

VIEWS OF THE MINORITY.

The undersigned regret that when the Committee on Banking and Currency met finally to consider H. R. 7837 they found the majority members of the committee so bound by their caucus action that they could not consider amendments to the bill which, if adopted, would have eliminated its unsound and questionable provisions.

Such changes, while comparatively few in number, in our opinion are fundamental and vital. The majority members of the committee refused to favorably consider them on the ground that they involved matters of Democratic party policy settled by the caucus.

COMPULSORY PURCHASE OF STOCK.

One objection to the proposed law goes to the provision which compels national banks to subscribe for the capital stock of the Federal reserve banks on pain of forfeiture of their charters. We believe this forfeiture provision is of doubtful constitutionality and wholly unnecessary and inexpedient. If the plan proposed by the bill proves to be a good one, the mercantile, manufacturing, and agricultural interests of the country, which control the banks, can be depended upon to appreciate its advantages, and the banks will naturally and voluntarily join in trying to make it a success. At least time enough should be allowed for a gradual and natural development to fully demonstrate that the new system is a success before force should be applied, by way of quasi penal or forfeiture provisions, to compel reluctant banks to come into it.

If, on the other hand, the plan proposed by the bill should prove to be too cumbersome or not workable, the tying up of so vast a quantity of the reserves as the bill proposes to compel would cause the borrowing public great hardship, and the vast business interests of the country would be imperiled. Should the national banks of the country, or a large majority of them, elect to forfeit their present charters rather than come into the new system, our currency supply would be greatly curtailed, all business would be disastrously affected, and our national banking system would be destroyed.

FEDERAL RESERVE NOTES.

Another fundamental objection is to the provision (p. 28, line 19) that the notes to be issued to or through the Federal reserve banks "shall be obligations of the United States." Section 17, in which this provision is found, practically creates a Government central bank or board of issue, which may issue notes on application without limit at its discretion for the sole accommodation of the banks and

not to meet the necessities of the Government. In times of serious crises the Government obligation to pay these notes might, and probably would, lead to very serious complications involving the credit of the Government, as the history of all such experiments amply proves.

FEDERAL RESERVE BOARD.

The powers of the Federal reserve board are, in our judgment, too great. This board should be given supervision, but not actual management of the banking business of the country. We also believe that while an effort has been made to make the board somewhat non-partisan, there is still great danger as the bill is now drawn that the banking business of the country may be used for partisan political advantage. Every possible provision should be incorporated to prevent a result which every right thinking man would greatly deplore. Those who will most suffer from political management of this board will be the small merchant and the borrowing public. There is also a clear impropriety in allowing the Comptroller of the Currency, who is charged with the supervision and administration of the whole national banking system, to serve on this board.

There are other imperfections in the bill which will be pointed out during its consideration on the floor of the House.

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Mr. LINDBERGH submitted the following

MINORITY VIEWS.

THE GLASS BILL, H. R. 7837.

The Glass bill, as drafted, is merely a new form for the administration of a false old system. It leaves the worst of all features in the present financial scheme unchanged; that is, the burden of excessive interest. It provides upon its face for a financial stringency and possible panic in its inception as a result of the forced shifting of cash and resultant transfer, and therefore a disturbance of credit. After the shift would be made and the adjustment was finally completed, with the exception of a provision for the issue of asset currency, it would be an improvement over the present method of finances. The disadvantage that would arise by shifting of cash balances and early disturbance of credits may be remedied by simple amendments.

The most disappointing thing about the bill is that it provides no relief from existing economic evils. That relief is due to begin with an improved money system. The Glass bill proposes to incorporate, canonize, and sanctify a private monopoly of the money and credit of the Nation—to remove all the people's money from the United States Treasury and place it in the vaults of the banks to be used by them for private gain. It violates every principle of popular, democratic, representative Government and every declaration of the Democratic Party and platform pledges from Thomas Jefferson down to the beginning of this Congress.

Those of the committee who favor the bill have worked diligently with earnestness and ability to modify the details in dealing with finances, but have done nothing to correct the grossly false basis on which finance is now operated; that is, the fact that financing in the present way is a burden instead of an assistance to trade and commerce. Severe as my criticism of the bill may seem, still I believe that with some few amendments the system that the Glass bill would put into operation would be less severe on the people than our present system. I do not object to it because of unfavorable comparison with that now practiced, but base my objections on the ground that now, while we are at it, we should instead pass a good bill.

In submitting a minority report I have two purposes in view: (a) To offer suggestions for amendments in the Glass bill that would make it simple, more responsive, and less expensive to operate; (b) to offer a new bill to form the basis for an American financial policy to place public and private enterprise, industry, and exchanges upon a sound economic basis and destroy the power of private operators to monopolize the mediums of exchange.

Those who are responsible for the draft of the Glass bill undoubtedly hope through its enactment to remove from finance the frequent

stringencies and occasional panics that develop. The plan they offer, once it became operative and adjusted to, would probably remove some of the danger elements that in the past have driven the country into frequent money stringencies and occasional panics; but as an effective remedy it is inadequate. The very basis of the system that is sought to be patched is false.

The Glass bill would make a change in the administration of the present system, but no change in the money basis. The design of the bill is to lessen the immoderate and violent fluctuations that result from the present method of financing. For that reason a Member who does not consider the bill satisfactory may vote for it nevertheless. We should first do all we can to secure the enactment of a good bill. This is not a good bill, but with a few amendments it may be better than no bill.

Business is now operated under a highly technical credit system based on a small amount of lawful money. Twenty-five and possibly more dollars of credit exchanges, on the average, for each dollar of actual cash paid, but credit as a rule is directly related to the location of actual money. It is through the banks that most of the credit extensions occur. The cash is in reserve for the final balances. Comparatively little of the cash in the banks moves at all. It lies in the vaults year after year without going out on any mission of business.

This bill proposes to shift a very considerable part of the bank cash. It would require several months at the very least to adjust credits to the shift. The volume of credit would be disturbed to a very much greater extent than the shift of cash. Business would be disturbed by the change unless provision were made to keep credit from being interfered with.

The general public gets no direct connection with the Glass bill for purposes of securing either credit or cash. The public will still be forced to go to the banks. Therefore if the bill is to become operative, the banks will have to come under it. The national banks would only be compelled to do so, but if they alone do, it will hardly be satisfactory, because they do only about one-third of the banking business.

SOME ACTUAL CONDITIONS TO BE MET.

On April 4, 1913, the deposits held by national banks required them to hold a reserve of \$891,794,905. They were \$15,691,784 short—below the reserve requirements. If they had been compelled to subscribe for Federal reserve bank stock under those conditions, what would have happened! Their capital stock was approximately \$1,050,000,000, which would have required them to pay \$105,000,000 for stock within 60 days. This sum would be transferred to an entirely new field of financial development. In addition to that, under the law they would have been required to make good the \$15,691,784 shortage in reserve within 30 days; an old provision which is carried into this bill. The State banks were practically in the same condition, and if they, too, came in, as the bill contemplates, the demand for ready money would have exceeded \$200,000,000 for Federal reserve bank stock alone, and a much greater shift of deposits would be required. All things considered, it is not improbable that a shift of near half a billion dollars would have to be made.

A MONEY STRINGENCY AND POSSIBLE PANIC.

The contraction which would come about in making such a change—that is, in the shifting of cash from its old moorings and the still greater credit disturbance—would result seriously and bring about a great loss to the people. A statement of some actual facts will illustrate sufficiently. In a general way the results would be the same from an analysis of any bank report made in the last 10 years, but to be specific I take the banks' reports to the Comptroller of the Currency September 4, 1912. I call attention merely to a single bank in each of the States having a representative on the Banking and Currency Committee. I show the capital stock, the amount it would have to pay under this bill, and the actual lawful money contained in its vaults, as follows:

	Capital.	Assess- ment.	Money in bank.
Barnesville National Bank, Minnesota.....	\$25,000	\$2,500	\$2,514
Peoples' National Bank, Virginia.....	50,000	5,000	3,931
Whitland National Bank, Indiana.....	25,000	2,500	1,287
People's National Bank, Rollesburg, W. Va.....	25,000	2,500	1,536
First National Bank, Hudson, Ohio.....	50,000	5,000	3,657
First National Bank, Almena, Kans.....	50,000	5,000	2,866
Irving National Bank, Irving Park, Ill.....	100,000	10,000	7,798
Athol National Bank, Athol, Mass.....	100,000	10,000	6,582
Commanche National Bank, Commanche, Tex.....	100,000	10,000	6,637
First National Bank, Perry, Ark.....	25,000	2,500	1,698
First National Bank, Wellington, Colo.....	25,000	2,500	1,203
Heard National Bank, Jacksonville, Fla.....	1,000,000	100,000	80,626
First National Bank, Alex, Okla.....	25,000	2,500	1,503
Gaffney National Bank, South Carolina.....	150,000	15,000	9,725
First National Bank, Vacaville, Cal.....	50,000	5,000	3,501
Union National Bank, Brunswick, Me.....	50,000	5,000	4,288
Grange National Bank, Chester, Pa.....	100,000	10,000	9,112
Farmers & Mechanics' National Bank, Jefferson, Iowa.....	40,000	4,000	1,877
First National Bank, Baldwinsville, N. Y.....	100,000	10,000	8,225

These responsible banks, on the date named, did not have sufficient lawful money in their vaults to meet the requirements of the Glass bill. Many of the banks have more cash than is necessary, but the banks listed above are not isolated cases. Substantially the same condition exists in all the States. Hundreds and hundreds of banks would be required to pay out, within 60 days after the organization commenced, all the cash in their vaults, and many more of them would have barely enough. In the aggregate they would not have enough.

Instancing this condition, in South Carolina there were 46 national banks on September 4, 1912. On that date 6 of them did not have enough lawful money in their vaults to pay for the stock they would be compelled to take. What would happen under such conditions? These banks would, of course, draw on their reserve banks for the money due from them. Simultaneously the reserve banks would be called on to return to the other banks their reserves and pay for Federal reserve bank stock.

