The Independent.

VOL. XV. LINCOLN NEB., DECEMBER 31, 1903. No. 32.

Comptroller's Abstract No. 36

Analysis of the Financial Situation by Flavius J. Van Vorhis.

Editor Independent: The 36th abstract of the condition of national banks has been sent out by the comptroller of the currency. It covers the time from the 9th of September to the 17th of November, 1903.

It shows that in 69 days (including 10 Sundays and 59 business days) there has been a decrease of loans and discounts amounting to $56,361,090.78. Of this $49,125,186 was in the central reserve banks (New York, Chicago and St. Louis). Over $36,000,000 of this decrease was in the New York banks. In the 287 banks in the 34 reserve cities there was a small increase, of about $800,000. For the first time the 4,770 country banks are shown to have decreased their loans and discounts. This decrease, however, is small. It is, in the aggregate, only a little over $8,000,000. The aggregate decrease for each business day of the time covered by the abstract is almost $1,000,000. This decrease is a madked contrast with one year ago when the banks were increasing their credits almost that amount each business day.

It is also shown that there has been an increase of a little less than $20,000,000 of individual deposits and almost $13,000,000 of United States deposits. The national banks have now over $153,000,000 of government money besides a disbursing officers account of almost $10,000,000. This amounts to an aggregate loan, by the treasury department, to these banks, of about $163,000,000. For this large amount of public money, of which the banks have the use, the government does not receive one cent. This money loaned to the banks without interest is a part of their loan fund for which they receive the rates of bank interest. The worst of it is that this enormous sum must remain in the hands of the banks. It cannot be taken from them, nor any considerable per cent of it, without causing a financial panic that would ruin thousands of business men and very probably close up quite a number of banks. It must remain where it is as a support to the national bank combination and the people must submit to taxation, not only to pay current expenses and interest on the public debt, but to furnish more money to be loaned to these banks from time to time. Was there ever a more absurd, outrageous and preposterous financial situation than this?

Notwithstanding there has been an increase, as reported, of almost $33,000,000 of individual and United States deposits, during the time covered by this abstract, it yet appears that the total deposits on which reserves are counted have been decreased nearly $105,000,000. The whole of this decrease is accounted for by the decrease of the balance due other national banks, state banks and trust companies. Almost the whole of this decrease in general deposits was in the central reserve banks and shows very conclusively that banks and trust companies have been taking out of New York, Chicago and St. Louis a considerable per cent of what they had on deposit on the 9th day of September. All the changes shown have taken place in the central reserve and the reserve cities; the larger part being in the central reserve banks. There has been almost no change in the business of the country banks. Ncne except the rather small decrease of loans and discounts. The conclusion can hardly be avoided that there is a very intimate relation between the depression in the stock markets and the shrinkage in bank credits.

There can be little doubt that the decrease in loans and discounts has been almost wholly in speculative credits. The fact that almost the entire shrinkage in bank credits occurred in New York and that commercial credits have not been much disturbed certainly indicates this. The only effect upon commercial credits has been to prevent any considerable increase during the last few months. The increase of national bank credits has been during the last three or four years about $1,000,000,000. This amounts to an increase of about $800,000 per day for every business day during the time. To have such an increase considerably curtailed or stopped as it has been since the 9th day of September, must have a depressing effect upon many branches of business.

It is fortunate that the first effect has fallen upon the gambling transactions of Wall street and that the greatest losses have been in the speculative prices of stocks. There can be no activity in stock gambling unless there is a continual expansion of bank credits. If from any cause the New York banks are unable to increase their loans and discounts the inevitable result must be a depression in the stock markets of Wall street. The secretary of the treasury has been assisting in keeping up this gambling in Wall street by deposit loans made to national banks, but the time came when he was no longer able to increase these loans or in any way to mitigate the depression in the stock markets.

