HOUSE OF REPRESENTATIVES.

SATURDAY, *February 21, 1903.*

The House met at 12 o'clock m.

Prayer by the Chaplain, Rev. HENRY N. COUDEN, D. D.

The Journal of yesterday's proceedings was read and approved.

SPEAKER PRO TEMPORE FOR TO-MORROW.

The SPEAKER. With the consent of the House, the Chair will appoint the gentleman from Oregon [Mr. MOODY] to act as Speaker pro tempore during the exercises of to-morrow.

MASONIC MUTUAL RELIEF ASSOCIATION.

The SPEAKER laid before the House the bill (S. 6525) to amend an act entitled "An act to incorporate the Masonic Mutual Relief Association of the District of Columbia."

The bill was read, as follows:

Be it enacted, etc., That sections 2 and 3 of an act entitled "An act to incorporate the Masonic Mutual Relief Association of the District of Columbia," approved March 3, 1869, as amended by the act entitled "An act to amend an act entitled 'An act to incorporate the Masonic Mutual Relief Association of the District of Columbia,' approved March 3, 1869," approved February 20, 1893, as amended by the act entitled "An act to amend an act entitled 'An act to incorporate the Masonic Mutual Relief Association of the District of Columbia,' approved February 5, 1901," be amended so as to read as follows:

"SEC. 2. That membership in this association shall be limited to Master Masons, and that the particular business and objects of the society or corporation shall be to provide and maintain a fund for the benefit of the widow, orphans, heir, assignee, or legatee of a deceased member immediately upon proof of such death; and for this purpose it shall and may be lawful for the said society or corporation to make all and every insurance appertaining to or connected with life risks of whatever kind and nature, and because of its fraternal and benevolent purposes it shall be defined and classed as a fraternal beneficial association: *Provided, however*, That upon all policies which shall be issued for a specified amount it shall be required to maintain a reinsurance reserve fund not less than that computed upon the American experience table of mortality at 4 per cent interest.

"SEC. 3. That the number of directors of said association shall be at least 21, a number of whom, less than a majority, shall be elected annually by the members of the association from among themselves and shall serve for three years; that the annual meeting of said association shall, after the year 1903, be held on the third Tuesday in February of each year, and for this purpose the terms of service of the present directors shall be, and are hereby, extended to the date of the annual meeting succeeding the expiration of their present terms of service. In all cases of a tie vote the choice to be determined by lot, and in all other cases a majority vote shall decide. And said directors shall, at their first meeting succeeding the annual meeting of the association, elect one of their number to be president of the board of directors, who shall also be president of the association, and shall elect one of their number as vice-president, and one of their number as secretary, and one of their number or a member of the association as secretary of the association, and the said secretary of the association shall give bonds with security to said association in such sum as the board of directors may require for the faithful discharge of his duties; and one of their number as treasurer, who shall also give bonds with surety to said association in such sum as the said board of directors may require for the faithful discharge of his trust. At all meetings of the board of directors a majority of the board shall form a quorum. In case of any vacancy in the board of directors, by death, resignation, or otherwise, such vacancy shall be filled by the remaining directors from among the members of said association, who shall serve until the next annual meeting of the association, at which time a successor shall be elected to serve for the remainder of the unexpired term."

Mr. BABCOCK. Mr. Speaker, the Committee on the District of Columbia has reported favorably a bill which is an exact copy of this bill. I hope that the House will agree to pass this bill and that then the corresponding House bill be laid on the table.

The Senate bill was ordered to a third reading, read the third time, and passed.

The SPEAKER. Without objection, the House bill (H. R. 17466) similar to the Senate bill just passed will lie on the table.

There was no objection.

EXPLANATION OF A PAIR.

Mr. LITTLE. Mr. Speaker, I wish to make a statement in reference to the RECORD. I was not in the House at the opening of this day's proceedings, or I should have made this explanation then. I desire only to say that my colleague, Mr. BRUNDIDGE, who is detained at his apartments on account of sickness, does not appear in yesterday's proceedings as having been paired. I am informed that he was in fact paired with the gentleman from New York, Mr. KNAPP.

The SPEAKER. The fact as stated by the gentleman from Arkansas will appear in the RECORD.

DAUGHTERS OF AMERICAN REVOLUTION.

Mr. HEMENWAY. I ask unanimous consent for the present consideration of the bill which I send to the Clerk's desk.

The bill (S. 6515) to exempt from taxation certain property of the Daughters of the American Revolution, in Washington, D. C., was read.

The SPEAKER. Is there objection to the present consideration of this bill?

Mr. MOON. I object to the consideration of this or any other bill by unanimous consent.

Mr. HEMENWAY. In view of the fact that the Daughters of the American Revolution, by subscriptions of 5 cents up to $10, contributed in all parts of the United States, have raised the money and purchased this lot of ground, I hope the gentleman from Tennessee will withdraw his objection.

Mr. MOON. I object to the consideration of the bill by unanimous consent.

Mr. HEMENWAY. I hope the gentleman from Tennessee will not object.

The SPEAKER. The gentleman from Indiana [Mr. HEMENWAY] is not in order.

ISSUE AND CIRCULATION OF NATIONAL-BANK NOTES.

Mr. FOWLER. I move that the House resolve itself into Committee of the Whole on the state of the Union for the further consideration of the bill (H. R. 16228) providing for the issue and circulation of national-bank notes. Pending this motion, I ask that the gentleman from Massachusetts [Mr. THAYER] be recognized in the Committee of the Whole as representing the other side, and that we have an equal division of the time.

The SPEAKER. Pending the motion, the gentleman from New Jersey asks unanimous consent that the gentleman from Massachusetts [Mr. THAYER] and the gentleman from New Jersey [Mr. FOWLER] be recognized to distribute or control the time.

Mr. BARTLETT. I shall object to that unless it be also agreed that I shall control one hour of the time. It is not necessary for me to state, unless pressed to do so, why I make this objection; but as a member of the Committee on Banking and Currency, I object to such a disposition and control of the time.

Mr. THAYER. So far as concerns giving my colleague on the committee [Mr. BARTLETT] an hour's time, I thought it was perfectly understood between him and myself that he should have all the time he wanted, an hour or more, if it was in my power to grant it.

The SPEAKER. Is there objection?

Mr. BARTLETT. I object, unless the proposition be amended as I suggest. It is very well known that there is a difference of opinion between the gentleman from Massachusetts and myself on this question.

The SPEAKER. Does the gentleman from New Jersey modify his request so as to give the gentleman from Georgia one hour?

Mr. FOWLER. With the consent of the gentleman from Massachusetts.

The SPEAKER. He has already given such consent. Therefore the request is modified accordingly. Is there further modification?

Mr. MANN. I object.

The SPEAKER. The question now is on the motion of the gentleman from New Jersey, that the House resolve itself into Committee of the Whole for the further consideration of House bill 16228.

The question having been put,

The SPEAKER. The ayes appear to have it.

Mr. BARTLETT. I call for a division.

The question was again taken; and there were—ayes 83, noes 49.

Mr. BARTLETT. I make the point of order that there is no quorum present.

The SPEAKER (after counting). There are 161 members present—not a quorum. The yeas and nays will be taken, under the rule. The Doorkeeper will cause the doors to be closed. The Clerk will call the roll, when members who are in favor of the motion of the gentleman from New Jersey will vote "aye;" those opposed, "no;" and those present and not desiring to vote will answer "present."

The question was taken; and there were—yeas 138, nays 97, answered "present" 12, not voting 104; as follows:

YEAS—138.

