

The Independent.

VOL. XVI.

LINCOLN, NEB., JANUARY 19, 1905.

No. 35

Banks To Rob Depositors

The New Money Legislation

Editor Independent: How soon the greenback currency will be destroyed can not be certainly predicted, but it is evidently the intention of the promoters of the scheme embodied in this bill to bring about that result very soon. When the national banks have agreed to currently redeem \$130,000,000 of the legal tender notes, \$65,000,000 will be at once destroyed, and the national banks are, after this, prohibited from paying out a dollar of the \$151,638,016 remaining, when it comes into their hands. It must be returned by them to the treasury where it will be redeemed and destroyed. This, as I have said, provides for the immediate destruction of every dollar of legal tender government paper except the \$130,000,000. The only thing that will prevent this is the proviso contained in section three, as follows:

"But it shall be the duty of the secretary of the treasury to maintain the reserve fund at an amount not less than 33 1-3 per centum of the United States notes at any time outstanding."

It is impossible to tell from the bill itself whether it is intended, by this provision, that when the gold reserve is reduced to 33 1-3 per centum of the outstanding legal tender government currency the department must stop the redemption and destruction, or whether it means that the secretary must buy gold to keep the reserve up to the required amount. Authority to issue bonds has, in the past, been predicated upon a not much less flimsy basis.

The moment a presentation for cancellation is made under this section, that moment the paying out and issuing of gold certificates stops; and, under section 15, the power to issue gold certificates is transferred to private institutions or clearing houses to which the board of control is authorized to grant charters for twenty years.

"Section 15. That said board of control may grant charters to clearing houses for twenty years, with such capital and power to effect clearances between banks, bankers, trust companies and other financial associations, and to do and perform such other business and service incident to clearing-house business as such board of control may approve.

"And such clearing houses are hereby authorized to receive deposits of gold coin and to issue certificates therefor in denominations of not less than twenty dollars each. * * *

Said certificates shall be receivable for customs, taxes and all public dues, etc., etc."

In a late debt and cash statement, it appears that, of the amount of gold certificates represented as outstanding, there was over \$40,000,000 in the general fund of the department, and against which in the trust funds was held that amount of gold. There was also about the same amount of gold in the general fund. All this will be available, and a part at least of the gold reserve to redeem the legal tender currency. Enough will be available to make it possible to destroy almost immediately all legal tender except the \$130,000,000, the current redemption of which the banks will have assumed. If any part of it should not be redeemed by the treasury, no provision is made for the banks to pay it out again, and it will be tied up, possibly as a part of the bank reserves.

It is a little doubtful if the men who drafted this bill know what will result from it; whether they have not allowed their desire to get the legal tender currency out of their way, and to commence the destruction of full legal tender silver, to cause them to overlook some possibilities of the bill in other directions. The question about the reason for fixing the amount, the current redemption of which must be assumed by the banks, at \$130,000,000 may suggest itself. At the time the bill was reported this amount was very little less than 20 per centum of the paid up capital of all national banks. This limit is large enough to enable the remainder to be destroyed, and small enough to enable the banks to hold every dollar out of circulation in reserves until the treasury department can call it in. Since the time when the bill was reported the capital of banks has been increased \$100,000,000. At that date the outstanding bank currency secured by bonds was only a little over \$300,000,000 or less than 50 per centum of the aggregate paid up capital. Since that date the bank currency has been increased to almost \$420,000,000 and is now about 54 per centum of the aggregate paid up capital.

More than one-half of the paid up capital of all national banks is represented by bonds held by the secretary of the treasury to secure the bank notes outstanding. Just what banks are expected will assume the current redemption of the \$130,000,000 is not

clear, because it is not clear whether the banks that already have one-half or more of their capital invested in bonds held by the treasury can, by assuming the current redemption of United States legal tender notes equal to 20 per centum of paid up capital, avail themselves of the privilege of receiving an amount of asset currency equal to 10 per centum of their capital. If this is the intention of the proposed measure—and I think it is—then the banks with one-half of their capital tied up in the treasury can get an issue of 10 per centum at once, and 10 per centum each year until the present bond issue and the asset currency issue equals the entire national bank capital. These banks now have 54 per centum of their aggregate capital entirely out of their control, and in case of failure this amount can not be reached to meet other liabilities. Keeping this in mind, the section of the bill providing for the security of the proposed currency ought to be considered carefully.