Let us take the National City Bank of New York as an example. It is a central reserve bank, required by law to keep 25 per cent lawful money reserve. On September 4, 1912, its deposits were \$239,669,430. It required a legal reserve of \$59,917,357, but it had only \$48,364,892 lawful money in its vaults. It was owing to other

banks, included in the \$239,569,430, approximately \$100,000,000. These banks, under the operation of the bill, would be compelled to draw on the National City Bank for money to pay subscriptions for Federal reserve bank stock, and also to cover in these banks within 60 days a 3 per cent reserve. The country banks do not, as a rule, carry more reserve cash in their vaults than the law requires and could not draw directly from their vaults. In addition to that, the National City Bank would be required to pay \$2,500,000 for capital stock. The statement of September 4 shows that the National City Bank had not sufficient lawful money to meet any such demand. It may be suggested that it had \$38,295,647 checks and exchanges outstanding; but, admitting that, and that these come in rapidly, as many more are put out in the regular course of business. The commerce of the country demands transmission through the mails, express, and in clearance agencies enormous sums. Under the terms of the bill this one bank would probably be compelled to transfer more than \$100,000,000. I do not plead for that bank. Its stockholders have fleeced the people of this country, but what applies to the demands that are to be made on that bank applies to the demands that would be made on banks generally in the proportion of their business. A scramble would take place among the banks to get in shape to meet their obligations. Naturally they would demand payment of the borrowers. A stringency would result, and possibly a panic. In such an emergency the borrowing people would suffer, because they are absolutely tied to the banks, and the Glass bill would make no change in that respect. If everybody would remain perfectly calm and make no demand for impossible things, the shift could be made under the stress without an actual panic.

COMPENSATING PROVISIONS TO THE BANKS.

There are some compensating provisions in the Glass bill that would aid the banks in changing from the present system to the proposed system, provided that no excitement would arise until they were made effective. The Federal reserve board may suspend for 30 days, and renew the suspension for periods of 15 days, any and every reserve requirement contained in the bill. Aid would also be given to the banks by a deposit of all the funds in the Government Treasury. Still further aid might be provided by a loan of United States currency. But the organization would have to be complete before that could be loaned. Much loss might occur in the meantime.

It is claimed by this bill to give considerable control and management of the banks to the Government, but it reserves no power in the Government to aid those who need money to do business with. Those who actually use the money to carry on business are compelled to go to those who use money simply for the purpose of charging a profit out of handling it. That is, the banks and money loaners make a profit out of those who use money. The latter have no other purpose whatever. This bill makes the bankers the "go-between" between the Government and those who use money only as a means to deal in the material and social exchanges that are essential to civilization, the only true purpose of money. This bill provides for

the continuation of an actual extortion fostered by the Government against the freedom of business intercourse among the people. It recognizes the superior sovereignty of the embodied institutions of money over any power of government, so that neither the Government in its sovereign capacity nor the people, or their representatives, can initiate the placement of one dollar of monetary function into actual exchanges among the people, except through the agency of organized money loaners with purely selfish interests. The Glass bill positively abolishes the United States Treasury and the public money of the people, and substitutes the so-called Federal reserve banks, which by the terms of the bill are to be the exclusive stock of the bankers. It reduces the people's Treasury Department and the Bureau of Printing and Engraving to the position of a job printing house for the private use of the bankers.

It is an advantage to the banks to have the Government print and engrave the money, so long as the banks may have a monopoly of its distribution. This bill continues and affirmatively gives them that monopoly. They have held it for a long time in the past, and now Congress is about to bow its subserviency in more positive express terms of a statute than heretofore. Ask, Where will the people go to borrow money after this bill goes into effect? Congress has been alipped into the halter by the money lenders, and they seem to have supplied themselves with a double hold—a chain in addition to the strap.

Those who wish to use money for the purpose of its service to a freedom of trade by the people among themselves find no Government-supported source of supply except the exclusive monopoly granted to the banks. These banks have the means and do compel the people to pay for the use of money a rate of interest that forces the majority of mankind into needy circumstances, and deprives all but a few of a proper compensation for their lives' efforts. No one should assume because of all this, and because the bankers get the lion's share of profits, that bankers are disposed to be vicious. We should change the system and not blame the bankers. In the process of changing the system the people should address themselves first to a subservient Congress.

The Glass bill, being distinctively a banker's bill, and all who are not bankers being compelled to go to the banks for accommodations, we should at least make it easy for the banker to help borrowers whenever he is willing. If this bill is passed without some minor amendments, to make the transfer from the old to the new system easy, the bankers will be compelled to retrench until they can adjust to this new system. They will not only be compelled to withhold further credit during that period, but many borrowers will be called on to pay notes while the adjustment is going on. For that reason, if the general plan of the bill is to be adopted, some amendments can and should be made to obviate the tendency to create a stringency. The banks will not wait for help, but will help themselves by calling on borrowers to pay. It evidently is the opinion of those who favor the bill that the Federal Reserve Board will waive the affirmative requirements to enable bankers to shift from the old to the new system without disturbance. Admitting that the board would do so is not sufficient to the business world. Bankers are cautious

business men and will resolve all doubts in favor of safety and therefore call in loans until they are prepared to meet the most difficult provisions of the bill. The bill should be made right to start with so far as human foresight can make it and still have the saving clauses to meet any oversight.

FEDERAL RESERVE BANK STOCK ASSESSMENT.

Instead of making a call for 5 per cent instanter and 5 per cent within 60 days, it should be made in several smaller calls distributed over a period of a year. There is, however, no need of so much centralized capital as would occur in these banks. The security of the depositors in a bank depends on the good management more than on the amount of its capital stock. The funds in the control of a good management in a bank are usually several times greater than its capital. A 5 per cent assessment on the capital and surplus for the establishment of the Federal reserve banks would serve the country better than a larger assessment upon the capital alone. I believe that 3 per cent on the combined capital and surplus would be still better, because that would leave more money for use in the proximity of its origin, where it belongs.

ASSESS COMBINED CAPITAL AND SURPLUS.

Assessments should be made both on the capital and surplus. The surplus of a bank is as much a part of its capital as the capital itself is. It would be an injustice to the smaller banks unless the assessment is made on both capital and surplus. The 37 national banks in New York City, for example, had September 4, 1912, a capital of \$120,200,000 and a surplus of \$128,255,000, while taking, for instance, the first 37 banks listed in Minnesota, which is a fair average for country banks generally, their aggregate capital on the same date was \$1,425,000 and their surplus \$458,615. Now, if this new system is to be a protection to the banks or if it is to be a burden to them, in either case, let them pay for the one or the other in a proper proportion. The bill should be amended to have the assessment made on the capital and surplus both.

BANK RESERVES.

The reserve requirements should be reduced immediately to 20 per cent for all reserve banks. That would help the banks to meet the demands of the country banks for a return of their funds. As the bill is, the reserve banks would simultaneously be compelled to press collections--first, in order to meet the demands from the country banks for their reserves; second, to subscribe for stock in Federal reserve banks; and, third, to transfer a part of their own reserves to the latter. The period of adjustment should be more graduated and the reserve requirements reduced. Since the banks have absolute control of the distribution of money to borrowers, they should not be prevented from loaning at times and in places when and where the money is needed. The formative period of adjustment to the requirements of this bill would prevent that unless amendments are made.

CAPITAL CAN NOT BE SIMULTANEOUSLY PROVIDED FOR 12 FEDERAL RESERVE BANKS, WHICH MIGHT RESULT IN THERE BECOMING ONE CENTRAL BANK.

On page 3 the Glass bill provides for not less than 12 Federal reserve banks with capital equal to 20 per cent of the capital stock of the banks subscribing, and for one-fourth to be paid in cash, and also that no Federal reserve bank shall begin business until \$5,000,000 has been paid in. Since the Federal reserve banks would be started by the national banks alone, as they alone would be forced to join, they, with an aggregate capital stock of less than \$1,100,000,000, even if they should all join, could not start 12 Federal reserve banks on a 5 per cent assessment with each a paid-in capital of \$5,000,000, as the bill requires. Furthermore, it would be impossible to equalize to approximately equal the capital in all districts. It is necessary, therefore, to amend on page 3. The bill would serve the country better by making the stock of the Federal reserve banks equal to 3 per cent of the unimpaired combined capital stock and surplus of the subscribing banks and permit them to begin business when \$1,000,000 is paid in. Under the provisions of the bill the Federal reserve board may name the 12 Federal reserve districts, and the cities for their banks. The city of New York should and of course would be named as one of the 12. Chicago would be another. The influence of the moneyed interests could easily prevent all of the districts except New York City from completing the organization unless the provision forcing banks to become members is held constitutional, which is somewhat questionable. The larger banks would have to join in order to have capital enough for 12 reserve banks. The larger banks are controlled by stockholders who support the Wall Street system. Anyone who has investigated the influence of that system knows that its influence in a case of this kind would be all powerful. The New York district under that condition might complete its organization and the rest drop out by default. Then there would be one central bank controlled by Wall Street stockholders. The Federal reserve board would have some influence, but not sufficient to help the general public out of the difficulty that would arise from such a condition. It is not within the power of the Federal reserve board to complete a single organization if the banks do not affirmatively act.

INCREASE AND DECREASE OF CAPITAL STOCK.

Sections 5 and 6 provide that when banks reduce their capital, or dissolve, or become insolvent, the Federal reserve bank shall pay therefor a sum equal to their cash paid subscriptions on shares surrendered. In times of panic or financial stress this provision would weaken the Federal reserve banks. The banks holding the stock could dissolve, reduce their capital stock, or go into insolvency, thus not only avoiding the whole or a part of the responsibility to carry the Federal reserve banks through financial storms, but actually thereby reenforce their individual holdings by reducing those of the Federal reserve banks. This should be so amended that payment for shares surrendered would be made at such time as the Federal reserve

board from time to time provides. No solvent bank should be permitted to surrender its stock at a period when in the opinion of the Federal reserve board the general public interests, on account of financial stringency, require the Federal reserve banks to have all their resources available to meet the more general demand.

SMALL BANKS SHOULD BE ADMITTED.

The second paragraph of section 10 should be amended so as to provide that no bank should be excluded from becoming a member bank of a Federal reserve bank because of the amount of its capital stock, so long as its capital stock and surplus remained unimpaired, if in every other respect such bank was qualified. The welfare of the whole people requires the thrift of every community. The small communities are as essential as the large ones, and their banks should receive the same treatment as those of the larger cities.

FOREIGN AGENCIES.

The last paragraph of section 15 should be amended so as to prevent instead of permit Federal reserve banks opening accounts or establishing agencies in foreign countries. Since it is proposed by this bill to turn over to the Federal reserve banks the Nation's funds, we should not entangle them further by permitting the Federal reserve banks to establish agencies in foreign countries for speculation. The foreign banks authorized by section 28 of the Glass bill would attend to foreign business.

GOVERNMENT DEPOSITS.

It may be questionable whether it is constitutional to deposit Government funds in the banks, except in consequence of appropriations made by law. Funds that have not been appropriated must remain in the Treasury. Subdivision 7 of section 9, article 1, reads:

No money shall be drawn from the Treasury but in consequence of appropriations made by law; and a regular statement and account of the receipts and expenditures of all public money shall be published from time to time.

It may be that any funds that have actually been appropriated can legally be deposited in the banks. However, passing that question, the adoption of a policy to continually keep on deposit all the public funds in the banks is at least doubtful. The bankers claim that the money is being taken out of business to pay the Government demands and should be deposited in the banks in order to pass back into business. If its doing so were confined to legitimate business, and did not enter into speculating and gambling, there would be more virtue in the claim.

