble until it comes to a head, it yet can be easily seen that separate reserve associations organized wherever a currency association can be formed under the Aldrich-Vreeland bill, with power to loan 50 per cent of their reserves and a taxed circulation under specified conditions, would give all the protection needed.

It would not necessarily put the business of the entire country under a central control, but would distribute the relief wherever it would be most wanted, and perhaps keep local money at home to a greater extent than is now done.

This has been suggested, but of course nothing can be brought forward with any promise of success so long as the Aldrich plan is urged and supported with men and money to the exclusion of every other proposition.

The Citizens league, it is said, is organized for the purpose of enlightening the public upon the subject of currency and banking reform. Why should it, therefore, hide behind the evasive declaration that it is supporting no particular plan?

If it has no plan then it ought to get one as soon as possible.

It is, however, well known that at this time there is only one plan pending which is being pressed for adoption, and it is notorious that among the league's chief orators now engaged in this so-called "education" are some who were members of the commission which reported the bill to congress and that its orators without exception talk of nothing else than this measure.

If the league is in favor of the Aldrich plan, as seems to be undeniably the case, then the high-sounding declarations of its orators along general lines should be made to fit the practical application of the bill introduced in congress.

Instead of abusing and misrepresenting those who dare to say anything in opposition to the scheme, the public, it would seem, should expect it to come out in the "open" and answer, if it can be done, the objections raised by this writer and others in plain and unmistakable language.—Henry W. Yates, Omaha, Neb.

#### "A MAN'S A MAN FOR A' THAT"

Editorial in Lincoln (Neb.) Journal: "Why are we so cool?" asks one passenger on the sinking Titanic of another. "Because we are Anglo-Saxons," he answered, according to the story told by a literary survivor of the wreck. How nice! We Anglo-Saxons have many things to be proud of, and our coolness and heroism in the face of danger is one of them. We should be sorry for people not born of our particular recipe of Angles, Saxons and Jutes, stirred and mixed thoroughly. Yet others, fortunately, are not wholly base. Why were Isador Straus and his wife so cool? Because they were Jews, presumably. And that man who put his babies in the lifeboats and stepped back without a word? Because he was a Frenchman, apparently. Socrates, cool with hemlock in his hand, had not heard of the Anglo-Saxons. Because they are Mongolians, Chinamen and Japanese are remarkably cool in the face of death. It was a very black Anglo-Saxon who coolly stopped a runaway team in Lincoln the other day, rescuing lighter colored folks. "This is a man's game," said Guggenheim—not an Anglo-Saxon name, strange to say—on the deck of the Titanic, "and I am going to play it like a man." Not like an Anglo-Saxon; like a man.