Adams,	Cooper, Wis.	Greene, Mass.	McLachlan,
Alexander,	Corliss,	Grosvenor,	Mahon,
Allen, Me.	Cromer,	Grow,	Mann,
Babcock,	Crumpacker,	Hamilton,	Marshall,
Barney,	Currier,	Haugen,	Martin,
Bartholdt,	Curtis,	Heatwole,	Mercer,
Bates,	Dalzell,	Hedge,	Miller,
Beidler,	Darragh,	Hemenway,	Minor,
Billmeyer,	Davidson,	Henry, Conn.	Mondell,
Bishop,	Douglas,	Hepburn,	Moody,
Blackburn,	Dovener,	Hill,	Morgan,
Boreing,	Draper,	Hitt,	Moss,
Boutell,	Eddy,	Holliday,	Mudd,
Bowersock,	Emerson,	Howell,	Needham,
Brandegee,	Evans,	Jack,	Olmsted,
Brick,	Fletcher,	Jones, Wash.	Otjen,
Brown,	Foerderer,	Kahn,	Overstreet,
Brownlow,	Foss,	Ketcham,	Palmer,
Burk, Pa.	Fowler,	Kyle,	Patterson, Pa.
Burke, S. Dak.	Gaines, W. Va.	Lacey,	Payne,
Burton,	Gardner, Mich.	Landis,	Pearre,
Butler, Pa.	Gardner, N. J.	Lawrence,	Perkins,
Cannon,	Gibson,	Lewis, Pa,	Powers, Mass.
Capron,	Gillet, N. Y.	Loud,	Prince,
Cassel,	Gillett, Mass.	Lovering,	Reeder,
Cassingham,	Graff,	McCall,	Reeves,
Conner,	Graham,	McCleary,	Roberts,

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Schirm,	Southard,	Tawney,	Wanger,
Scott,	Sperry,	Tayler, Ohio	Warner,
Shattuc,	Steele,	Thayer,	Warnock,
Showalter,	Stevens, Minn.	Thomas, Iowa	Weeks,
Sibley,	Stewart, N. J.	Tirrell,	Woods,
Smith, Iowa	Stewart, N. Y.	Tompkins, Ohio	Wright.
Smith, Samuel W.	Sulloway,	Van Voorhis,	
Smith, Wm. Alden	Sutherland,	Vreeland,	

NAYS—97.

Adamson,	Fitzgerald,	McAndrews,	Shackleford,
Allen, Ky.	Fleming,	McClellan,	Shallenberger,
Ball, Tex.	Gaines, Tenn.	McLain,	Sheppard,
Bankhead,	Gilbert,	McRae,	Sims,
Bartlett,	Goldfogle,	Maddox,	Slayden,
Bell,	Gooch,	Mahoney,	Smith, Ky.
Belmont,	Gordon,	Maynard,	Snodgrass,
Bowie,	Griffith,	Mickey,	Snook,
Brantley,	Griggs,	Miers, Ind.	Spight,
Breazeale,	Hay,	Moon,	Stark,
Broussard,	Henry, Tex.	Neville,	Stephens, Tex.
Burgess,	Hooker,	Norton,	Sulzer,
Burkett,	Jackson, Kans.	Pierce,	Tate,
Burleson,	Jett,	Pou,	Taylor, Ala.
Caldwell,	Johnson,	Randell, Tex.	Thomas, N. C.
Candler,	Jones, Va.	Reid,	Thompson,
Clayton,	Kehoe,	Rhea,	Trimble,
Cochran,	Kern,	Richardson, Ala.	Underwood,
Cooper, Tex.	Kitchin, Claude	Richardson, Tenn.	White,
Cowherd,	Kitchin, Wm. W.	Rixey,	Williams, Ill.
Davis, Fla.	Kleberg,	Robb,	Williams, Miss.
De Armond,	Latimer,	Robertson, La.	Zenor.
Dougherty,	Lever,	Robinson, Ind.	
Feely,	Little,	Russell,	
Finley,	Lloyd,	Scarborough,	

ANSWERED "PRESENT"—12.

Davey, La.	Elliott,	Jenkins,	Padgett,
Dayton,	Glass,	Lewis, Ga.	Pugsley,
Deemer,	Hopkins,	Long,	Sparkman.

NOT VOTING—104.

Acheson,	Dinsmore,	Knapp,	Rucker,
Aplin,	Driscoll,	Knox,	Ruppert,
Ball, Del.	Dwight,	Lamb,	Ryan,
Bellamy,	Edwards,	Lassiter,	Selby,
Benton,	Esch,	Lessler,	Shafroth,
Bingham,	Flanagan,	Lester,	Shelden,
Blakeney,	Flood,	Lindsay,	Sherman,
Bristow,	Fordney,	Littauer,	Skiles,
Bromwell,	Foster, Ill.	Littlefield,	Small,
Brundidge,	Foster, Vt.	Livingston,	Smith, Ill.
Bull,	Fox,	Loudenslager,	Smith, Henry C.
Burleigh,	Gardner, Mass.	McCulloch,	Southwick,
Burnett,	Gill,	McDermott,	Storm,
Butler, Mo.	Glenn,	Metcalf,	Swann,
Calderhead,	Green, Pa.	Meyer, La.	Swanson,
Clark,	Hanbury,	Morrell,	Talbert,
Connell,	Haskins,	Morris,	Tompkins, N. Y.
Conry,	Henry, Miss.	Mutchler,	Vandiver,
Coombs,	Hildebrant,	Naphen,	Wachter,
Cooney,	Howard,	Nevin,	Wadsworth,
Cousins,	Hughes,	Newlands,	Watson,
Creamer,	Hull,	Parker,	Wheeler,
Crowley,	Irwin,	Patterson, Tenn.	Wiley,
Cushman,	Jackson, Md.	Powers, Me.	Wilson,
Dahle,	Joy,	Ransdell, La.	Wooten,
Dick,	Kluttz,	Robinson, Nebr.	Young.

So the motion of Mr. FOWLER was agreed to.

The following pairs were announced:

For the session.

Mr. COOMBS with Mr. DAVEY of Louisiana.

Mr. DEEMER with Mr. MUTCHLER.

Mr. SHERMAN with Mr. RUPPERT.

Mr. DAYTON with Mr. MEYER of Louisiana.

Until further notice:

Mr. JACKSON of Maryland with Mr. GLENN.

Mr. DWIGHT with Mr. GREEN of Pennsylvania.

Mr. BINGHAM with Mr. ELLIOTT.

Mr. KNAPP with Mr. BRUNDIDGE.

Mr. KNOX with Mr. EDWARDS.

Mr. ACHESON with Mr. SPARKMAN.

Mr. HOPKINS with Mr. SWANSON.

Mr. MORRIS with Mr. GLASS.

Mr. LONG with Mr. NEWLANDS.

For the day:

Mr. JOY with Mr. CLARK.

Mr. COUSINS with Mr. CREAMER.

Mr. HASKINS with Mr. FOX.

Mr. METCALF with Mr. LIVINGSTON.

Mr. HULL with Mr. MCDERMOTT.

Mr. STORM with Mr. BELLAMY.

Mr. WACHTER with Mr. WILSON.

Mr. WADSWORTH with Mr. SMALL.

Mr. YOUNG with Mr. RYAN.

Mr. SOUTHWICK with Mr. WILEY.

Mr. BALL of Delaware with Mr. BURNETT.

Mr. BROMWELL with Mr. CONRY.

Mr. BURLEIGH with Mr. COONEY.

Mr. CUSHMAN with Mr. FLANAGAN.

Mr. DRISCOLL with Mr. FLOOD.

Mr. ESCH with Mr. HENRY of Mississippi.

Mr. FORDNEY with Mr. KLUTTZ.

Mr. FOSTER of Vermont with Mr. LAMB.

Mr. GARDNER of Massachusetts with Mr. MCCULLOCH.

Mr. GILL with Mr. LASSITER.

Mr. HUGHES with Mr. BUTLER of Missouri.

Mr. LESSLER with Mr. SELBY.

Mr. LOUDENSLAGER with Mr. NAPHEN.

Mr. PARKER of New Jersey with Mr. TALBERT.

Mr. SHELDEN with Mr. PATTERSON of Tennessee.

Mr. HENRY C. SMITH with Mr. SWANN.

Mr. SKILES with Mr. ROBINSON of Nebraska.

Mr. CONNELL with Mr. SHAFROTH.

Mr. BULL with Mr. CROWLEY.