A concrete illustration exists at the present time to show the effect of the use of the public funds. The first \$10,000,000 that the present Secretary of the Treasury deposited in the summer (1913) in the banks on 2 per cent interest basis, probably did no good, because it was immediately absorbed by Wall Street and used to exploit the people. The bank statements show that it quickly gravitated to Wall Street. I do not make the statement in criticism of the Secretary. It did not happen to be a good time to make the deposit. On the other hand,

the later and larger deposits being made by the Secretary of the Treasury in the banks in the South and West come at an opportune time. It will help to move the crops and to steady conditions and prevent financial stringency.

The undesirability of keeping all the public funds on deposit in the banks all the time is, I think, manifest. At certain periods there is a great demand for money to move crops. When crops have been moved the demand for money weakens and it piles up in the banks. The banks loan it out then at lower rates of interest. The speculators have taken advantage of those conditions in the past years to reduce the price of farm products when the farmers sell their crops. They hold the money tight then, but when the farmers buy what they require the speculators would have the money market easy so as to make the farmers pay high prices. In that way the speculators have practically fixed prices. When the farmer sells he is compelled to take the price the speculator offers; when the farmer buys he gives the price the speculator demands. That is one of the troubles with the present system and this Glass bill does not furnish a sufficient remedy.

If the banks are given all the public funds at all times, as the Glass bill provides, there will be times when they will not be in demand for legitimate commercial business. They will then be loaned to the speculators, who will exploit the people. Then when the demands of legitimate trade come again the money market will become tight. The farmer, the merchant, the manufacturer, and others will be compelled to compete with the speculators to borrow money. The interest rates will be raised. There will be no place then to give relief like that at the present time being extended to some sections of the country by the Secretary of the Treasury. The discovery that such relief can be given has come too late, for we will hardly have more than a sample of its effect until the Glass bill will become a law and will take the public funds and place them where they will be available to speculators in competition with legitimate commerce. It may be contended by those favoring the bill, that the banks can secure Government note issues at any time they wish. That is true if the Federal reserve board would approve, as very likely it would if the public interest required, but that is a protection available to the banks alone. They may apply if they wish, but neither the Federal reserve board nor the public at large could force such an application to be made. The banks are in the business solely for profit. It is for their interest to keep the rates of interest as high as they can, and it will make no difference how much the public may be in need of more money, the banks will make no application for Government note issues till such time as the public is willing to pay a larger profit than the banks can make without. The banks can bring out the note issues if they wish but no one else can.

NOTE ISSUES MADE ASSET CURRENCY.

For more than a half century the money loaners have ridiculed the issue of United States currency based on the credit of all the people. Now they ask the United States to issue notes on the credit of the people, but not for the people, nor in their interest. Instead it is proposed to organize the private banks into 12 or more special cor-

porations and issue this currency on the security of notes, bills of exchange, acceptances, Government, State, and municipal bonds. In other words, it is to be a form of asset currency supported by the Government but given to special interests to be vested by Congress with full and complete authority to scalp from the people and generally exploit them.

By section 7 in this bill the Government is to divide the profits that the Federal reserve banks get out of the people; that is, the Government is to print and engrave currency for these private corporations and give them the monopoly of loaning it, and whatever they are able to force the people to pay for the use of it such proceeds, after the corporations have first taken out the expenses and 5 per cent profit for themselves, the excess will be divided between these corporations and the Government. Considering section 7 in connection with the note issues which the Government is supposed to charge for, and also in connection with the charge to be made upon Government deposits, this section 7 establishes a vicious principle. Upon the note issue as well as the Government deposits, the policy of making a reasonable charge, can not be reasonably questioned. That is clearly within the Government right as well as a fair policy, but this section goes further, and provides that after the special private corporations to which Government note issues and Government deposits have been furnished and a proper charge made, that after these corporations have gotten out of the people a reasonable return, that is 5 per cent as fixed by the bill, then whatever in addition to that that can be extorted from the people the Government will divide with the banks.

No one other consideration in connection with the business dealings of the people with each other is so important as the money and credit system. The authority for the money, as well as the support of credit, depends for its stability on the Government. In the extension of the advantages sought to be derived from the use of money and a practical use of credit the power of the Government is absolutely essential. Any proper considerations by Congress of this subject are necessarily national in their scope.

It is the acme of absurdity for Congress to place between the people and the Government itself an agency in the absolute control of the distribution of money and the use of credit that would be valueless without the guaranty of the Government, and yet that is the identical thing that has been done by Congress, and the Glass bill emphasizes the absurdity.

Why should Congress place a controlling agency, employed for private gain, between the people and the Government of the United States? That is what has been done by giving to the banks the exclusive privilege of the use of the Government credit. Why is it proposed that the banker should take the merchants', the manufacturers', and others' notes, as well as the bonds of towns, villages, cities, States, and even the Nation's bonds, to the Government and get currency, and at the same time refuse the producers themselves, the makers of those notes and obligations, an equal privilege? The absurdity of the Government giving away its own credit to corporations to exploit the people is incomprehensible. The bankers are not to blame. Congress is to blame for giving away the people's rights and bestowing them upon the banks.

It is true that Congress possesses the authority and has the power to strip the banks of their exclusive monopoly, but the most of us have not the courage, and therefore we have the absurdity of the Congress of the United States giving to special interests the Government credit—the credit of the people—thereby forcing the people to borrow at exorbitant rates of interest the very money that their own Government issues on their own credit. The fiat of the Government is stamped upon the coins and the currency and then given to special interests and used as a means to pauperize the people. If the exclusive privilege were not given to the banks, then they would become the people's natural agents, but with the exclusive monopoly they become the people's masters.

The notes, bills of exchange, acceptances, bonds, etc., are the limited currency of those giving them—limited in its circulation by the credit that one or more persons are willing to give to it. By this Glass bill it is proposed to give the credit of the Government to these and create an endless chain by means of which the Government is to manufacture asset currency for the banks.

GOVERNMENT FURNISHES CAPITAL.

The Glass bill proposes to deposit all the Government funds in the banks. In the past the funds have been approximately \$250,000,000 and the sum increases with the growth of Government business. Of this first sum of the people's own money to be taken from the United States Treasury the banks may loan to the people two-thirds and keep one-third on reserve. They will get the people's notes, bonds, etc., for approximately \$165,000,000. Then, under section 17 of the Glass bill, they will be allowed to take these notes and bonds to the United States and deposit them and get United States currency. This currency they will take out and loan to the people and get an additional supply of notes and bonds. In the meantime they will have collected a lot of interest on the first installment, and, with that reloaned to the people, they take all the notes and bonds they get and come back to the United States Treasury for another supply of United States currency, and, as previously, they run out again and reloan that currency to the people, and now again they have still more interest collected from the people which they will have reloaned, so they add that and come back to the United States for still another supply of currency. If it were only the Treasury funds they were to have it would be hampered some by the reserve required to be back of the note issues, but they also get the deposits from member banks and can do the same with those.

Thus we see that the specially created interests which the Glass bill proposes to make will get the funds in the United States Treasury and a large part of the individual deposits of the people, loan them out to their owners, the people, get the people's notes and bonds drawing interest, and keep returning over and over, again and again, for United States currency to loan. Thus it is to continue "world without end," the people encumbered without end. It is to be a never-ending pulley, with boxes attached, leading from the banks into the Treasury of the United States, taking into the boxes the people's money, bringing it out from the Treasury of the people and into the banks, to be

loaned to the people themselves at a price to be in the exclusive control of the banks. The Glass bill proposes to protect the individual bank that rediscounts with the Federal reserve from exorbitant interest rates, but none but member banks can apply and the bill gives no individual borrower any protection as against an unreasonable charge of interest by the bank.

In accordance with the legislative and executive policy, and upheld by judicial decrees, running through their official acts, to be found in statutes, department orders, and judicial decrees, the people have been given into bondage. In less than 100 years the expense of administering the investment of the money that this Glass bill alone authorizes to be taken by the banks out of the United States Treasury, plus the compounding of interest, at the rates that banks charge and collect from the people, would absorb the equal of every dollar's worth of property now in existence and still leave a deficiency on which to declare the people bankrupt. I challenge any honest person to compute the cost to the people. If he does, he must admit the truth of the statement. A somewhat similar process to that which this bill makes possible for the pyramiding of loans from the use of currency authorized to be given to the banks has existed for a long time by the use of deposits and credits for loans based on bank accounts, and we are paying now in the high cost of living partly because of that practice. A vast majority of the people have no property, but live from hand to mouth on the little part they get from the results of their daily toil. The rest is absorbed to pay the toll that the Government practically provides for the banking and other special interests.

THE ABSORBING POWER OF INDIVIDUAL FORTUNES.

By reason of the policy followed by the legislative and executive departments, and supported by the judicial, there are several individuals in these United States, each of whose fortunes are now large enough so that 6 per cent annual interest compounded as is the custom, computed for 100 years, would furnish the owners with all the luxuries and extravagances of life, such as the families of the wealthy usually indulge, and in addition enable them and their successors to their fortunes to absorb the equal of the whole wealth now existing in this country. There are more than a thousand others who in twos, threes, fours, fives, and sixes could do the same thing. They are all levying a tax, burden, or whatever you wish to call it on us every day of our lives.

It is a fact that any and all the legislation that has been advocated by the political leaders will have mighty little influence in solving the cost of living. It is not in the tariff bill, nor is it in the currency bill. It will not come out of a bill that comes out of secret meetings and closed caucuses. There can be only one purpose for doors being closed to the public, and that is to whip subservient Members into supporting something that does not give the people that to which they are really entitled. This Glass bill is an example of that. Those who provide us with bread and butter and with the clothes that we put on our backs and the shelter for our bodies are the last to be served. These, who are the source and very basis for the supply of life's necessities, are deferred to a future period, while the Glass bill that we are called on to enact continues the system which gives to

special interests a monopoly control of the distribution of money. Those who toil must support it, and must appeal to these special interests and pay them the toll for its use, with not one word in the entire bill placing a limit on that toll.