"Section 7. That such notes shall be a first lien on the assets of the respective banks, and shall be received on deposit and for all purposes of debt or liability by every national bank at par, etc., etc., and such notes shall be receivable for all public dues, except duties on imports, etc."

To understand the full import of this provision, a part of another section ought to be read, as follows:

"Section 11. The United States bonds and gold coin deposited by the banks in accordance with section 5, etc., all the money received for taxes upon all bank note circulation, * * * all the interest upon deposits, etc., when paid into the treasury, shall be set aside and constitute a fund which shall be designated the guarantee and redemption fund.

"First—A fund to pay circulating notes of any national bank outstanding at the time of failure. But the United States treasury shall recover from the assets of said failed banks an amount equal to its outstanding notes, and the same shall be paid into the guarantee and redemption fund."

Under such a scheme, who furnishes the ultimate security for asset currency? Let us see. All United States deposits at this time amount, in the aggregate, to about 16 per centum of the capital stock of national banks. This deposit is secured by bonds in the hands of the secretary of the treasury, and in whose hands there is now

about 70 per centum of the aggregate capital of the 5,477 national banks. This amount of the aggregate capital is covered by a preferred lien. The bill proposes to make the asset currency a first lien on, to be recovered by the department from, the assets of the banks.

What constitutes the assets of a bank? Certainly not the capital alone, but everything in its possession, including the money of its depositors. The last abstract of the comptroller shows the aggregate paid up capital of all national banks to be \$776,089,401, and the assets \$7,196,991,995, and the liabilities exclusive of capital, surplus and undivided profits about \$6,000,000,000. Of this liability nearly \$4,500,000,000 are deposits. These deposits make over three-fifths of the assets of the national banks. The lien of asset currency is to be a first lien on assets, and is, of course, a first lien as against the depositors on the money deposited by them in these banks. The department is required to collect first the amount of such currency, and the depositors will get whatever they can out of what is left. As the law stands now, an amount equal to 70 per centum of the paid up capital is covered by a preferred lien, and out of reach of the depositors. That is bad enough; but under this scheme of the "financial group" it is possible to have a preferred lien against the assets that will exceed the entire paid up capital. The bill is a fraud, and proposed to legalize a robbery. The ultimate security of this so-called asset currency rests upon the depositors. The only protection they will have will be the individual honesty of bankers; but unfortunately, all bankers are not honest, and all who are honest are not safe. What right has congress to open such an opportunity for the scoundrels of the "financial group" and the foolishness of others?

It is difficult to be patient with leaders, who ought to understand what is proposed by this bill, but who have become as silent about it, as Parker was, before his nomination, about the "gold standard," except to say that the money question is less important than it was in 1896.

This is but a part of what is contained in this magazine of evil purposes.

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(To be continued)

The Coin Redemption Evil

Editor Independent: It would seem to me that it is not necessary to say anything further in regard to fusion than what has already been said by Mr. Watson. Ten years ago the populist party controlled states, had a dozen congressmen and displayed an integrity which frightened the old money power. It must be side-tracked. For that purpose Wall street hatched out the silver nonsense, and of course some brilliant adventurers were ready to exploit it. The professional crowd, who always have betrayed the people, took it up and were able to drag the populist party into the fusion folly. Every succeeding election showed a decreasing vote and a weakened organization until 1904 found us disorganized and powerless.

This record certainly ought to satisfy the lickspittles of W. J. Bryan, and is also eminently satisfactory to Wall street. The farmers made the party; the lawyers destroyed it. This is the history. Will it be repeated?

