

## The Commoner

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Mr. Roosevelt's criticism of President Wilson's part in the enactment of the present tariff law recalls the fact that the self-same Roosevelt, although in the White House seven years, never tried to reduce the tariff.

The tremendous crops already garnered and in process of growth are just another form of announcement that the junior member of the firm of The Republican Party & Providence is withdrawing for reasons not difficult to guess.

Secretary McAdoo has balanced up his books for the fiscal year just ended and finds that the receipts of the government have exceeded the ordinary expenditures by over \$33,000,000. This disposes of another long-cherished delusion of the republican leaders, that a democratic administration is capable only of creating a deficit.

A piece of idealism was the comment made by New York newspapers upon the recent utterance of President Wilson that his great desire, in the enactment of trust legislation, was to obtain "certain justice for the man engaged in business." On the contrary it was the statement of a practical truth descriptive of conditions that must obtain before we can possess real pride in our government. Just laws administered by judges with the sense of equity is the essence of free government, and was one of the foundation stones of the republic.

A prominent New York broker has given out an interview in which he states as his opinion that the new currency law provides a mechanism that will furnish the money needed for the annual movement of crops without any signs of the strain that this demand has put upon the banking power of the nation every fall for years. This man but voices an opinion generally held by bankers. Yet this law is the subject of harsh criticism by partisan opponents who did nothing while they were in power to relieve this annually recurring condition.

The railroads are bombarding the people with appeals not to permit the postoffice department to reduce the price paid them for carrying the mails until after a committee appointed two or three years ago has been allowed to report that their pay ought to be increased. The chances are that the people will conclude that the postoffice department, which is trying to save them money, is a better judge of the matter than the railroads. They remember that the express companies were much perturbed because the postoffice department insisted on establishing the parcels post, since which time the express companies have been operating under greatly reduced rates.

## ROGER "STEADYING THE BOAT"

Sullivan of Illinois explains his candidacy by saying that they need someone to "steady the boat." The secret is out at last. The monopoly boat is rocking in progressive waters and the crew is scared. Roger would be just the man if the democrats wanted to protect monopoly, but they want the boat to go down with Sullivan on board.

W. J. BRYAN.

## Rural Credit Legislation

The problem of extending the banking machinery and facilities of the country into the rural districts more intimately for the convenience and assistance of the rural population has been receiving profound attention in this country, especially in the last few years. The difficulties arise partly out of the diffusion and sparseness of population in country districts, and partly out of the class of securities which the farming population normally has to offer for loans. The national banking system up to the present time has labored under restrictions imposed by law which made it impossible for the national banks to solve the problems in the most effective way. State banks with fewer restrictions, with smaller capital requirements, and ability to lend on real estate have established more intimate touch, and have perhaps rendered greater assistance. Likewise certain agencies, such as building and loan associations, insurance companies and mortgage debenture companies and cooperative credit associations recently created by state legislation in Texas, Massachusetts, New York and Wisconsin, operate to extend capital to the farming districts and thereby in a measure to cut down the rate of interest.

When the national banking law, commonly called the federal reserve act, was under discussion in congress the matter of farm credits was considered and debated, but it was decided that the subject as a specific program should be separately dealt with in another act. The federal reserve act was passed with a view to the improvement of the banking conditions of the country in the interest of all the classes; to the restoration of normality in the banking law; to the establishment of a reserve of banking power which could be utilized in times of emergency, and therefore with a view to the securing of good banking at all times, and to the prevention of panics. It is not a banker's law, nor a business man's law, nor a manufacturer's law, nor a farmer's law; it is a law for all classes, for all the people. However, there were incorporated into the act several very important provisions which had in mind specifically the needs of the farming classes and the possibility of extending banking facilities to the rural districts more satisfactorily. It was specifically provided that a federal reserve bank might "discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for AGRICULTURAL, industrial, or commercial purposes, or the proceeds of which have been used, or to be used, for such purposes." The federal reserve board was given the right to define the character of paper thus eligible for discount. It was further distinctly provided that nothing in the act should be construed to "prohibit such notes, drafts, and bills of exchange, secured by staple agricultural products, or other goods, wares or merchandise from being eligible for such discount." It was provided that the ordinary notes, drafts, or bills admitted to discount should have maturity at the time of discount of not more than 90 DAYS, but that notes, drafts and bills drawn or issued for agricultural purposes or based on live stock and having a maturity not exceeding SIX MONTHS, might be discounted in an amount to be limited to a percentage of the capital of the federal reserve bank, to be ascertained and fixed by the federal reserve board.