Mr. LITTAUER with Mr. LINDSAY.

Mr. HANBURY with Mr. FOSTER of Illinois.

Mr. JENKINS with Mr. WHEELER.

Mr. WATSON with Mr. DINSMORE.

Mr. HILDEBRANT with Mr. WOOTEN.

For the vote:

Mr. BRISTOW with Mr. VANDIVER.

Mr. LITTLEFIELD with Mr. LESTER.

Mr. NEVIN with Mr. RANSDELL of Lousiana.

Mr. SMITH of Illinois with Mr. RUCKER.

Mr. APLIN with Mr. PUGSLEY.

Mr. BRICK with Mr. PADGETT.

Mr. CALDERHEAD with Mr. LEWIS of Georgia.

Mr. DICK with Mr. BENTON.

Mr. MORRELL with Mr. HOWARD.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore. The Doorkeeper will see that the doors are reopened.

Accordingly, in pursuance of the vote just taken, the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 16228) providing for the issue and circulation of bank notes, with Mr. LAWRENCE in the chair.

The CHAIRMAN. The gentleman from New Jersey [Mr. FOWLER] is recognized.

Mr. FOWLER. Mr. Chairman, the subject-matter of this bill is purely and simply a credit currency, or bank credits coined into currency. It should be distinctly understood, Mr. Chairman, that the Committee on Banking and Currency mean by a credit currency a currency for which there is always an adequate reserve in the coin of the country or its equivalent; second, that every note shall be currently redeemed in that coin on demand. The Republican members of the Banking and Currency Committee stand for no other kind of credit currency.

Who are in favor of a credit currency? This is an interesting fact for this committee to consider. In the first place, the 11 Republican members of this committee reported unanimously in favor of this bill. Second, all the minority members of this committee signed a report in favor of a credit currency, and I shall include in my remarks a part of their report which confirms this assertion.

The following is from the report of the minority members of the Banking and Currency Committee on H. R. 16228, pages 1 and 2:

> We are also of opinion that the present national-bank currency system is predicated upon an inadequate banking principle or theory. We do not believe that the bank-currency system of the country should rest and be predicated solely and absolutely upon a national debt, represented by Government bonds. Such a system necessarily perpetuates the public debt, and as the country grows and its business increases and the commerce demands an enlargement of currency the public debt must be increased in order to furnish the necessary bonds as the basis of such a national-bank currency. Moreover, under such a system fluctuation in the price of bonds, either from natural or fictitious causes, produces improper influences in the circulation of the currency and undue contraction thereof.
>
> It happens that when currency is scarce and most needed to meet the legitimate and necessary demands of business bonds are high, and it is found profitable to sell the bonds for speculation, and the currency is contracted when it should be expanded. On the other hand, when bonds are cheap the inducement is to issue currency at a time when the legitimate business of the country does not require it, thus encouraging and promoting hazardous speculation. These we consider improper banking conditions, and the currency of the country should not be predicated solely upon such conditions. We believe that the banks of the country, under proper and wise legislation, safeguarded so as to secure a sound and solvent currency, are the agents and instrumentalities to issue the currency of the country; and we further believe that the legislation should be so framed as to permit the issuance of an amount of currency at all times adequate and sufficient for the business needs of the country, and which would be retired when not needed for the transaction of legitimate business.

Next, all the Secretaries of the Treasury and all the Comptrollers of the Currency for the past twenty years, practically, with a single exception or two—men who have been called upon to investigate this subject because of their responsibility—have been and are in favor of a credit currency. Next, all of the students of this question who have a place in public esteem in this country are in favor of a credit currency. Lastly, all the countries of the world whose policies and relative places among the nations of the earth demand our respect are in favor of and use a credit currency, with the exception of England and our own country.

But, Mr. Chairman, I want to say that England, too, recognizes a credit currency whenever the emergency arises. After the pas-

sage of the bank act of 1844, which was supposed to plant the currency of Great Britain upon coin or bullion alone, in every case where a crisis has arisen or has been threateningly impending the bank act has been suspended. It was suspended three years later, in 1847. It was suspended ten years later, in 1857, and nine years later, in 1866, and bank notes issued without reference to a deposit of gold coin or bullion; and preparations for its suspension have been frequently made since, with the uniform result of breaking the force of the panic and ending the crisis. The "currency principle," or a currency based on coin alone, proved a failure in both Amsterdam and Hamburg in 1764, and again in Hamburg in 1857. The United States Government also recognizes the principle of a credit currency on every occasion when it has issued clearing-house certificates.

What is a clearing-house certificate? It is a bank note issued by the clearing house and is based upon the assets of the banks deposited with the clearing house and therefore a credit note in identically the sense in which this bill recommends a credit currency. In 1884 the New York banks issued $24,915,000 of them. In 1890 they issued $15,205,000 of credit notes, or clearing-house certificates. In 1893 the New York banks issued $38,280,000 of credit notes, and Boston, Baltimore, Philadelphia, and Pittsburg $25,000,000 of credit notes. Therefore I assert that at no time whenever a great crisis has arisen has England or the United States or any other country found relief except in the expansive principle of issuing notes based upon credit or the goods in the country and not upon coin.

I desire here to read a sentence from a recent paper by J. Laurence Loughlin in support of this proposition, which is as follows:

It is in such circumstances as these, we shall find, that means of payment are created, based again on goods such as clearing-house certificates; or, as in England, by obtaining new reserves of notes based on consols by a suspension of the bank act. In short, a panic demonstrates that credit transactions are really based on goods; that liquidation never can be forced in money; and that the invariable remedy is some method of tiding over the emergency by creating means of payment based on goods (not specie) which will be acceptable by lenders from borrowers (e. g., clearing-house certificates).

Now, Mr. Chairman, I want to call the attention of this committee to certain facts that are confronting this Government and our people at this very moment. Our population is annually increasing at the rate of more than a million and a half. Therefore, if we shall continue to provide for them an amount of currency equal to that which they now have in hand, about $17.50 per capita, it will call for an annual increase of nearly $30,000,000. The annual production of the American people has reached already an amount possibly exceeding, certainly equaling, $20,000,000,000, which means a production of $250 for every man, woman, and child in the United States.

Of pig iron alone in 1897 we produced only 9,000,000 tons, whereas last year we produced 18,000,000 tons, an amount equal to the production of all the United Kingdom, Germany, and Belgium combined. Our manufactured products to-day are double those of the United Kingdom, and are equal those of Germany, France, and Russia. Our vast productions and incomparable position in the world is strikingly exhibited in the clearings of this country. In 1894 our clearings were but $45,000,000,000. Last year, in 1902, our clearings were $118,000,000,000. The clearings of New York City alone were $76,000,000,000, while those of London, the clearing house of the world, were only $50,000,000,000. The marvelous and matchless progress and prosperity of these times is reflected in another and still more significant way, and that is the deposits in our banks.

In 1892 the deposits in all our banks were $4,600,000,000, and now they pass $9,000,000,000. During the last four years there has been an increase of $3,500,000,000, or about $900,000,000 a year, which has annually called for nearly $200,000,000 of additional reserves, if as much as 20 per cent on the average be required.

I shall add or include in my remarks a table showing the deposits of all the banks year by year from 1892 to 1902, for which I now make my acknowledgments to the Comptroller's office, by which it was prepared.

Statement showing deposits from 1892 to 1902.