It is generally pretended that the reason the money supply is out of proper commercial adjustment at certain periods is because of the extra demand for the movement of the crops. It is true that there is a farmer's demand, but the trouble with the reformers is that they do not intend to give the farmers the remedy. The farmer is put off till the last. His rural credit system can wait. The speculating interests are to be first supplied with funds to speculate on the farmers' products. This bill, in one of its sections, is expressly against the farmer. It offers a sop in section 26 by permitting the national banks to loan on improved farms for nine months, which would be of little if any value to a farmer. The farmer, unless in desperate straits, would be foolish to mortgage his farm for so short a period, but section 17 of the bill discredits the farmer's note by refusing to permit it to be used as security for United States currency, but allows most other kinds of paper to be taken. There is nothing better than a note secured by a farm mortgage. Farm-mortgage notes should be accepted the same as merchants' notes and others when they have the same period to run before maturity. A large amount of farm-mortgage notes are coming due within 60 and 120 days all the time; that is, a farm mortgage, after it has run to within a period of 60 or 120 days of maturity, it makes no difference how long it was made for originally, even if 10 years, is as good as any other short-time note, and the bill should be amended to take such notes.

While I regret it, I am not surprised that the President might advocate a bill that he could not possibly have had time to study, for his multifarious duties make it impossible for him to give detail study to these matters, but Members of Congress have time and are not excusable for submitting a bill so weak in its value to the public. It may be better than what we have now in practice, but the people are entitled to a bill worth 100 cents on the dollar.

Various other amendments of lesser importance could be made to the Glass bill, improving it, to which I shall not call attention in this report, rather leaving them to be considered on the floor of the House. In suggesting the amendments that I have, it is not with the intention of approving the bill even if the amendments are adopted. The amendments would improve the bill, and with them in I could vote for the bill when all things possible had first been done to adopt a good bill.

The Glass bill is unfitted to an adjustment of the greatest financial problems that now confront the people for solution. If it were to be amended so as to meet the necessities of the present times, even the title would have to be stricken out, another substituted, all the sections rewritten, and there would be nothing left to resemble the original.

NEW LEGISLATION AND NOT PATCHWORK IS NEEDED.

Congress was called into extra session to legislate with a view to reduce the cost of living. All honest people must commend the purpose. Earnest efforts have been and still are being made to accom-

plish that result, but on account of peculiar partisan practices and false rules for the government of Congress, for which men and not parties are at fault, Congress does not have presented to it in form to vote on measures suited to the people's most urgent needs. Secret committee meetings and secret caucuses frame bills, bind and gag the attending members, and by a system of evading record votes on separate important provisions, prevent the passage of legislation that would result in a substantial reduction of the cost of living.

Unless some sudden change takes place in the government of Congress, that is not apparent at this time, nothing that is here being done will reduce materially the cost of living to those who earn it by their daily work. The reason why may be easily understood by anyone who will carefully study the conditions. Such a study will reveal to anyone the leading cause for the high cost of living. When one understands those, he will know that the two bills which by the rules governing Congress are permitted to be acted upon, will not accomplish the result demanded.

In the hopes that the people, as well as their representatives in Congress, may give this most serious matter attention early enough to change the course of things here to give them a better turn, I have labored to point out a few things that must be done if we would give the people any material relief. I am not given sufficient time to state all the facts that I wish to in this report. I have no greater capacity than other Members, but I have put in the time to investigate carefully the conditions. I have gone out among the people and seen the rich and poor in actual operation in business and work and have studied them there as well as in their homes. I have had enough experience in various ways to enable me to understand quite well why it is that a few people are now getting all the wealth that results from the labor of people generally, and what is more important, I know that the power of the few to outrageously extort from the people generally can be prevented. For the information of any Member who has not had time to make the investigation for himself and who wishes to study the subject further from my viewpoint and so informs me, I will furnish a book which I have just published on Banking and Currency and the Money Trust, and also a speech which I delivered in the House August 2, 1912.

THE LOWER COST OF LIVING AND ITS RELATION TO MONEY AND CREDIT AND TO INTEREST, DIVIDENDS, RENTS, AND PROFITS.

We must have food, clothes, and shelter, and require the instruments with which to ply our daily work. These are the prime necessities, and are made available only as the product of labor. They determine the initial cost in living. When the means of the individual units in our social order—that is, of the people—are safeguarded and kept unencumbered while they provide their prime necessities, their securing benefits from the social order in excess of such prime requirements will be assured as a consequence. A few concrete illustrations will make that clear.

It must be kept in mind that the Government of the United States and of the several States has established a policy supported by general practice, by statutes, and the decrees of courts, that the owners of property are legally entitled to a rate of interest or divi-

dends or profit return, that in and of itself encumbers all people. The people must have the use of the property or the products from its use and therefore are compelled to pay the interest. The power of its enormous burden I show in the following interest table compiled by a former Librarian of Congress. This table shows the growth of \$1 by compounding interest in the manner of the banks. One dollar loaned for 100 years would grow as follows:

Interest at—	
6 per cent per annum would amount to.....	\$340
8 per cent per annum would amount to.....	2,203
10 per cent per annum would amount to.....	13,808
12 per cent per annum would amount to.....	84,075
18 per cent per annum would amount to.....	15,145,007
24 per cent per annum would amount to.....	2,551,798,404

I shall cite a few individual cases from which Members of Congress can easily determine that not only on paper and in theory is the Government supporting a policy of pauperizing the people, but it is actually pauperizing them by its support of this practice. Use the table above, and from it the tremendous power of interest and dividends to oppress the plain producers may be seen. The individual fortunes are stacked up against the people's daily energy, so that from the products of their toil the interest, dividends, and rents must be paid. It means that dead capital is stacked up against human life so as to make humanity subservient to so-called "vested rights," by law privileged to take an extortionate toll for the use of substance which has been produced by the people's own toil. That is the incumbrance to which I referred as being directly and indirectly responsible for the high cost of living. No bill that would properly deal with this problem has been permitted by the so-called "leaders" in this Congress to get a fair hearing. On the contrary the "leaders" have appropriated the public committee rooms and the Halls of Congress as well, corralled subservient Members, locked the doors to keep the other Members and the public out, and produced bills that Members have been coerced to support under the guise of harmony in a party.

The following cases to which the table of interest may be applied is illuminating:

From the testimony given by George F. Baker (president of the First National Bank of New York City) before the committee appointed to investigate the Money Trust we learn that the operations of a single bank produced in 50 years profits equal to \$86,000,000, or 172 times its original capital. If that bank continues to do business and is allowed to pile up profits in that geometrical progression it alone, on an original investment of \$500,000, in less than 100 years would have the power to extort from the people more than the equal value of all the existing property in the United States, and that bank is but one of the 30,000 banks operating on an uneconomic system.

The capital stock of the national banks alone, in 1912, was \$1,046,012,580. The dividends paid for the year ending June 30, 1912, averaged 11.66 per cent, which was in addition to the accumulation of a large surplus. Going at that rate, compounded as the banks do, they would have the equal of the entire present valuation of the country absorbed in less than 50 years and would have the

surplus from year to year to do anything they wish with. These dividends are over and above all the expenses which include pay for the clerks and high salaries for the officers connected with the banks. That is not all; the bank officials have unusual opportunities, and most of them do speculate in various ways, and in the aggregate they get greater profits from deals that make no return to the banks than the actual dividends declared. What I have named includes the national banks alone. There are more than twice as many other banks, loan and trust companies of the different kinds. These do about twice as much business as the national banks. That is just one great interest, the banking and financial.

There are the railways, the steel and iron companies, the oil companies, the coal companies, the telegraph and telephone and numerous other companies, besides a thousand or more great individual fortunes, that concentrate into very limited control the principal part of the active capital in the country. This is held on one side by the so-called capitalists, protected by the "vested rights doctrine," which means law, that enables them to extort from the people in what are called dividends, interest, rents, and profits, an amount that, as shown by the interest table given before, is absolutely sure to keep the cost of living high and to keep the people working to support that system. By that system any person who can get a few thousand dollars can live in idleness or as a spendthrift on the interest that the working people of this country are forced to pay.

Members of Congress are intelligent. What I have already stated is sufficient to show any intelligent person that our present system is a fraud on the people. No intelligent, self-respecting people can long tolerate a governmental system which by its established and expressed policy places an unnecessary burden on the citizenship. I shall not multiply the examples showing the injustices created by the policy of Government. A word to the wise is sufficient. To others it would be hopeless to pile up examples.

WE REQUIRE TO LIBERATE THE PEOPLE FROM EXCESSIVE INTEREST.

Under the Glass bill the amount of money that would be exclusively within the control of the banks within a few months after its becoming a law would be increased. The bankers' powers to collect interest would be considerably augmented. It is on that account that the Glass bill does not provide a remedy to meet the people's greatest necessity.

There is but one way to meet the financial necessities of the people, and that is to have the Government support all the people in whatever useful industry they may be engaged. The Government must withdraw from the banks the exclusive monopoly control of financing the people and give to every legitimate and necessary enterprise impartial governmental support. It is absolutely necessary to an independent people that the Government should stand ready to do that. Then the bankers, seeing that they no longer have an exclusive monopoly, would exercise the office of an agency instead of holding the hand of mastery. With that purpose in view, and to pave the way for very early permanent relief to the people, I offer the following amendments to the Glass bill:

Strike out the title of the Glass bill and substitute the following for its title:

A BILL To amend the national banking laws, to provide a revenue system by which the Government taxing powers shall be represented by United States currency drawn on the people of the United States to be disbursed through the governmental agencies on appropriations by Congress for services rendered or to be rendered the Government, to inaugurate, develop, and maintain an American financial policy and currency system which will liquidate and eventually abolish debt, National, State, and municipal, and put the public and private enterprises, industries, and exchanges upon a sound economic basis, and remove the power of private interests to monopolize the mediums of exchange, and for other purposes.

Also strike out all of the Glass bill following the enacting clause, except sections 26, 28, and 29, and renumber said sections so as to be numbered sections 18, 19, and 20, respectively, and in lieu of the part thus struck out insert after the enacting clause the following:

FISCAL DEPARTMENT.

SECTION 1. That there is hereby established a new fiscal department of the United States as an adjunct to and within the jurisdiction of the Treasury Department of the United States. The board of said fiscal department shall consist of eight members. This number shall include the Secretary of the Treasury, who shall be member ex officio, but without voting power except as specifically in this act provided, and seven others, nonpartisan, to be selected by the President, by and with the advice and consent of the Senate, and whose term of office shall be for ten years: *Provided*, That in naming the first board one shall be named for two years, one for four years, one for six years, one for eight years, and three for ten years, and always subject to removal by and with the consent of the Senate. The salaries of the seven members thus appointed shall be fixed by Congress annually in the appropriation bills. The Secretary of the Treasury shall be the chairman of said board and shall select a first and second vice chairman, who shall, in the order named, preside at meetings in the absence of the Secretary of the Treasury. The Secretary of the Treasury shall have no vote except in case of a tie vote, when he may vote to break the tie. Five members shall constitute a quorum. The seven members on the board appointed by the President and confirmed by the Senate shall devote their entire time to the business of the fiscal department and do the principal part of the work in order to establish in practical working order a new fiscal department; that said board shall have authority to employ such assistance and incur such expenses as may be necessary in the performance of their duties, and for such purpose there is hereby appropriated \$100,000, or so much thereof as may be necessary, to be paid out of the moneys in the Treasury not otherwise appropriated upon vouchers approved by the Secretary of the Treasury.