Since March, 1902, the whole increase of United States deposits in the New York banks amounts to only about $2,500,000. There was not sufficient money to keep up the expansion of loans and this drove out of the central reserve banks a large amount of the money they had. It may be a matter of some surprise to some business men to know that from that date until now the central reserve banks lost about $240,000,000 of their aggregate deposits. The larger part of this, about $200,000,000, was from the New York banks. The expansion of gambling credits reached their limit. They could not be increased without an increase of deposits from some source. When the depression in stocks followed, the money that had been attracted to New York by interest paid for its use in Wall street gambling, returned to the country banks from which it had come and where it ought to have remained in the first place, to be used, if used at all, in legitimate commercial transactions. This is very clearly shown by the fact that the country banks have in the time increased their deposits almost $200,000,000 while the banks in the reserve cities have made very little change. It was a fortunate result when there might have been a disaster

The situation is not now the same that it was in 1893. Then the New York banks were in a condition that enabled them, if they did not actually cause the panic of that year, to take advantage of it and profit by it or at least to protect themselves against it. Now, the probabilities are (although they deny it) that they have a large amount of stocks as collaterals and that makes it necessary for them, if possible, to prevent a panic, which, if it occurred now, would involve them in the general catastrophe. They are in danger of being caught in their own trap. In their avarice and their attempt to deceive the country about their connection with and their participation in stock gambling they have deceived themselves.

Their great hope has been legislation that would put them in a condition and give them the power to continue the expansion of loans. They will never forgive President Roosevelt for his opposition to finaucial legislation. It need not be a surprise if in the coming campaign Wall street and the eastern banking combination desert him as they deserted President Harrison in 1892. They are almost certain to do so if they can induce the democratic convention to nominate some one to suit their interests.

FLAVIUS J. VAN VORHIS.
Indianapolis, Ind.

TO SECRETARY SHAW.

Mr. Groot Writes a Letter to the Secretary of the Treasury—New York Journal Turns It Down.

Some days ago George A. Groot, of Cleveland, O., member of the populist national committee, becoming tired of hearing and reading the "rot" about "elastic" and "non-elastic" currency, write a letter to Secretary Shaw regarding the money question. A copy of the letter was sent to the New York Journal, but the Hearst forces turned it down. They are great on playing fast and loose with socialism (which at all times is "gold standard," owing to the Marxian fallacy of "intrinsic value"), but it is a rare chance for a "quantitative theory" correspondent to escape the blue pencil. Mr. Groot said:

Hon. Leslie M. Shaw, Secretary of the Treasury, Washington, D. C.—Dear Sir: I have read with amazement your statement as published in one of the Cleveland dailies relative to the currency. Among other things you are reported to have said is: "One well recognized weakness, however, has been strongly emphasized—our currency system is non-elastic." I can scarcely comprehend this statement and I have grave doubts whether you understand what you are talking about. Do you know what "non-elastic" means? Do you think money has the quality of rubber? Then why not make currency out of rubber? Do you mean that currency does not get about fast enough? My notion is that it is on the go all the time and is so elastic that one is scarcely able to see it as it passes along. Why do you not tell the truth about this matter and tell the people that there is too little money in this country and that in order to relieve the financial stress more money should be manufactured? Do you propose to make it more elastic by compelling all money to be redeemed in gold which would practically make every dollar, paper and coin other than gold, a promise of the government to be paid in gold? Is this the sort of elasticity that you are struggling to fasten upon the people?