Year.	Number of national banks.	Individual deposits.	Number of all other banks.	Individual deposits.	Savings deposits.	Total number of all banks.	Total amount of all deposits.
1892	3,759	$1,753,339,680	5,579	$1,198,825,545	$1,712,769,026	9,338	$4,664,934,251
1893	3,807	1,556,761,230	5,685	1,285,311,723	1,785,150,957	9,492	4,627,223,910
1894	3,770	1,677,801,201	5,738	1,225,452,821	1,747,961,280	9,508	4,651,215,302
1895	3,715	1,736,022,007	6,103	1,374,648,787	1,810,597,023	9,518	4,921,267,817
1896	3,689	1,668,413,508	5,780	1,369,554,639	1,907,156,277	9,469	4,945,124,424
1897	3,610	1,779,480,563	5,847	1,384,878,772	1,939,376,035	9,457	5,094,735,370
1898	3,582	2,023,357,160	5,903	1,637,559,453	2,027,237,843	9,485	5,688,154,456
1899	3,583	2,522,157,509	6,149	2,067,032,553	2,179,468,299	9,732	5,768,658,361
1900	3,732	2,458,092,758	6,650	2,396,122,843	2,384,770,849	10,382	7,238,986,450
1901	4,165	2,941,837,429	7,241	3,001,961,566	2,516,843,293	11,406	8,460,642,288
1902	4,535	3,098,875,772	7,889	3,355,742,728	2,650,104,486	12,424	9,104,722,986

Now, in regard to the per capita circulation, I desire to say a word. In 1892 the total amount of money of all kinds in the country was $26.88 per capita; in 1902 it was $32.40. There was therefore a gain of $5.56. What became of it? Three dollars and fifty-four cents have gone into the reserves of the banks. Only $2.02 have gone into the hands of the people. In 1900 our per capita circulation in the hands of the people was $17.11. In 1902 it was only $17.59, a gain of only 48 cents during that time, while the actual gain was $1.73, the balance having gone into the reserves of the banks.

Now, gentleman, if our deposits are going to increase in the future as they have in the past, and there is every reason to believe that they will, where will these reserves come from to properly guarantee $900,000,000, nay, probably a billion, of additional deposits every year? The United States notes are a fixed quantity and stand at $346,000,000. Our silver is a fixed quantity and stands at $667,000,000.

Mr. FLEMING. Will the gentleman permit a question?

Mr. FOWLER. I should prefer not to yield. I would like to ask the courtesy of the House to go on and complete my statement before I attempt to answer any question, because I believe that I shall anticipate in the debate most of the questions that would otherwise be asked. Now, let me call the attention of this committee to the question of the balance of trade and gold supply, upon which unfortunately we are inclined to place a false reliance, thinking that if we are large producers of gold and have a balance of trade in our favor all will be well. From 1879 to 1902 we had a balance of trade in our favor of $4,844,000,000. We produced during the same period $995,000,000 of gold, making a total balance of trade and gold produced of $5,839,213,228. After we have made full allowance for our accumulation of gold, $1,250,000,000 on hand, there is owing to us still from the world $4,589,213,228. Gentlemen of the committee, is it difficult to imagine that the same forces that, so to speak, robbed us of $4,589,000,000 of gold during those twenty-two years might also have taken away $1,250,000,000 more, or all that we now have? Are we sure that we are not now living in a fool's paradise?

Mr. COCHRAN. Will the gentleman allow me to interrupt him?

The CHAIRMAN. The gentleman has requested to be allowed to proceed without interruption.

Mr. FOWLER. During the past five years the balance of trade with the production of gold from our mines would have left owing to us more than two billions and a half. Yet last fall the bankers of New York waked up to find that there was owing by the United States in the markets of England and continental Europe more than three hundred millions practically on demand, say at thirty, sixty, and ninety days. Oh! gentlemen, unfortunately for the solid and permanent prosperity of our country we now have no control over the movement of gold to and from this country, and never can have so long as the United States notes remain outstanding, because the Treasury is compelled to give gold away upon the presentation of these notes, since a charge of any kind for the gold would amount to repudiation. I use the word charge in the peculiar sense of this particular relation, viz, a charge for the use of the gold which ought to be expressed in a rate of interest overnight. Therefore I assert without any fear whatever of successful contradiction that we may or may not have an increase of money from our gold production and a favorable balance of trade, or either of them.

One other resort is left to us, and that is bank notes. In the last four years, or three and a half, our bank notes have increased $126,000,000. How do they happen to increase that amount? About seventy millions came from the funding act of March 14, 1900. Where did the balance come from? It came from the power of the Secretary of the Treasury to compel the issue of notes by threatening to withdraw deposits, or to induce an issue of notes by a promise of making deposits.

I want to call your attention to the following most suggestive and impressive statement of the Secretary of the Treasury, found

in his report for the fiscal year ended June 30, 1902, on page 64 et seq., because it exposes our disgraceful straits and foreshadows an overwhelming commercial disaster unless some provision is soon made:

Recent events not only justify but enforce the conclusion that our banking system is imperfect. During certain months of the year interest rates dropped dangerously low—dangerous in the sense that speculation was invited thereby. When the time arrived for moving crops, rates advanced alarmingly high. Meantime the price of Government bonds rendered the maintenance of national-bank circulation unprofitable, and this class of currency was retired with great rapidity.

The Department exerted every influence within its authority to counteract this natural contraction. During the early spring the surplus revenues were deposited with national banks upon satisfactory security, but preference was given to such institutions as maintained their limit of circulation. Then, during the months when rates of interest were low, no deposits were made. Later in the season, when it became apparent that some measure of financial stringency was certain to arise, the Department suggested to various depositary banks the wisdom of making preparation for the issuance of additional circulation. This suggestion was submitted to 18 of the larger institutions located in central reserve cities, to which 15 responded with orders for printing $12,000,000 circulation, and in the actual issuance of something over $7,000,000. Later, additional deposits were made, but they were made mostly with such banks as agreed to increase their circulation by an amount equal to and frequently double the deposit. In this way $4,000,000 more circulation was secured. Still later an offer was made to accept, as security for deposits already made, the substitution of State and certain municipal bonds at 75 per cent of their face value, in lieu of Government bonds then on deposit, on condition that the Government bonds thereby released should be made the basis of immediate circulation. In this way about $15,000,000 circulation was induced. Thus, by means of these several methods, the Department secured, in round figures, $26,000,000 increase of circulation from the national banks holding Government deposits.

During the twelve months from November 20, 1901, to November 20, 1902, 467 new banks were chartered, with a capital of over $30,000,000 and an initial circulation aggregating, in round numbers, $7,500,000, while the capital of existing national banks was increased more than $43,000,000. The increase in circulation, however, during the twelve months was only about $20,500,000. Thus it is manifest that but for the extraordinary inducements offered by the Department national-bank circulation would have contracted during the year, notwithstanding the organization of new banks and the aggregate increase in national-bank capital of about $75,000,000. In fact, national-bank circulation did decrease very nearly $3,000,000 during the fiscal year ending June 30. The efforts of the Department to increase circulation were not resorted to until after that date. Fully $50,000,000 increase could have been secured had the law permitted its rapid retirement when no longer needed.

Gentlemen, I shall include in my remarks a complete record of the increase of all kinds of money in the United States from 1892 to 1902, and trace it to the various places where it may be found from year to year, in order that those who may desire to recur to my remarks may have before them the same data from which I have drawn my inferences.

Statement showing certain facts relative to money in the United States from 1892 to 1902, both inclusive.

MONEY IN THE COUNTRY.

Year.	Gold.	Silver.	United States notes.	National-bank notes.	Total.
1892	$664,275,335	$568,578,996	$346,681,016	$172,683,850	$1,752,219,197
1893	597,697,685	615,715,899	346,681,016	178,713,872	1,738,808,472
1894	627,293,201	624,249,957	346,681,016	206,854,787	1,805,078,961
1895	636,256,023	624,731,483	346,681,016	211,691,085	1,819,359,557
1896	599,597,964	627,695,506	346,681,016	226,000,547	1,799,975,033
1897	696,239,016	632,408,553	346,681,016	230,668,094	1,905,996,619
1898	861,514,780	637,478,469	346,681,016	227,900,177	2,073,574,442
1899	963,498,384	638,563,634	346,681,016	241,350,871	2,190,093,905
1900	1,034,384,444	648,994,769	346,681,016	309,640,444	2,339,700,673
1901	1,124,639,062	658,005,712	346,681,016	353,821,502	2,483,147,292
1902	1,192,594,589	667,318,962	346,681,016	356,672,091	2,563,266,658

MONEY IN CIRCULATION.