UNITED STATES CURRENCY.

SEC. 2. That in aid of Congress in pursuance of the power conferred by the Constitution upon Congress to coin money and regulate the value thereof the fiscal department is hereby authorized to issue a new United States currency, which shall be in the form of public-service certificates, and these shall state upon their face in substance that the bearer has performed a public service of the value stated in the certificate, that each separately is issued and circulated for value received under the provisions of this act, and the same shall be the lawful money of the United States and shall be receivable at par for all debts, dues, and demands, public and private, within the jurisdiction of the United States, created after the passage of this act; that the same shall be printed and engraved by the Bureau of Printing and Engraving from plates and dies devised by the fiscal department, and shall be issued from time to time in such quantities and in such denominations as the public interests require, and in all cases, except where otherwise provided in this act, shall first be placed in circulation by being earned in public service of the Government or in the supply of some material needed for Government use, and then for its full par value, and shall not after returning to the Government be again reissued or circulated except for a like purpose.

DISTRIBUTION OF UNITED STATES CURRENCY.

SEC. 3. That to carry out the appropriations made by Congress, the fiscal department shall issue the United States currency authorized by this act to the various departments of Government for all public purposes that require or may require the expendi-

ture of public funds. That when funds have been appropriated by Congress and the United States currency is issued to cover such appropriations, the fiscal department, for the convenience in the transaction of business through the Government disbursing agencies, may deposit such currency, as well as checks, drafts, and other receipts of the Government, in national and other banks, or in postal savings banks, for checking accounts, but banks shall not be required to pay interest on such accounts. Deposits of checks, drafts, and other evidences of dues to the Government may be made in the banks, but otherwise the United States currency only shall be deposited in the banks by the Government, which currency when so deposited shall be held as a specific fund to special deposit, but checks and drafts and other evidences of dues to the Government deposited by the Government shall not be distinguished from or have any privileges or preference over other deposits of individuals, whether private or otherwise, in the same banks. No deposits shall be made in banks for the purpose of creating surplus therein but merely to facilitate the transaction of public business. The banks shall, so long as there remains a credit to the Government's general account, pay checks drawn by the Government agencies out of the general account, and the use of the special deposits of United States currency in payment of such checks is hereby prohibited until the general account shall have been exhausted, in which case payment may be made out of the special deposit.

REISSUING CERTIFICATES.

SEC. 4. That from and after the passage of this act all United States notes, currency, gold and silver certificates, and national-bank notes shall be full legal tender for all debts and dues, public and private, in the United States, its Territories, and possessions, except debts or contracts existing at the time of the passage of this act, which by their terms are payable in some other form of money or material, but while in circulation the present money and currency aforesaid, as well as all existing coins, shall not be deprived of its present qualifications, and the outstanding United States notes, currency, gold and silver certificates, and bank notes shall be redeemed on demand in such other form of money as now provided by law; and as soon as practicable after any United States notes, currency, gold and silver certificates, and bank notes come into the possession of the Secretary of the Treasury for redemption the same shall be canceled and destroyed: *Provided*, That when such redemption is of national-bank notes the amount canceled shall operate in liquidation of an equal amount of United States bonds securing the same, except that any national bank may, by giving the fiscal department such notice as the said department may require, have the national-bank notes redeemed, reissued by complying with the laws as to the maintenance of security, and no such notes, currency, or other certificates shall be reissued except as in this act provided. All existing laws for reissuing or recirculating any such notes, currency, or certificates are hereby repealed. That when gold or silver becomes the property of the United States their legal-tender quality,

and the gold be used in the redemption of outstanding obligations and for use and in aid of the State of the Government shall in a way be interested. That the Secretary of the Treasury shall have the right to the time of the marketable value, for the purpose of affixing gold purposes, and also when, in his judgment, the same shall be the better and the sooner to be distinguished, and except as authorized by this act, the United States shall receive gold for coinage only, the purpose being solely to affix the governmental stamp of weight and fineness to such coins, but all coins so made after the passage of this act shall have no legal-tender quality. A charge equal to the cost of coining the same shall be made, which coin shall forthwith be removed by whoever it may have been coined for, and no department of Government shall hereafter give storage facilities to any gold bullion or coins not of the United States. I shall issue more gold or silver certificates.

SEC. 5. That on and after three years from the passage of this act a charge of ten per cent to the cost of maintaining the same shall be charged and collected on all gold and silver held in the custody of the Government for the purpose and to the use of the Government for the purpose and to the use of the commercial banks.

SEC. 6. That all States of the Union where laws now or hereafter confer upon any of their executive or other State functionaries, the power to issue money on the credit of the State or to guarantee the obligations and debts of their counties, towns, boroughs,

villages, cities, municipalities, school districts, or political divisions for any just and recognized public use, may apply to the Secretary of the Treasury to secure loans of United States currency for the purpose of defraying the current expenses of the State or any of its political subdivisions aforesaid for which the people of the State or political division aforesaid are taxed. The Secretary of the Treasury shall certify to Congress as often as practical, not less than once annually at the beginning of each session and oftener when practical, an abstract of such applications and the details so far as practicable in regard thereto, to the end that Congress may in its discretion appropriate United States currency in such sums as it deems best for the use of such State or States applying therefor, and to be loaned by the Federal Government to the States only. Before any such loans shall be made the fiscal department shall recommend uniform rules and regulations, so that Congress may not discriminate or allow discriminations by the fiscal department in making such loans, and shall prevent the States, in the use of the funds secured, from allowing any discrimination in the administration of the system. Such proposed rules and regulations shall provide for a uniform expenditure by the States, so that the issue of United States currency and the volume shall conform to the demands of business, public and private, avoiding alike redundancy and insufficiency, and shall provide that no State shall pay out said currency secured from the Federal Government except for the full face value of the same in service to the public for public purposes for which the people are annually taxed, so that the currency may be returned in the payment of such taxes through the usual methods; and before any State shall be extended a loan it shall establish and submit to the fiscal department the rules by which it would be governed in the expenditure, which rules must be satisfactory to the fiscal department. All rules and regulations thus proposed shall be referred to Congress for such action as Congress may adopt.

Sec. 7. That the charge for loans to the States and the manner of guaranty by the States and the form of guaranty to insure the proper expenditure of the same shall be adopted by the fiscal department and shall in every respect be uniform to the States and subject to review and confirmation by the Senate.

NATIONAL PUBLIC WORKS AND IMPROVEMENTS.

Sec. 8. That the fiscal department shall devise a plan whereby Congress may be guided in the enacting of legislation to authorize the fiscal department to establish a system of national public works and improvements adapted at all times to give immediate relief to all congested labor conditions within the territorial jurisdiction of the United States and render available all surplus labor and insure against enforced idleness and the ills incident thereto by means of the inherent powers of the Government to establish justice and promote the general welfare, and shall report such plans and the outlines of a policy to Congress with recommendations.

AID TO THE AGRICULTURAL AND HORTICULTURAL INTERESTS.

Sec. 9. That the fiscal department shall proceed with all reasonable expedition to communicate and cooperate with the authorized representatives, organized and unorganized, of the agricultural and horticultural interests of the Nation, with a view to the adoption of a plan and policy of systematizing the production, storage, transportation, and distribution of agricultural and horticultural products, to the end that both the producers and consumers of such products may have complete emancipation from the present extortions of speculators and manipulators in these products and of organized and trustified storage, elevator, and transportation combinations now monopolizing the same and controlling and manipulating the prices of such products both to the producers and consumers, and shall, if practical, propose such an extension and enlargement of the postal savings system, and if need be, increased issue of United States currency in aid thereof as will provide for a system of Government loans to owners and operators of improved agricultural and horticultural lands, upon such terms as will amply insure the repayment of such loans, at a rate of interest not to exceed four per centum, payable semiannually. Such interest shall be reduced to a nominal interest barely sufficient to reimburse the Treasury as soon as the national debt can be extinguished, and such plan shall be reported to Congress with recommendations.

GOVERNMENT LOANS TO WAGE EARNERS.

Sec. 10. That the fiscal department shall proceed with all reasonable expedition to communicate and cooperate with the organized and unorganized wage earners to consider and devise a plan and policy for a system of Government loans to wage

earners at the lowest rate of interest consistent with the cost and integrity of the service, which loans will enable them to provide homes independent of real-estate speculators with an adjunct and department of wage and salary advances to further protect wage and salary workers from the overcharge made by loan agencies. These plans shall be submitted to Congress with recommendations.

AID TO MANUFACTURING INDUSTRIES.

SEC. 11. That the fiscal department shall proceed with all reasonable expedition to an inquiry into the conditions of the manufacturing industries of staple products in the United States and Territories with a view to ascertain the state of such industries and devise plans for the inauguration of a policy to aid and assist such of those manufacturing interests as are not involved in monopolistic combinations, or are able and disposed to extricate themselves from existing monopolies, which plans shall involve a system of Government loans and advances to such manufacturing interests as are able to insure the repayment with the lowest rate of interest consistent with the cost and the integrity of the service, which plans shall also be reported to Congress with recommendations.

IN GENERAL.

SEC. 12. That it shall be the duty of the fiscal department to investigate into the financial conditions of all legitimate industry, work, and enterprise of whatsoever character, the pursuits and results of which, under proper conditions, promote the general welfare, and ascertain what plan or plans, if any, can be contrived for their aid by extending Government loans to them or such of them as require aid. The fiscal department shall report to Congress from time to time thereon with recommendations.

SEC. 13. That the fiscal department in its administration shall take notice of the economic fact that payment by the Government for a service to the Government involves a collection from the people of an equal amount plus the expense of collection, and that the issue of United States currency in payment of Government expenses creates a demand on the part of the people equal to the currency required to be returned to the Government in cancellation of taxes or dues; and further, that economic private enterprise (eliminating speculation) for the production of commodities or the rendering of services for the use of others legitimately involves the return of commodities or services of equal value, whether the same is accomplished by direction or indirection, and that whenever actual commodities or services are not immediately or directly exchanged in a cancellation of the respective obligations, then a credit representative is necessary, and so far as possible, in a practical sense, when applied to the affairs of the people as they exist, the obligations of credit should be liquidated without the burden of a greater charge than is consistent with the cost and integrity of an honest and just system. Therefore in the supply of United States currency guaranteed by the credit of the people as a medium of exchange, the volume to be placed in circulation should conform to the needs of commerce, avoiding alike both redundancy and insufficiency, and with that as the purpose the fiscal department shall make estimates and report to Congress, for under the Constitution no money shall be drawn from the Treasury but in consequence of appropriations made by law.