It will be noted that not only is paper arising out of agricultural transactions made eligible under the act, but that it is permitted to have a longer maturing period than other forms of paper. This discrimination arose naturally out of the fact that agricultural operations are seasonal and involve a longer period than ordinary commercial transactions. Again, it was provided in the act that national banking associations not situated in the central reserve cities might lend on improved and unencumbered farm lands within the federal reserve district, and that such loans might be made for any period up to five years. Such loans must not exceed 50 per cent of the actual value of the property. Any national bank under this provision of the act may loan on farm lands an amount in the aggregate equal to 25 per cent of its capital and surplus or one-third of its time deposits. The federal reserve act, therefore, so far from discriminating against the farming classes distinctly bears them in mind, and while not discriminating in favor

of them takes just and particular knowledge of their requirements.

The matter of additional legislation concerning farm credits was promptly brought to the attention of congress by the president in the regular session in his annual message, and many experts have been giving persistent and careful attention to the problem.

The explanation as to why special banking arrangements were devised abroad and have not been extensively planned and operated in this country is to be found in the difference in the economic, social and banking habits and conditions. This is the only large country that may be said to have the banking habit developed in a high degree with banking and lending associations democratized and in intimate touch with the masses of the people. The great masses of people in a number of European countries do not have the ordinary banking habit and know little about banking practices. The habit of depositing money in banks, of checking against such deposits, and of making loans through banks in such countries is not general. This will be illustrated by a reference to the Bank of France. This bank, with a billion dollars of bank notes has only 285 million dollars of deposits. A bank can utilize its assets either through notes or through discount and deposit and checking. In this country the assets of a bank are utilized to a slight extent through bank notes, the total volume being about 725 millions, while the total deposits in all the banks are 17 billions. This testifies to an almost universal use of banking facilities in the nation. Partly because of the lack of the ordinary banking habit on the part of European peoples, partly because of the lack of banking facilities, and partly because of other social and economic factors special agencies had to be devised. There was great need for some addition to their machinery. The land mortgage and the cooperative credit arrangements grew up of necessity. Likewise, the savings banks were created for similar reasons. It is noteworthy that only recently have saving institutions been established in great numbers in this country, and still more recently that the government postal savings system has been evolved.

Notwithstanding the fact, however, that the people of the United States have ampler financial agencies than any other in the world, and have developed the habit of using these agencies to a greater extent than any other peoples, students of rural problems have been keenly alive to the necessity of further improvements and hence have insisted upon extensions of the national banking facilities and the creation of special agencies in intimate touch with farmers with a special view to the betterment of financial conditions in the country. At least two definite measures have been prepared and have received definite consideration. They are similar in many respects; they provide, in brief, for land mortgage associations with a smaller capital, which may make loans on farm mortgages within a district of a state, or within a state to the extent of 50 per cent of the real values of the farms. The money arising from such loans is to be used for productive purposes on the farm on which the security is based. It is contemplated in one way or another either through separate associations or through a central agency that debenture bonds may be blanketed on the mortgages and offered to the public. It is contemplated that the operations of the act shall be supervised by a central agency in Washington, and that there should be adequate safeguards in the way of examination and inspection. It is the underlying thought in the minds of the most serious students of the question that such debenture bonds would be safe and would attract capital and would bring into the investment field especially smaller holdings scattered through the country which do not now easily find satisfactory investments. In short, it is contemplated that the resources, especially of the rural population, will be mobilized and used in the interest of the farming classes.

The chief difference of opinion arises over whether there should be special aid furnished in this direction by the government either by the utilization of cash on hand in the purchase of debenture bonds or by the utilization of cash arising from the sale of government bonds for the same purpose.

There seems to be no emergency that would require government assistance to the farmers