To admit that the currency is not elastic enough is to admit that the quantity of money in the United States is too small. To state that our currency is non-elastic is to admit that there is a shortage of money, and, if there be a shortage of money, the only possible way that I know of to relieve the situation is to manufacture additional dollars and put them into circulation. You and your predecessors and those in charge of things now seem to think that it is the duty of the government to devise some scheme or other to prevent the manufacture of money and thereby assist the money barons in their efforts to skin the people through the channels of usury. Why do you not advise the congress to open the mints to the free coinage of silver at the present coinage rate and thereby increase the quantity of money in circulation? Would that not make the currency more "elastic?" If that would not increase the elasticity of money sufficiently, then money could be coined out of paper in such quantities as to make it sufficiently "elastic." But no doubt you would say if such a thing should be done the parity between gold and silver would be destroyed. You have no doubt seen much money in your time and know how it looks. I would like to ask you if you ever saw a single dollar that had the power by virtue of law to pay debts, public and private, that was not the equal in purchasing power of any other dollar that had the same power to pay debts? Under free coinage would not a silver dollar be worth a gold dollar and would not silver at once rise in price to correspond with the mint rate? If not, why not?

Would not a dollar coined out of paper, which has the power to pay debts, public and private, be of the same value as money as a gold dollar or a silver dollar? If not, why not? Would not a gold dollar, a silver dollar, or a paper dollar, if each had the power to pay debts, public and private, be of the value of a dollar and would they not be on a parity with each other as dollars? If not, why not? It seems to me they would.

Since it is the province of congress to manufacture money for the people and the quantity of money confessedly is less than the people require, would it not be wiser for you and others to demand that congress coin dollars out of gold, silver and paper and put them into circulation in such quantities as would make the currency sufficiently "elastic?" It strikes me that this would be the proper thing to do and the quantity should be increased so that there would be not less than $100 per capita in circulation and each dollar should have full power to pay debts, public and private. All notes now outstanding should be taken up and redeemed in such dollars. The people should have dollars and not promises to pay dollars to do their business with. Our financial system, if system it may be called, is monstrous, but how can we expect any better when the people who have control of such things have no conception of the money question? It is a system devised for the purpose of swindling through usury all people who produce wealth. I have read all the reports of the secretaries of the treasury, including your own, relating to the money question, and I am certain that not a single one of them, if what they have written on the subject is evidence of what they know of it, has any comprehension of it, simple as it is. It is certain from my viewpoint that you have as little knowledge of the subject as any person I know of, and, if your notions are to prevail, this country will never see the time when it will be any better off financially than it is now. It is already in a condition to be declared bankrupt. It is certain that the people, and they constitute the government, are collectively, hopelessly insolvent and this is the result of the financial system that has been fastened upon us. I would be glad if you would read a bill that I prepared that was introduced in the senate by Senator Butler of North Carolina and which appears in the Congressional Record under date of February 15, 1900. That bill expresses my views as to what should be done, and, if it were enacted into law, there never would be in this country any more talk about "elastic" currency nor about financial panics. But I suppose you will not read that bill and possibly will not read this letter, but that will not deprive me of the satisfaction of expressing my views to you upon this question, crude as they may appear to be to you. Respectfully,

GEO. A. GROOT.
Cleveland, O.

The Old Guard

Report of the Third Week's Enrollment.

REPORT OF PROGRESS.

The Old Guard of Populism has now passed the stage of experiment and we may fully expect to see the enrollment grow at a gratifying rate during January and February. There are now more than 200 recorded members, a few having, for good reasons, asked that their names be left out of the printed report for the present. The 198 names reported represent 36 states and territories, and something more than 150 counties. They have sent in the names of about 2,000 populists, to whom the Old Guard printed matter is being sent, with an invitation to enroll. Just as soon as the enrollment begins to assume a definite form, arrangements will be made through the Old Guard members to effect a temporary organization in counties where no populist organization exists at present. I should be glad to have the members who now live in counties without a populist organization, to look about them, talk with other populists in the county, and if possible secure the name of a populist in each township or precinct to act temporarily as committeeman until the regular organization can be made.

Now, as to the matter of making our national nominations by direct vote: This question must be settled definitely at the St. Louis meeting, February 22, 1904. The Denver conference agreement by no means precludes direct nomination, if the populists of the United States desire it. I suggest that every member of the Old Guard of Populism write a letter to the national committeeman for his state, urging the desirability