AUTHORIZING NATIONAL BANKS TO BORROW RESERVES.

SEC. 14. That the national-bank act is hereby amended so as to permit national banks to borrow from their own reserves by complying with the provisions of this section. That any national bank having its capital and surplus unimpaired may apply to the fiscal department to borrow from its cash reserves maintained in its own vaults. The bank so applying shall set forth in detailed description the securities it proposes to deposit with the fiscal department for the loan, which securities shall be of the same character as is by law and practice now required or as may be hereafter required for the deposit of Government funds in banks. If in the opinion of the fiscal department the public interests require the extension of any such loan or loans, the same shall be authorized by said department to the extent it deems wise; but before a bank authorized to borrow from its reserves shall be allowed to do so its securities shall be approved and deposited with the fiscal department in such amounts as the fiscal department shall demand, and the bank or banks having complied with all the rules and regulations of the fiscal department, on order from said department, there shall be transmitted from the nearest subtreasury to the bank or banks to which such authority is extended United States currency to the extent of the amount authorized to be borrowed from the reserves, and the bank shall specifically retain the United States

currency thus received in its vaults, and then may loan or pay to its depositors or pay its other obligations from its other cash reserves held in its vaults to the extent authorized, and shall substitute the United States currency thus paid out to be kept as reserves and for the benefit of the bank's creditors to the extent of the actual amount of the reserves that have been borrowed and paid out by the bank, as herein authorized. Any bank thus borrowing shall pay interest to the fiscal department on the amount of United States currency loaned to it under the provisions of this section at a rate which shall not be in excess of four per centum per annum for the first three months, which rate shall be increased thereafter monthly at the rate of one per centum per annum for each additional month until paid, but subject to the fiscal department requiring the payment when in its opinion the public interests require it. For the special purpose of carrying out the provisions of this section and the following section there is hereby appropriated, in addition to all other sums appropriated by this act, the sum of \$1,500,000,000 of United States currency, authorized by this act to be specifically retained by the fiscal department for said purpose, and to be specifically retained by the fiscal department for said purpose, and to be printed and engraved in advance in such amounts only as are necessary to insure a sufficiency immediately when required.

STATE BANKS.

Sec. 15. That from and after the passage of this act any bank or banking association or trust company organized or incorporated by special law of any State, or organized under the general laws of any State, or of the United States, and whose capital and surplus is unimpaired, may make application to the fiscal department for the right to borrow from its cash reserves maintained in its own vaults on complying with this act and the rules and regulations of the fiscal department: *Provided*, That the same shall be consistent with the laws of the State under which such bank or trust company is organized: *And provided further*, That a majority of the stockholders in the bank or trust company of such applicants shall sign in writing their consent with the fiscal department to bring the banks so applying within the laws, rules, and regulations that govern national banks in securing such loans, except that no bank shall be refused the privileges and advantages in regard to such loans on account of the amount of its capital and surplus so long as the same remains unimpaired. All such banks having complied with the provisions named shall be entitled to like privileges accorded to national banks.

The substance of what I offer in amendment above is embodied in a bill that I introduced August 8, 1913. Sections 14 and 15 provide for an emergency currency that would absolutely relieve the banks of difficulty to furnish funds to move the crops, and would save the Nation from the burden of establishing another retinue of officials for 12 or more central banks, such as the Glass bill provides. With these amendments that I offer enacted into law, the many economic evils now existing in our social conditions would directly cease. Furthermore, the bankers would then be instrumental in carrying out the great reform. Once their exclusive privilege and monopoly is taken from them, we shall have the benefit without the burden of their practical dealings.

The bill that I have offered as a substitute for the Glass bill has all the elements of a complete system, and would reach its perfection through the work of the board of the fiscal department, which board would give all its time to that purpose. It would not discard the present system, but would require it to stand on its own merits. If the old system would respond to the demands of freedom in trade, that system would continue in use, but if it failed, the new system would respond. The issue of currency would be scientifically regulated to meet the demands of trade. It would be controlled by the Government instead of by the banks. While this is not a party question the following plank in the Progressive Party platform states the correct principle:

The issue of currency is fundamentally a Government function and the system should have as basic principles soundness and elasticity. The control should be

lodged with the Government and should be protected from the domination of manipulation by Wall Street or any special interest.

GOLD STANDARD RESPONSIBLE FOR MANY OF THE SOCIAL EVILS.

It will be objected to my bill that it discredits the gold standard. It is difficult to remove a prejudice such as that existing in favor of the gold standard.

On March 14, 1910, after an adroit campaign carried on by the special interests covering a considerable period, Congress passed an act which called for the permanent establishment of the so-called "gold basis" for all of our money. Since then there have been new inventions made for mining gold which make the available amount more plentiful, with the result that the "gold basis" is puzzling the Money Trust. But there is a still further complication and that is that the people are becoming familiar with the fallacy of the "gold standard" and they are becoming dissatisfied in proportion to their understanding of its bad effects.

The dollar is worth less now than it was in 1900; that is, it will buy less. That fact, particularly, does not satisfy the creditor class. They have had enormous interest returns, but they have lost a part of that advantage because of the depreciation of the purchasing power of the dollar. To a greater or less extent all of the people are dissatisfied with it; many for selfish reasons; and they only desire a remedy to be adopted which will help them alone, but there are fewer of these than there are of those who seek a reform which will better the conditions of all.

We have seen many comments in the press lately in regard to a plan devised by Prof. Irving Fisher, of Yale University. Mr. Fisher is no doubt an honest and earnest worker who is trying to reform the gold standard. He has arrived at the inevitable conclusion that every capable student must finally adopt, and that is that the present gold standard is not the standard by which we can secure honest money.

Prof. Fisher has given a most thorough analysis of the production and supply of gold and shown quite extensively the effect of its present use as a money standard upon the prices of commodities. I have given below a synopsis of his plan as stated in the Boston News Bureau of December 28, 1912. It is as follows:

Prof. Fisher is one of the most distinguished economists in this country, if not in the world. He is eminently practical and not merely theoretical in all his work and writing.

All who have to do with long-time contracts recognize the desirability of a monetary unit of fixed purchasing power.

The following is Prof. Fisher's plan for converting the gold dollar into such a composite unit, thus standardizing the dollar. Such standardization would be effected by increasing or decreasing the weight of gold bullion constituting the ultimate dollar in such a way that the dollar shall always buy the same average composite of other things.

Every dollar in circulation derives practically its value or purchasing power from the gold bullion with which it is interconvertible. Every dollar is now interconvertible with 25.8 grains of gold bullion (nine-tenths fine), and is therefore worth whatever this amount of bullion is worth.

The very principle of interconvertibility with gold bullion which we now employ could be used to maintain the proposed standardized dollar. The Government would buy and sell gold bullion just as it does at present, but not at an artificially and immutably fixed price.

At present the gold miner sells his gold to the mint, receiving \$1 in (say) gold certificates for each 25.8 grains of gold, while on the other hand the jeweler or exporter

buys gold of the Government, paying \$1 of certificates for every 25.8 grains of gold. By thus standing ready to either buy or sell gold on these terms (\$1 for 25.8 grains), the Government maintains exact parity of value between the dollar and the 25.8 grains of gold. Thus the 25.8 grains of gold bullion is the virtual dollar.

The same mechanism could evidently be employed to keep the dollar equivalent to more or less than 25.8 grains of gold, as decided upon from time to time.

The change in the virtual dollar (bullion weight of gold interconvertible with the dollar) would be made periodically, or once a month, not by guesswork or at anybody's discretion, but according to an exact criterion. This exact criterion is found in the now familiar "index number," which tells us whether the general level of price is, at any time, higher or lower than it was. Thus, if in any month the index number was 1 per cent above par, the virtual dollar would be increased 1 per cent. Thus the dollar would be "compensated" for the loss in the purchasing power of each grain of gold by increasing the number of grains which virtually make the dollar.

Prof. Fisher has performed a great service to his country and to the world by discrediting the gold standard so convincingly. When a man of his prominence and ability has the courage to state his beliefs, the more timid of those holding like views, of which there are many, ought to take an active part in supporting the indictment of the gold standard.

While the professor has clearly indicted the gold standard and conclusively shown that it is a false one, I do not agree with the remedy that he proposes. Instead of proposing to abandon gold as a standard and relegating it to its natural place among the articles of commerce, he advocates its reform and would still retain it as a standard by making the weight of the dollar variable and determining its value from time to time according to a commodities index. The professor is surely correct in his assumption that commodities have actual value worth considering in connection with the establishment of a true exchange system based upon the actual value of services and commodities. It is to be regretted that Prof. Fisher has complicated the conclusions he arrives at by continuing to consider the gold standard entitled to any greater recognition than is accredited to commodities in general. After proving its falsity he should have suggested the abandonment of the gold standard.

If we were compelled to change the weight of the dollar monthly, quarterly, or even annually, as we would have to do with a commodity dollar; if we tried to keep it of the same purchasing power all of the time, it would give us more trouble than we now have in changing the tariff schedules; but while Prof. Fisher has performed a world service in being instrumental in giving general publicity to the falsity of the gold standard, that publicity is pushed by the influence of selfish interests, because they are pleased with the remedy he proposes. If he had not proposed to standardize the gold dollar, his proof that it is not an honest measure of value would have received no publicity greater than he himself and his friends and a few others could give to it. It would have been ridiculed if he had not proposed a remedy that suited the interests, for the money sharks demand some measure that is favorable to them and not fair to the people. They have always sought to make the world believe the gold standard to be sacred and, therefore, that the people were bound to support it, no matter how much it wronged them. These selfish interests have simply seized on this proposed remedy, which I believe Prof. Fisher to have erroneously suggested without his having given as much thought to the remedy as he had to the facts which conclusively prove gold to be a false money standard.

It may seem strange to some people that this remedy suggested by Prof. Fisher should be advertised all over the world now, but there is nothing strange about it, for the all-powerful Money Trust interests are quick to observe anything that might be made use of by them, and immediately upon its appearance they seized upon the idea of standardizing the gold dollar and were instrumental in having the plan advertised in order, if possible, to induce the people to accept it as a remedy.

It may not be generally realized by the people that this is a critical period in the establishment of governmental policies, but the interests are especially alert to that fact. Everything is being done to make the people accept some worthless makeshift, and in some cases actually harmful, so-called "remedies," which, if accepted, will delay the adoption of real substantial remedies until another generation shall enter public life. It is because of that fact that I fear the Glass bill may delay a true remedy. Simultaneously, in all countries where they have the gold standard—and that is in most countries, and in the others equally unjust standards are used—articles were published which were substantially the same in substance as the following which was published in a Washington paper on April 12, 1913:

TO ASK INTERNATIONAL GOLD-DOLLAR AGREEMENT.