Year.	Gold.	Silver.	United States notes.	National-bank notes.	Total.
1892	$549,662,443	$545,063,323	$339,399,904	$167,221,517	$1,601,347,187
1893	501,177,852	590,079,001	330,774,426	174,669,966	1,596,701,245
1894	562,316,579	572,747,784	325,524,602	200,219,743	1,660,808,708
1895	528,019,270	547,902,167	319,093,985	206,953,051	1,601,968,473

Statement showing certain facts relative to money in the United States from 1892 to 1902, both inclusive—Continued.

MONEY IN CIRCULATION—continued.

Year.	Gold.	Silver.	United States notes.	National-bank notes.	Total.
1896	$497,103,183	$538,023,793	$256,139,568	$215,168,122	$1,506,434,966
1897	554,875,027	552,875,519	306,914,622	225,544,351	1,640,209,519
1898	693,762,052	610,972,833	310,134,022	222,990,988	1,837,859,895
1899	712,393,969	625,245,631	328,626,842	237,805,439	1,904,071,881
1900	811,539,491	625,819,850	317,676,545	300,115,112	2,055,150,998
1901	876,827,124	623,324,631	330,045,406	345,190,116	2,175,387,277
1902	938,793,298	630,829,015	334,201,722	345,476,516	2,249,390,551

Year.	Cash held by banks.		Money in hands of people.	Per capita in country.	Per capita in circulation.	Per capita in hands of people.
	Number of banks.	Amount held.				
1892	9,338	$586,405,104	$1,014,942,083	$26.88	$24.56	$15.57
1893	9,492	515,987,739	1,080,713,506	26.16	24.03	16.26
1894	9,508	688,996,937	971,811,771	26.65	24.52	14.35
1895	9,818	631,111,289	970,857,184	26.35	23.20	14.06
1896	9,469	531,856,513	974,578,453	25.58	21.41	13.85
1897	9,457	628,200,527	1,012,008,992	26.58	22.87	14.11
1898	9,485	687,796,173	1,150,063,722	28.38	25.15	15.74
1899	9,732	723,298,988	1,180,772,893	29.42	25.58	15.86
1900	10,382	749,959,931	1,305,211,067	30.67	26.94	17.11
1901	11,406	807,516,075	1,367,871,202	31.94	27.98	17.59
1902	12,424	858,103,695	1,391,286,856	32.40	28.43	17.59

Increase in gold since 1897	$596,355,573
Increase in silver since 1897	34,910,469
United States notes have remained the same	346,681,000
Bank-note increase since 1897	126,004,057
Total increase since 1897	658,270,038
Total increase since 1892, only	811,047,361

What I have said upon this subject of United States notes, silver money, the gold supply, and the issuance of bank notes under present conditions has been to demonstrate this incontrovertible truth that we have no natural relationship established between our monetary and currency supply and the demands of the people. Nor will we ever arrive at an automatic relation between deposits and reserves in gold until the burden of supplying the gold shall have been thrown upon the banks, where it belongs. Nor shall we ever establish a perfect relationship between the demands of trade and the tools to carry it on until we have a true credit-note system founded upon the commerce and trade of the country.

In this connection I desire to say that the per capita circulation of any country can not be a fixed quantity, and no man can determine how much any particular country requires. Why? Because of the very force of factors involved in making and establishing the demand for it. Wages may be low or they may be high. The people may be extravagant and spend all of their incomes. They may have a system of banking, or they may not. They may have a system of savings bank and building and loan associations, or they may not. All these factors enter into a per capita circulation. I assert that no man can say what any given country at any given time should have, so far as the per capita circulation goes. In proof of that assertion I shall include in my remarks at this point a table showing the amount of money per capita of all those nations of which I have knowledge, which ranges all the way from $1.84 in India to $37.16 in France and $48.40 per capita in the Straits Settlements.

I further include in my remarks a statement showing how much money there has been in this country from year to year from the foundation of the Government down to the present time. In 1800 we had $4.99 per capita, and at various times we have had every denomination from that up to $32 per capita.

Monetary systems and approximate stocks of money, in the aggregate and per capita, in the principal countries of the world on January 1, 1901.

Countries.	Monetary standard.	Monetary unit.	Ratio between gold and full legal-tender silver.	Ratio between gold and limited-tender silver.	Population.	Stock of gold.	Stock of silver.			Uncovered paper.	Per capita.			
							Full tender.	Limited tender.	Total.		Gold.	Silver.	Paper.	Total.
United States	Gold	Dollar	1 to 15.98	1 to 14.95	77,100,000	$1,110,800,000	$568,900,000	$86,900,000	$655,800,000	$428,400,000	$14.41	$8.51	$5.56	$28.48
Austria-Hungary	do	Crown		1 to 13.69	47,000,000	[a]229,400,000		[a]73,800,000	[a]73,800,000	[a]68,100,000	4.88	1.57	1.45	7.90
Belgium	do	Franc	1 to 15½	1 to 14.38	6,700,000	[c]17,800,000	[b]30,600,000	[b]4,400,000	[b]35,000,000	[c]94,400,000	2.66	5.22	14.09	21.97
British Empire:														
Australasia	do	Pound sterling.		1 to 14.28	5,300,000	[a]128,600,000		[a]6,100,000	[a]6,100,000		24.26	1.15		25.41
Canada	do	Dollar		1 to 14.28	5,500,000	[a][b]20,000,000		[a]5,000,000	[a]5,000,000	[a]40,500,000	3.63	.90	7.37	11.90
Cape Colony	do	Pound sterling.		1 to 14.28	2,300,000	[b]37,500,000		[b]1,000,000	[b]1,000,000		16.30	.43		16.73
Great Britain	do	do		1 to 14.28	41,400,000	[a]511,000,000		116,800,000	[a]116,800,000	[a]117,600,000	12.34	2.82	2.84	18.00
India	do	Pound sterling and rupee.	1 to 21.90	1 to 21.90	297,000,000	[1]43,400,000	[a]469,700,000		[a]469,700,000	[b]33,900,000	.15	1.58	.11	1.84
South African Republic.	do	Pound sterling.		1 to 14.28	1,100,000	[b]29,200,000		[b]1,200,000	[b]1,200,000		26.54	1.09		27.63
Bulgaria	do	Lev	1 to 15½	1 to 14.38	3,700,000	[c]1,200,000	[b]2,500,000	[b]2,500,000	[b]5,000,000	[c]2,100,000	.32	1.35	.57	2.24
Cuba	do	Peseta	1 to 15½	1 to 14.28	1,600,000	[b]2,000,000		[b]1,500,000	[b]1,500,000		1.25	.93		2.18

Monetary systems and approximate stocks of money, in the aggregate and per capita, in the principal countries of the world on January 1, 1901—Continued.