Of one thing you may be certain: hereafter there will be a straight populist party in this state and nation. The recent election dropped the democratic party right where Cleveland left it in 1896—a traitor to the people, a defamer of the nation's character, a corrupt and abject tool of every scheme of theft and exploitation which the republican bosses have launched. Two republican parties! It is just as honorable and effective to fuse with one of them as the other.

When one reads Miss Tabell's articles on the Standard Oil, Lawson on Finance, and Folk's experience in St. Louis; then add to them the Bartley incident in Nebraska, we understand that the so-called upper crust. (The rich and politically powerful) is composed of criminals and those who condone crime if it is profitable. Even the president and his attorney became "particeps criminis," to the Northern Securities crime by turning loose the criminals after the evidence was all in and a conviction certain. To be a member of a labor organization—law-abiding and honest, entitles a man to death or deportation, but to be a member of a capitalistic organization, proved to be criminal before the highest court in the land, entitles one to wealth and luxury, and the prosecuting attorney to a seat in the United States senate and the president to a re-election.

I find that this condition of affairs is as much endorsed by prominent democrats as by prominent republicans. That men actuated by greed might do unlawful acts and commit crime, might be accepted as certain, without casting any reflection upon the government of the country. But when the officials of the government become wealthy by conniving and conspiring with the lawless, and when the crimes are discovered let the criminals go unpunished or pardon them, then the people should begin to understand that their politicians and statesmen are hypocrites and knaves, and that their

government is run for what there is in it.

To one feature of Mr. Watson's letter I object, viz.: His continual reference to Bryan and his platforms as populist. Mr. Bryan makes some very populist talks and that is his long suit. When you get down to his remedies and how they are to be applied you will discover no populism whatever. He deals with incidents and palliative measures, he wishes to retain the present systems and engraft upon them changes, which he calls reforms, whose effect would be immediately nullified by the fundamental evils of the system. Such is his proposition to have a national instead of a state charter for corporations, as a remedy for corporate exploitation of the people, a proposition that is absolutely silly, and the coinage of silver at 16 to 1 as a remedy to free the industrial slave was just as impotent and foolish.

These are specimens of his platforms and statesmanship. As to his sincerity he has shown that he preferred to see the people sold into bondage for four years rather than abandon his party. His Chicago platform reiterates the old republican promise of coin redemption and it is reaffirmed at Kansas City. This promise is endorsed; and no relief for the people, for it pledges their labor to the plutocracy forever, in fact it creates a plutocracy and puts the power in their hands to keep up a perpetual drain upon the productive industry of the country. Two hundred years ago it was thought necessary to own the land and the laborer in order to get the product, but now they free the slave, let him have the land (to pay taxes on) and exact a promise of coin redemption. Then the master can draw on the treasury and the treasury draws on the people and they can't do forever and the debt is never paid. This promise of coin redemption has been fastened upon the toiling millions of this and other nations under the pretense that it is an economic necessity in a just and correct monetary system; in fact the very foundation stone. This is the most absurd and gross delusion to which a sane people has ever given credence. This promise destroys a just monetary system wherever it is adopted; it has no economic relation to a monetary system whatever, but comes under another head. It is a grant of power, the "Magna Charta" of the invisible empire, a surrender of national independence and a betrayal of the people, an act of treason by the legislative authority.

There is no legitimate business industry in this country which is benefited by this grant of power, but it places all business in danger. The exercise of this power through the United States treasury can lower the market value of property until it is no longer security. Then the domestic banker, the merchant, the farmer, all are bankrupt together. This generation has had several object lessons of the exercise of this power, but have missed its educational benefit because the great statesmen always point to some other than the true cause, for instance, the tariff or silver. Let me give your readers a brief history of one of them:

In 1890 a money gambling house in London defaulted for 15 millions sterling interest in Argentine securities. This incident started a general liquidation of foreign securities. At that time the United States treasury was