One of the features of the proposed currency legislation which will be considered by Congress is the initiation of a movement for an international agreement for the purpose of preventing the depreciation of the gold dollar.

Such action has been suggested by eminent economists. It is widely held that the enormous increase in gold supply and the consequent depreciation of the gold dollar is the real cause of the high cost of living and high prices.

Democratic leaders, especially Senator Owen, chairman of Banking and Currency, feel that if the cost of living is to be reduced the gold situation must be taken into account.

Not all of the articles appearing in the press directly discuss the gold standard, but many of them are adroitly written in order to impress the reader and prepare him to receive the information that the gold dollar is not now a good standard, but further designed to make the reader come to a wrong conclusion on the question of a remedy. When the first half of an argument is true, unless the reader is very careful it goes far toward making him believe that the second half is also true, and that is frequently the case even when the conclusions are wholly erroneous, as long as the material is adroitly handled. That is where the danger comes in the discussion of the gold standard from the side of the special interests alone. Innumerable articles are now published, in fact the plan is systematically advertised for that very purpose. But there are other articles which are written and published in good faith, and in these there is no intention to deceive. An article was published in Collier's Weekly, also on the date of April 12, 1913, which I quote:

THE DISCOURAGEMENT OF THRIFT.

The people of the United States have now saved up well over a hundred billions, as measured by current money standards. The aggregate is amazing, and, while the amount per capita is not large, nothing like it was ever known before in any country. This saving takes on many forms, the largest, of course, being in the rearing of children, which shows itself in the steady increase in the value of land. The next is ownership of enormous amounts of securities of railway and industrial companies

and the like. Then probably comes life insurance. The savings in banks are relatively small. The increment in land values goes to much less than one-half of the population, even in theory, and a comparatively small number of people get the benefit which is made up of the efforts of all. The larger amount of the securities outstanding represents a more or less fixed value. The eighteen billions of insurance in force is of absolutely fixed value. While these securities and insurance obligations were being created the relative worth of the dollar has been rapidly declining. The forehanded folk who saved and loaned this money get for it an average return of less than 5 per cent, and if they received back the principal now it would buy of land or food one-third less than 12 or 15 years ago. This is a savage penalizing of thrift. We believe that events will soon focus public attention upon this serious problem. The procedure of the insurance companies, which in part is enforced by law, is of special interest. The companies collect above \$600,000,000 annually from policyholders, and from this loan largely on long-time notes. They act simply as money brokers, but with this effect, that with the rapid depreciation of the currency in the last 15 years, they are now returning to their policyholders, on death claims or matured policies, relatively far less than the average amount of money which the policyholders have paid in. Roughly speaking, the policyholder has been paying in \$1 bills; he will get back 66-cent pieces. Theoretically, the compounding of the interest on premiums ought to pay the companies' expenses and yield the policyholders a profit on the average payment. In point of fact, with the extravagance of the companies and the decline in the purchasing power of the dollar, there is a serious loss. This is not as it should be. A remedy might lie in a radical change of investment. A larger part of the insurance money is loaned directly or indirectly on land. Actual ownership of the land ought to be as safe as loans, and, if gold inflation is to continue, more profitable. It is something to think about.

Surely Colliers states the truth when it says that it is something to think about. We have indeed been buncoed long enough—so long that we ought to think about it seriously. It is up to Congress right now.

I believe that the remedy is necessarily twofold: First, and concurrent with the establishment of a new system, the old system should be so amended that some of its most serious administrative defects will be diminished. It should then serve as a vehicle for carrying out the equitable relations and obligations already existing as a result of the legitimate business based upon it.

Second, an entirely new system should be instituted, which shall be founded upon the natural demands of commerce and trade and divorced from personal favor or property preference. This new system should be the basis for the establishment of a permanently solid and equitable means of exchange.

In order to completely accomplish the latter, we will have to cease monetizing gold. But that prohibition would not prevent, nor should we desire to prevent, the use of gold as a means of exchange. The Government, on being paid the cost of stamping, may properly stamp the weight and quality on any commodity of commerce and let it pass in exchange on a basis of its own intrinsic value. Anyone who demands more than that privilege for the use of a metal or other commodity is intentionally unfair to the rest of us, or ignorant. In most cases it is because the persons accept seeming facts without actually understanding the conditions which surround them. If the owner of gold, silver, or other commodity desires to pay the Government the expense of the operation, there need be no objection. To so stamp gold and make it legal tender is simply to decrease the value of our labor, and of our property—if we have any, unless we also possess gold enough to offset, which most of us do not.

The owners of gold claim that it has an intrinsic value which makes it the most practicable commodity to use as money. Because

of its small bulk it is a convenient commodity to ship and store. But it can be used as a means of exchange without making it legal tender. The Government could still stamp its weight and fineness, and then it could be exchanged in the same way that it now is if it really is intrinsically worth what they say. If it is not, then it should be exchanged for only what it is worth. When the owners of gold ask anything more, they, in effect, admit that it becomes more valuable with the legal-tender privilege than without. They would not demand it if that were not true. It can not be made legal tender except by governmental act. A governmental act is the act of the people, and there is no reason why the people should stamp gold or any other commodity that belongs to individuals with a special privilege. This results in a tax against themselves. Let gold be weighed and tested and given credit only for what it is. Existing coins will retain their legal tender while in circulation, but when the Government acquires any such, their legal-tender character should be removed, and after that bullion should be stamped with its weight and quality and should become an article of commerce standing on its own merits.

If the owners of gold are correct in their statement that gold circulates on its intrinsic value, instead of partly on that and partly on the additional value it acquires by reason of the demand created by the legal-tender stamp, it is useless for them to ask that it be made legal tender, and if gold is not commercially worth what it circulates for as legal tender, then the owners are unjust in asking the public to support the value added to gold by the Government stamp. Let them take whichever side of the proposition they wish. In the one case the legal-tender quality would be useless. In the other it would be a burden placed upon the public and supported for the benefit of the owners of gold.

To cease monetizing gold or metal is to drop a practice long indulged in for the benefit of the money loaners. The people have become accustomed to paying them for the credit supported by themselves. I can not say that it can be entirely stopped. There are many practices that injure the people generally, but are nevertheless followed. I simply call attention to certain facts that can not be successfully disputed. I know, and so does any careful student know, whether he admits it or not, that the fact that the Government stamps legal-tender privileges on gold creates an increased and artificial demand for it, and consequently a merchantable value that is very much in excess of what it would be if the gold did not have impressed upon it this legal-tender privilege. It now partakes of the character of monopoly. Every additional cent of credit given to it above intrinsic worth as an article of commerce, by reason of the Government's stamping it legal tender, is first extorted from the people's own credit, next accumulated in the form of so-called "capital," and after that becomes the basis for charging them compound interest for generations—perpetually—if they shall not emancipate themselves by an abandonment of this false practice. As far as the principle is concerned, there is no difference between the Government stamping gold as legal tender and giving the owner the advantage of its increased value, and the same stamping process being applied to plain paper.

Under the present practice all value in excess of what gold is actually worth as an ordinary article of commerce is fiat credit added

to it by the people. If the same stamp were affixed to paper, it would all be fiat. It is simply a question of degree, and neither can be extended to the individual as a free privilege without robbing the people of all that is added by their credit.

The whole problem simply reduces itself to a question of how long will the people submit to remaining industrial slaves to the system. The gold owners ridicule fiat greenbackers, yet they themselves are fiatists. If they are not, why do they object to gold circulating on its own commercial merits? Why do they wish to coin it with any other designation than its weight and fineness and why force the people to take it as legal tender? They are inconsistent in claiming a special privilege for gold. If gold is worth all they claim for it, it needs no extra function. If, on the other hand, it is not able to retain its present relative value without being legal tender, then that is positive proof that it should not be made legal tender. In the one case it is unnecessary; in the other case it is unjust. The Government will have to cease monetizing gold or any other metal as soon as the people generally realize its present imposition on them.

You may say that some losses would be suffered in a readjustment. That will of course be admitted, but the losses would not begin to equal those that are continually taking place now. The excessive interest and expense of maintenance resulting from the use of the false system under which we operate is so great that, notwithstanding all of the modern inventions that have immensely increased the people's productive energy, most of us fail to secure the ordinary advantages that are due from this civilization to every honest, industrious person. The interest, dividend, and rent charges alone, compounded as they are now, are absolutely sure to keep the greatest number of people in want and many in misery.

I do not say demonetize gold. I simply say cease to monetize it. Coin no more metal with the legal-tender character attached except that required for small change. Our gold will circulate in foreign markets on its weight and quality equally well without the legal-tender privilege as long as foreigners will use it for their legal tender. **Gold will do that as an article of commerce, and foreign nations may convert it into their own legal tender if they like, but any nation that uses gold as legal tender after a great nation like our own ceases to do so will be adding additional burdens to the present burdens of its people.** Whatever gold we have in excess of what we need for the sciences and arts we can dispose of for such articles of commerce as we actually require, and it will be that much to our advantage as against the present practice of hoarding it. We have more gold than any other nation, and if we cease to monetize it the other nations will soon do the same. The common intelligence of the people generally has reached a point where they ought to take the lead in forwarding a plan which will prove the use of any commodity as legal tender to be a fallacy and result in the eventual discontinuance of such a practice. America should lead in doing this.

Let us consider in concrete form the effect that the money loaners' dollars (which, by the way, are the dollars that we use) have on the cost of things -- and when I say cost I mean the expenditure in human toil necessary to acquire the necessaries, conveniences, advantages, and luxuries appropriate to human life. I shall not burden anyone

with detailed figures, because a mere statement will satisfy those who are sufficiently interested to study the present practices in the light of their own observation and experience. I have examined the table of *prices of various staple articles for a period covering 45 years* and have come to the conclusion that the money loaners' dollar is not a measure fitted to the requirements of a people desiring equitable relations with each other. It is simply a gambling dollar, and prices are regulated by a manipulation of it instead of by the intrinsic value the commodities possess as articles of necessity. The people who are engaged in useful occupations producing commodities or serving other demands of society are prevented from making the natural interchange of their products and services, because of the injection into their commerce of a fake currency and banking system, by the use of which speculators and financiers, so called, are able to pillage on all the exchanges. The system built up by these pillagers is an unnatural and unjust one.

It often happens that the aggregate value in money of a large quantity of a useful commodity will command less in one year than that of a smaller quantity brought in another year. Who, for instance, will claim that 3,000,000,000 bushels of wheat (supposing that to be the world's crop) is worth less in the aggregate for food and seed than 2,700,000,000 bushels, other things being equal, except money, which seldom is? No one claims that 3,000,000,000 bushels of wheat is actually worth less than 2,700,000,000. It is a fact, however, that the lesser quantity will often sell for as much, and sometimes more, than the larger quantity. A difference of 10 cents a bushel will accomplish that result, if the 3,000,000,000 sold for 90 cents and the 2,700,000,000 sold for \$1. Illustrative of that fact, let me quote the following from the *Saturday Evening Post* of March 15, 1913:

THE VICIOUS CIRCLE.