Countries.	Monetary standard.	Monetary unit.	Ratio between gold and full legal-tender silver.	Ratio between gold and limited-tender silver.	Population.	Stock of gold.	Stock of silver.			Uncovered paper.	Per capita.			
							Full tender.	Limited tender.	Total.		Gold.	Silver.	Paper.	Total.
Denmark	Gold	Crown		1 to 14.88	2,400,000	[a]$14,700,000		[a]$5,900,000	[a]$5,900,000	[a]$6,400,000	$6.13	$2.46	$2.66	$11.25
Egypt	do	Piaster		1 to 15.68	9,800,000	[b]30,000,000		[a]6,400,000	[a]6,400,000		3.06	.65		3.71
Finland	do	Markkaa		1 to 15.50	2,600,000	[c]4,100,000		[c]400,000	[c]400,000	[c]9,500,000	1.58	.15	3.66	5.39
France	do	Franc	1 to 15½	1 to 14.38	38,500,000	[a]810,600,000	$[a]361,900,000	[a]59,300,000	[a]421,200,000	[a]199,200,000	21.05	10.94	5.17	37.16
Germany	do	Mark		1 to 13.95	56,300,000	[b]721,100,000	[a]80,800,000	[a]127,600,000	[b]208,400,000	[a]177,400,000	12.81	3.70	3.15	19.66
Greece	do	Drachma	1 to 15½	1 to 14.38	2,400,000	[a]400,000	[b]500,000	[b]1,000,000	[b]1,500,000	[a]28,800,000	.17	.62	12.00	12.79
Haiti	do	Gourde	1 to 15½	1 to 14.38	1,000,000	[a]1,300,000	[b]1,000,000	[b]1,500,000	[a]2,500,000	[a]3,500,000	1.30	2.50	3.50	7.30
Italy	do	Lira	1 to 15½	1 to 14.38	32,400,000	[a]$98,000,000	[a]16,000,000	[a]27,900,000	[a]43,900,000	[a]$174,900,000	3.02	1.35	5.40	9.77
Japan	do	Yen		1 to 28.75	46,500,000	[a]41,700,000		[a]29,100,000	[a]29,100,000	80,400,000	.90	.62	1.73	3.25
Netherlands	do	Florin	1 to 15½	1 to 15.13	5,100,000	[a]32,900,000	[a]48,500,000	[a]3,700,000	[a]52,200,000	[b]41,200,000	6.45	10.23	8.08	24.76
Norway	do	Crown		1 to 14.88	2,200,000	[a]9,800,000		[a]2,500,000	[a]2,500,000	[a]7,800,000	4.45	1.14	3.54	9.13
Portugal	do	Milreis		1 to 14.09	5,300,000	[a]6,300,000		[a]42,600,000	[a]42,600,000	[a]73,600,000	1.19	8.04	13.88	23.11
Roumania	do	Lei	1 to 15½	1 to 14.38	5,900,000	[b]7,700,000		[b]900,000	[b]900,000	[b]14,100,000	1.31	.15	2.39	3.85
Russia	do	Ruble		1 to 23.24	128,300,000	[a]724,300,000		[a]102,500,000	[a]102,500,000		5.64	.80		6.44
Servia	do	Dinar	1 to 15½	1 to 14.38	2,500,000	[a]1,300,000		[a]1,700,000	[a]1,700,000	[a]4,000,000	.52	.68	1.60	2.80
South American States.	do.[e]	Peso	1 to 15½	1 to 14.38	39,300,000	[a]72,000,000	[a]4,000,000	[a]16,200,000	[a]20,200,000	[a]1,130,700,000	1.83	.51	28.77	31.12
Spain	do	Peseta	1 to 15½	1 to 14.38	17,700,000	[a]79,100,000		[a]173,700,000	[a]173,700,000	165,300,000	4.47	9.81	9.34	23.62
Sweden	do	Crown		1 to 14.88	5,100,000	[a]15,700,000		[a]6,800,000	[a]6,800,000	[a]28,900,000	3.08	1.33	5.67	10.78
Switzerland	do	Franc	1 to 15½	1 to 14.38	3,300,000	[d]24,000,000		[d]10,700,000	[d]10,700,000	[a]20,500,000	7.27	3.24	6.21	16.72
Turkey	do	Piaster		1 to 15.09	24,500,000	[b]50,000,000	[b]30,000,000	[b]10,000,000	[b]40,000,000		2.04	1.63		3.67
Central American States.	Silver	Peso			3,500,000	[a]2,200,000	[b]5,800,000	[b]300,000	[a]6,100,000	[a]26,100,000	.63	1.74	7.45	9.82
China	do	Tael			357,300,000		[b]750,000,000		[b]750,000,000			2.09		2.09
Mexico	do	Peso	1 to 16½	1 to 16½	30,600,000	[b]8,600,000	[a]106,000,000		[a]106,000,000	[a]54,000,000	.28	3.46	1.76	5.50
Siam	do	Tical			6,300,000	[a]20,000,000	[a]193,000,000		[a]193,000,000	[a]2,100,000	3.17	30.63		33.80
Straits Settlements.[f]	do	Dollar			5,000,000		[b]240,000,000	[b]2,000,000	[b]242,000,000			48.40		48.40
Total					1,322,500,000	4,906,700,000	2,909,200,000	931,900,000	3,841,100,000	3,033,400,000	3.71	2.90	2.29	8.90

[a] Information furnished through United States representatives. [b] Estimate, Bureau of Mint. [c] L'Economiste European, January 18, 1901. [d] C. Cramer Frey. [e] Except Bolivia and Colombia. [f] Includes Aden, Perim, Ceylon, Hongkong, Lebanan, and Straits Settlements. [g] Official, 1898. [h] Bulletin de Statistique, Paris, January, 1901. [i] Report of head commissioner of paper currency.

Statement of the specie and bank-note circulation of the United States in the years specified from 1800 to 1859, with amount of circulation per capita.

Year.	Number of banks and branches.	Estimated bank notes outstanding.	Estimated specie in United States.	Total money in United States.	Specie in Treasury.	Money in circulation.	Population.	Per capita.
1800		$10,500,000	$17,500,000	$28,000,000	[a]$1,500,000	$26,500,000	5,308,483	$4.99
1810		28,000,000	30,000,000	58,000,000	[a]3,000,000	55,000,000	7,239,881	7.60
1820		44,800,000	24,300,000	69,100,000	[a]2,000,000	67,100,000	9,633,822	6.96
1830		61,000,000	32,100,000	93,100,000	5,755,705	87,344,295	12,866,020	6.69
1831		77,000,000	32,100,000	109,100,000	6,014,540	93,085,460	13,221,000	7.04
1832		91,500,000	30,400,000	121,900,000	4,502,914	117,397,086	13,590,000	8.64
1833		91,500,000	30,650,000	122,150,000	2,011,778	120,138,222	13,974,000	8.60
1834	506	94,839,570	41,000,000	135,839,570	11,702,905	124,136,665	14,373,000	8.64
1835	704	103,692,495	51,000,000	154,692,495	8,892,858	145,799,637	14,786,000	9.86
1836	713	140,301,038	65,000,000	205,301,038	[a]5,000,000	200,301,038	15,213,000	13.17
1837	788	149,185,890	73,000,000	222,185,890	[a]5,000,000	217,185,890	15,655,000	13.87
1838	829	116,138,910	87,500,000	203,638,910	[a]5,000,000	198,638,910	16,112,000	12.33
1839	840	135,170,995	87,000,000	222,170,995	2,466,962	219,704,033	16,584,000	13.26
1840	901	106,968,572	83,000,000	189,968,572	3,663,084	186,305,488	17,069,453	10.91
1841	784	107,290,214	80,000,000	187,290,214	987,345	186,302,869	17,591,000	10.59
1842	692	83,7 4,011	80,000,000	163,734,011	230,484	163,503,527	18,132,000	9.02
1843	691	58,563,608	90,000,000	148,563,608	1,449,472	147,114,136	18,694,000	7.87
1844	696	75,167,646	100,000,000	175,167,646	7,857,380	167,310,266	19,276,000	8.68
1845	707	89,608,711	96,000,000	185,608,711	7,658,306	177,950,405	19,878,000	8.95
1846	707	105,552,427	97,000,000	202,552,427	9,126,439	193,425,988	20,500,000	9.43
1847	715	105,519,766	120,000,000	225,519,766	1,701,251	223,818,515	21,143,000	10.59
1848	751	128,506,091	112,000,000	240,506,091	8,101,353	232,404,738	21,805,000	10.66
1849	782	114,743,415	120,000,000	234,743,415	2,184,964	232,558,451	22,489,000	10.34
1850	824	131,366,526	154,000,000	285,366,526	6,604,544	278,761,982	23,191,876	12.02
1851	879	155,165,251	186,000,000	341,165,251	10,911,646	330,253,605	23,995,000	13.76
1852		171,673,000	204,000,000	375,673,000	14,632,136	361,040,864	24,802,000	14.63
1853		188,181,000	236,000,000	424,181,000	21,942,893	402,238,107	25,615,000	15.80
1854	1,208	204,689,207	241,000,000	445,689,207	20,137,967	425,551,240	26,433,000	16.10
1855	1,307	186,952,223	250,000,000	436,952,223	18,931,976	418,020,247	27,256,000	15.34
1856	1,398	195,747,950	250,000,000	445,747,950	19,901,325	425,846,625	28,083,000	15.16
1857	1,416	214,778,822	260,000,000	474,778,822	17,710,114	457,068,708	28,916,000	15.81
1858	1,422	155,208,344	260,000,000	415,208,344	6,398,316	408,810,028	29,753,000	13.78
1859	1,476	193,306,818	250,000,000	443,306,818	4,339,276	438,967,542	30,596,000	14.35

[a] Specie in Treasury estimated.