We harvested bumper crops last year, you remember. May wheat at Chicago is worth 10 cents a bushel less than a year ago; corn and oats about 15 cents less. Yet commodity prices, as a whole, have declined scarcely at all. The index number, which compounds the price of many leading articles, is almost as high as ever, which means the cost of living is still about at the top notch.

The bumper crops stimulated trade in many lines, and that usually brings higher prices; while wheat went down, iron and steel products went up. What you saved on flour you lost on the pan to bake it in. And Wall Street echoes with complaints that investors, spurred on by higher cost of living, are demanding more interest, thereby raising the cost of manufacturing and transportation. This higher cost must be offset by higher prices, to overcome which investors must demand still more interest.

Meanwhile labor, so to speak, chases its own tail, demanding higher wages, which result in higher prices that consume the increased wages—which naturally induces a demand for still higher wages that result in still higher prices.

Every farmer knows that a difference of 10 cents a bushel between the price a commodity brings in one year and the price it brings a different year is not uncommon, but the railways charge full price for shipping every bushel, and the larger the crop the more they get, while the farmer must handle the additional wheat and get less for it. A farmer having the equivalent of 300 bushels of wheat to sell in a year when crops are generally abundant expects to receive a little less per bushel than he would receive per bushel for 270 bushels in a year when crops were not abundant, but he does not expect to give away the 30 bushels difference because he has more wheat than the year before. If that were to be the result, it would pay him, from his own

individual financial standpoint, to burn up a part of his crop when it was abundant. In fact, the cotton farmers of the South started to do that a few years ago when there was a large crop, and the price was very low. If the credit of the people had been coined into their own money instead of into the money-loaner's money, no thought of so destructive a nature would ever have occurred to the cotton growers or to any other producer of commodities.

There should be no legal tender other than that issued by the Government, and no individual ought to be able to obtain it without giving its equivalent in return. If such were the case the problem of interest (as a disturbing factor) would cease, and a new era would dawn upon the world. The present difficult problems created by our arbitrary and ridiculous banking and currency system would then give place to natural selection. I use the term "natural selection" in its scientific sense, because we can not run the Government in the interest of the people unless we follow the supreme laws that will unquestionably govern in the end. When we do there will be no choking up of the system by the arbitrary acts of the financial kings, for they are but a product of the arbitrary and unnatural practices that the people have fallen into the habit of using as a means of conducting their business, nor will the majority of men be paying penalties in the form of overwork, worry, and discouragement.

The bankers have a true system of clearing exchanges. As an example of that, I call attention to the fact that in 1911 there was cleared through the 140 clearing-house associations \$92,420,120,092. Their scheme is a good one for taking care of the exchanges of the country, and it helps the country as long as we have not a better one. By its use only \$47.80 of actual cash was required in order to handle each \$1,000,000 (of checks on the banks) that passes through the clearing houses. But unfortunately for us, the fees the bankers charge for putting our own credit on their books, before we are even enabled to draw checks, is so great that the people generally are overburdened by reason of it.

Of course these exchanges should go on wherever they serve the **general welfare**, and since we ourselves have not provided a better **method we are** under obligations to the bankers for having honored **and made current** and merchantable our own credit. But since **these exchanges** relate to our business and are used directly by most of us at some time, and indirectly by all of us all of the time, we should establish a system that will give us the least costly service. The main thing for us to do is to eliminate most of the interest charges and make it practicable for the human family to thrive by industry by having industry available to all people who wish to be and are industrious. That does not mean that the banks should be superseded by new exchange agents, but it does mean that the banks should be required to adjust to a new system that will cost the people less. It means also that there would be fewer banks, because under any economic system of exchange there would be no more necessity for several banks in cities of less than ten or twenty thousand people than there would be a need for several post offices in towns of that size.

Let us take up the discussion from still another viewpoint in order that no one shall possibly misunderstand. Money as such is not a thing of prime necessity. It is merely a convenience which enables

us to make such exchanges as we may wish without the cumbersome handling of property.

The banks have taught us to use checks instead of the actual money, and it is true that they cash these, but, as we observed before, we can not draw checks until we have arranged with our banker, and in order to make that arrangement, unless we have the real money, we must pay him interest at a rate that makes the greatest number of men poor and a few enormously rich. The fact that the bankers can make exchanges that represent hundreds of billions of dollars annually, when, as a matter of fact, there never was at any one time as much as \$1,700,000,000 in all of the banks combined, and of the money they do actually hold, which is approximately \$1,500,000,000, two-thirds of it or more is lying dead in their vaults as reserves and is never used.

We are under obligations to the banks for teaching us this economy in the use of money and credit. But, after all, as we observed before, the credit is supported and maintained by the resources of the people and the daily application of their energy. The banks have simply filled the office of making it current and merchantable. We do not owe that tribute to the bankers, and, thanking them for the good that they have done, but for which they have been overpaid, we are now prepared as a people in our national capacity to pass the necessary laws and to perform the governmental function laid down by the Constitution, "To coin money, regulate the value thereof" (and "of foreign coin" when used in our country) in behalf of all the people of these United States. We should profit by the example of the banks in copying somewhat after some parts of the system they have used for making exchanges, but as a Government we ought to furnish the advantage to all of the people on equality and with the least expense practicable. The Government can do what the banks are doing and save to the people as much as the banks make in excessive dividends, besides the still greater profits that are made on speculation on the side.

The Government shall "coin money and regulate the value thereof." That is the constitutional provision. The great special interests have been sticklers for following the Constitution whenever it has blocked the way to the people's progress if that might in any way interfere with the practice of the interests, but whenever the special interests find it to their advantage to follow any practice profitable to them, the fact that such practice may be in contravention to the Constitution and the laws does not in the least embarrass or hinder them, as long as the people do not invoke the law. When the people do, every possible dilatory tactic is resorted to by the interests to delay compliance. The consequence has been that the Constitution has often been used as an instrument to prevent the people from enforcing their rights.

"Sound money" will be the song that will be sung to you by every advocate of the special interests. I have shown, and they have already stated and proved, that what they have in the past called "sound money" is not "sound." By doing that they aid me. By that admission they disclose the fact, and it is a fact, that they have defrauded all of the people by their so-called "sound money." Their kind of sound money has enabled them to become wealthy and independent, but it has prevented the people generally from doing what

they have a right to do, and should have done, namely, retained the fruits of their own labor.

The kind of exchange that we should use is the kind that anybody who has value to give can get without paying usury. That kind will be the sound money of the people—the honest money. Those who wish gold may have it—there will be nothing to prevent their buying it. We, the people, on their presenting it, will stamp its weight and fineness for anyone who will pay the cost of doing so. We will do that to insure to the people who wish the gold the amount the Government stamp certifies that there is in any given piece of metal. That is honest, and to do anything more is dishonest to the people, but the Government could not say that it was legal tender and thereby give it a special quality that it did not possess in itself. We can do the same with any commodity that it is practicable to use as a thing of exchange. The demand for commodities of all kinds will be in proportion to the service they may render to the people, and no one should complain when absolute justice is to be done. As a consequence the Government would create no more “commodity” money either for itself or for the people, because it would not only be unjust to do so but unnecessary and ridiculous. When anyone wishes commodities let them buy them as such.

Everybody knows that we must have money, and now the question arises as to what kind it shall be. “Honest money,” of course, instead of what we have now and are told is “sound money,” whereas in truth it is the opposite of “honest money,” and should have been named accordingly. We want a kind of money the buying and selling properties of which remain respectively constant. In other words, we want a kind of money that will buy the exact equivalent of what it cost us to get it. We want the kind of money that serves the same office among the people in their commercial and social relations with each other as the drafts and checks serve in the business transactions entered into by the bankers. We do not intend that the bankers shall have a better system for themselves than we have for ourselves. We expect to pay those whose duty it will be to help make the exchanges. The bankers will be able to give as effective and valuable service in this other up-to-date system as they have given us heretofore, but the past service has been altogether too expensive and therefore not sufficiently effective. We have no prejudice to vent upon the bankers. As the system stands they serve the people, generally, the best they can. There are always, of course, a few isolated exceptions. But the time for us to do for ourselves what the bankers are doing for themselves is here and now, and we should hasten to adopt a system of exchange under which it will cost the people no more to make their commercial exchanges between each other than it costs the banks to make exchanges between the bankers and their cash customers. It is just as simple for us as it is for them, and we have the indisputable right. We owe it to ourselves, to our children, and to all posterity to have an efficient, self-sustaining, and effective system.

The people are the Government. Therefore the Government should, as the Constitution provides, regulate the value of money. There is no other real sovereign power, because all authority emanates

from the people. Money is the means of exchange among all people. Its regulation is absolutely a governmental function, and the Government has no natural inherent power that enables it to impart to money any other property or quality than that of making it the agent of exchange.

Congress is not justified in passing an act that does not do complete justice to all. Merely to improve a false old system, but still leave it in operation, to continually force a sacrifice of the people's very life energies, is criminal. The Glass bill is a living picture of the deplorable effects of the treasonable caucus system and the gag rules by means of which a few leaders control legislation. As a result the outrageous policy of extorting usury from the people to pay monopoly is to be continued. It is not conceivable that the Members of this House, if freed from the caucus gag, would stand for the Glass bill to continue a false system simply by providing 12 new houses for it to operate in. By the failure of Congress to enact a proper bill an overwhelming majority of the people will still be compelled to work too many hours per day, receive too small pay for what they do, and pay too much for what they buy, and therefore have but few of the advantages that the present-day civilization owes to them. And all this is done for the purpose of allowing those who control the material productions of the people, and the credit supported by the people, to charge them excessive interest, rents, and dividends, which when compounded by the usages of business, impoverish the people generally. Do the Members of this House expect that such a system can stand in the face of the growing intelligence of a nation of self-respecting people? The Members who have, by the caucus and the rules that gag, prevented the presentation to the House of a bill in every respect true to the people, on which a record vote of the Members unfettered would force adoption, will have to answer. The people will reply with the truth when they learn what Congress has done. This monetary legislation is a test case to divide those who favor from those who do not favor measures suited for the general welfare, but unfortunately many a Member will be able to hide behind the curtain cast around him by the secrecy of the caucus.

C. A. LINDBERGH.

NOTE.—At the last meeting of the committee my objections as to the amount of reserves required were met by amendments. Therefore my objections as to the reserve requirements are removed.

C. A. LINDBERGH.