Statement of the coin and paper circulation of the United States from 1860 to 1896, inclusive, with amount of circulation per capita.

Year.	Coin in United States, including bullion in Treasury.	Paper money in United States.	Total money.	Coin, bullion, and paper money in Treasury.	Circulation.	Population.	Money in United States per capita.	Circulation per capita.
1860	$235,000,000	$207,102,477	$442,102,477	$6,695,225	$435,407,252	31,433,321	$14.06	$13.85
1861	250,000,000	202,005,767	452,005,767	3,600,000	448,405,767	32,064,000	14.09	13.98
1862	25,000,000	333,452,079	358,452,079	23,754,335	334,697,744	32,704,000	10.96	10.23
1863	25,000,000	649,867,283	674,867,283	79,473,245	595,394,038	33,365,000	20.23	17.84
1864	25,000,000	680,588,067	705,588,067	35,946,589	669,641,478	34,046,000	20.72	1.679
1865	25,000,000	745,129,755	770,129,755	55,426,760	714,702,995	34,748,000	22.16	20.57
1866	25,000,000	729,327,254	754,327,254	80,839,010	673,488,244	35,469,000	21.27	18.99
1867	25,000,000	703,200,612	728,200,612	66,208,543	661,992,069	36,211,000	20.11	18.28
1868	25,000,000	691,553,578	716,553,578	36,449,917	680,103,661	36,973,000	19.38	18.39
1869	25,000,000	690,351,180	715,351,180	50,898,289	664,452,891	37,756,000	18.95	17.60
1870	25,000,000	697,868,461	722,868,461	47,655,667	675,212,794	38,558,371	18.73	17.50
1871	25,000,000	716,812,174	741,812,174	25,923,169	715,889,005	39,555,000	18.75	18.10
1872	25,000,000	737,721,565	762,721,565	24,412,016	738,309,549	40,596,000	18.70	18.19
1873	25,000,000	749,445,610	774,445,610	22,563,801	751,881,809	41,677,000	18.58	18.04
1874	25,000,000	781,024,781	806,024,781	29,941,750	776,083,031	42,796,000	18.83	18.13
1875	25,000,000	773,273,509	798,273,509	44,171,562	754,101,947	43,951,000	18.16	17.16
1876	52,418,734	738,264,550	790,683,284	63,073,896	727,609,388	45,137,000	17.52	16.12
1877	65,837,506	697,216,341	763,053,847	40,738,964	722,314,883	46,353,000	16.46	15.58
1878	102,047,907	689,205,669	791,253,576	62,120,942	729,132,634	47,598,000	16.62	15.32

Statement of the coin and paper circulation of the United States from 1860 to 1896, inclusive with amount of circulation per capita—Continued.

Year.	Coin in United States, including bullion in Treasury.	Paper money in United States.	Total money.	Coin, bullion, and paper money in Treasury.	Circulation.	Population.	Money in United States per capita.	Circulation per capita.
1879	$357,268,178	$694,253,363	$1,051,521,541	$232,889,748	$818,631,793	48,866,000	$21.52	$16.75
1880	494,363,884	711,565,313	1,205,929,197	232,546,969	973,382,228	50,155,783	24.04	19.41
1881	647,868,682	758,673,141	1,406,541,823	292,303,704	1,114,238,119	51,316,000	27.41	21.71
1882	703,974,839	776,556,880	1,480,531,719	306,241,300	1,174,290,419	52,495,000	28.20	22.37
1883	769,740,048	873,749,768	1,643,489,816	413,184,120	1,230,305,696	53,693,000	30.60	22.91
1884	801,068,939	904,385,250	1,705,454,189	461,528,220	1,243,925,969	54,911,000	31.06	22.65
1885	872,175,823	945,482,513	1,817,658,336	525,089,721	1,292,568,615	56,148,000	32.37	23.02
1886	903,027,304	905,532,390	1,808,559,694	555,859,169	1,252,700,525	57,404,000	31.50	21.82
1887	1,007,513,901	892,928,771	1,900,442,672	582,903,529	1,317,539,143	58,680,000	32.39	22.45
1888	1,092,391,690	970,564,259	2,062,955,949	690,785,079	1,372,170,870	59,974,000	34.39	22.88
1889	1,100,612,434	974,738,277	2,075,350,711	694,989,062	1,380,361,649	61,289,000	33.86	22.52
1890	1,152,471,638	991,754,521	2,144,226,159	714,974,889	1,429,251,270	62,622,250	34.24	22.82
1891	1,163,185,054	1,032,039,021	2,195,224,075	697,783,368	1,497,440,707	63,975,000	34.31	23.41
1892	1,232,854,331	1,139,745,170	2,372,599,501	771,252,314	1,601,347,187	65,520,000	36.21	24.44
1893	1,213,413,584	1,109,988,808	2,323,402,392	726,701,147	1,596,701,245	66,946,000	34.70	23.85
1894	1,251,543,158	1,168,891,623	2,420,434,781	759,626,073	1,660,808,708	68,397,000	35.39	24.28
1895	1,260,987,506	1,137,619,914	2,398,607,420	796,638,947	1,601,968,473	69,878,000	34.33	22.93
1896	1,225,618,792	1,120,012,536	2,345,631,328	839,000,302	1,506,631,026	71,390,000	32.86	21.10

NOTE 1.—Specie payments were suspended from January 1, 1862, to January 1, 1879. During the greater part of that period gold and silver coins were not in circulation except on the Pacific coast, where, it is estimated, the specie circulation was generally about $25,000,000. This estimated amount is the only coin included in the above statement from 1862 to 1875, inclusive.

NOTE 2.—In 1876 subsidiary silver again came into use, and is included in this statement, beginning with that year.

NOTE 3.—The coinage of standard silver dollars began in 1878, under the act of February 28, 1878.

NOTE 4.—Specie payments were resumed January 1, 1879, and all gold and silver coins, as well as gold and silver bullion in the Treasury, are included in this statement from and after that date.

NOTE 5.—This table represents the circulation of the United States as shown by the revised statements of the Treasury Department for June 30 of each of the years specified.

Having gone somewhat afield to show that there was an actual need of a larger supply of both reserves and currency, and having attempted to point out that both should come from the operation of natural laws, I desire to recur to the subject-matter involved in the measure now before the committee—a true credit currency.

In the very outset I asserted that the majority of your Committee on Banking and Currency only advocated a currency which was adequately protected by proper reserves and was currently and frequently redeemed in the standard money of the country or its equivalent. Ricardo has expressed the same prerequisites in terms and words which I would if I could burn into every American mind and paste into the hat of every member of this House, where he could not forget it so long as this question remains one of discussion before this body or the people of the country.

Ricardo says:

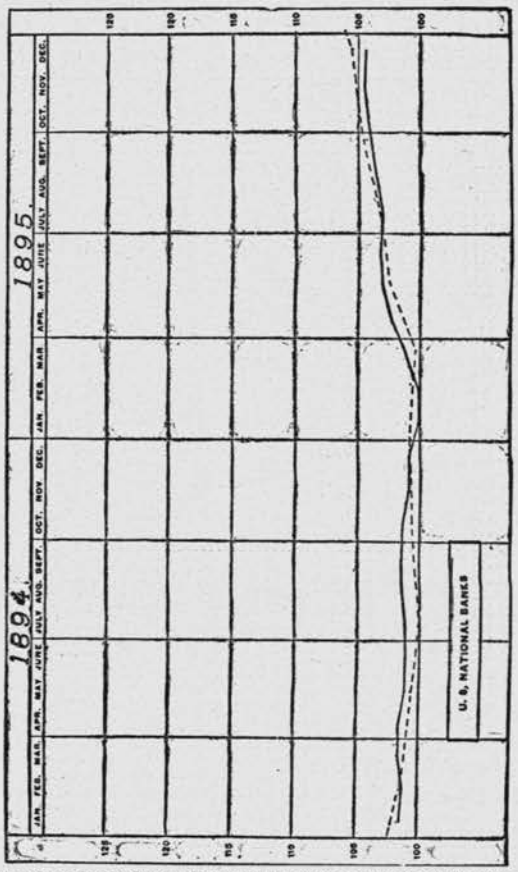
> The issuers of paper money should regulate their issues solely by the price of bullion, and never by the quantity of their paper in circulation. The quantity can never be too great or too little while it preserves the same value as the standard.

Let every member of this committtee bear in mind that as I proceed to discuss the subject of our annual fall currency panics I am keeping steadily in view this fundamental law of any sound currency system which Ricardo has so well expressed. That we have a currency panic every fall no one will deny. Is it necessary? Is there a certain and safe remedy? Let us see. I have said to you already that the United States notes were fixed at $346,000,000; that our silver was fixed at $677,000,000. The national-bank notes to-day stand at $356,000,000, which, according to the Secretary of the Treasury, but for the extraordinary use of the power in his hands in depositing or withdrawing $150,000,000 Government money, the banks would be retiring as fast as the law would permit.

Now, let us consider for a moment the only resource left for any considerable increase in our currency—that of gold. Will anyone assert that we may reasonably hope to draw from the markets of the world in a comparatively short time any gold to speak of? Their requirements are well known and their demands are steady. From July to January every year we are handling in this country somewhere between three and four billions of dollars' worth of products that are superimposed on the average business of the country. Now, will anybody say that if you add four billions to sixteen billions of dollars of products or increase the business 25 per cent it would not require additional machinery? When the springtime comes and the land is to be plowed the farmer uses his plows, and when the harvest comes the reapers are taken out and the harvest is gathered, and when the grain is stacked the thrashers are called and the grain is thrashed. Each time they put away the particular tools with which the work was done. Is it not reasonable to suppose that there ought to be additional tools with which to handle this great mass of business that is added to the average business of the year?

We have a system, gentlemen, in this country that does not respond to this enormous demand for currency because of the increased business. I will now show you how absolutely rigid and unresponsive our bank-note system is by a diagram.

You will see here a diagram which, if extended throughout the life of our national-bank system, would be repeated over and over again, as will be clearly seen by the tabulated statement for the thirteen years of 1890–1902, inclusive, which I shall submit presently to the committee.



The data given in the heavy line are the statements of outstanding circulation ordinarily quoted. They include, however, notes still held in the vaults and tills of the issuing bank; and to the extent that this amount varies at different seasons of the year this puts the circulation on a different basis from the others described, and thus vitiates comparison. Fortunately we have the required data given on the same basis as in the other systems for the five dates in each year for which reports are made to the Comptroller of the Currency. This information is platted on the diagram in the broken line, and is such as to indicate that even if we had similar figures for weekly or monthly periods, the elasticity shown would not be materially greater.

The lines might not be the same, but if there should be any vibrations in the line, which at most would be insignificant, and you should look up the bond market of that time, you would find the cause of the vibration in the prospective price of the bonds.

I was talking the other day to Mr. Rogers, the gentleman in charge of the redemption bureau of the Comptroller's office, and

he asserted that he had been in that position practically from the start and that he was convinced there had been no changes in the amount of our currency, except such as resulted from speculation in bonds. The changes had borne no relation to the business of the country whatever.

Within the last year we have felt the force of a new element in our haphazard system, if, indeed, it be a system at all—the power of the Treasury Department to deposit in or withdraw money from the banks.

Mr. VANDIVER. Will the gentleman allow me a question?

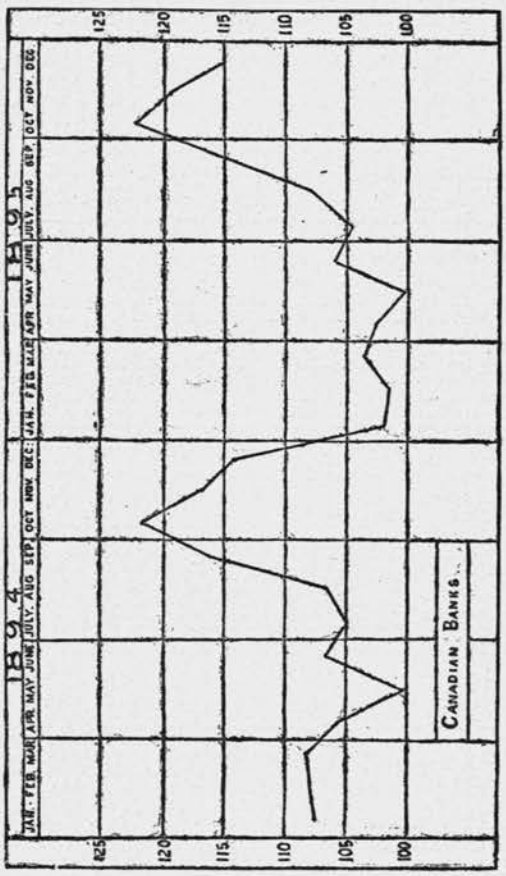
Mr. FOWLER. Please excuse me. I prefer to proceed uninterrupted.

The CHAIRMAN. The gentleman from New Jersey [Mr. FOWLER] requested that he be allowed to proceed without interruption.

Mr. VANDIVER. I should like to ask the gentleman for an explanation on this particular point.

The CHAIRMAN. The gentleman from New Jersey declines to yield.

Mr. FOWLER. Now, gentlemen, in bold contrast to the straight line which you see representing the currency system of the greatest and most powerful and richest nation of the world I will show you a diagram having reference to the little country north of us, which has 5,000,000 people, or a little more, and will point out, not only on the diagram, but by reference to the figures of the reports of the banks, how invariably for years this action of the currency takes place.



Canadian banks.

[38 banks.]

1894.	Circulation.	Per cent.	1895.	Circulation.	Per cent.
January 31	$30,571,375	107.6	January 31	$28,917,276	101.8
February 28	30,603,267	107.8	February 28	28,815,434	101.5
March 31	30,702,607	108.1	March 31	29,414,796	103.6
April 30	29,996,472	105.6	April 30	29,152,152	102.6
May 31	28,467,718	100.2	May 31	28,429,134	100
June 30	30,254,159	106.5	June 30	30,106,578	106
July 31	29,801,772	104.9	July 31	29,738,115	104.7
August 31	30,270,366	106.6	August 31	30,737,622	108.2
September 30	33,355,156	116	September 30	32,774,442	115.4
October 31	34,516,651	121.5	October 31	34,671,028	122.1
November 30	33,076,868	116.5	November 30	34,362,746	119.5
December 31	32,375,620	114	December 31	32,565,179	114.7

In Canada, where the people are practically all an agricultural class, every fall, when the grain is being harvested and going to the markets, the currency of the Canadian banks goes out, and then falls automatically as soon as the crops are removed.

Now, I will give you the figures for a succession of years. In January, 1897, the circulation was $30,000,000; in October, 1897, it was $41,000,000; in January, 1898, it was $35,000,000; in October it was $42,000,000; in January, 1899, it was $36,000,000; in October, $49,000,000; in January, 1900, it was $41,000,000; in October, $53.000,000; in January, 1901, it was $45,000,000; in October, $57,000,000; in January, 1902, it was $48,000,000. I have not the figures for October, 1902, but by August it was $55,000,000. The figures I have given show that as the years have gone by, as the population has increased and the business has grown, there has been a perfect recurrence of increase and decrease of the currency in Canada, the only perceptible difference being due to the increased population and increased business.

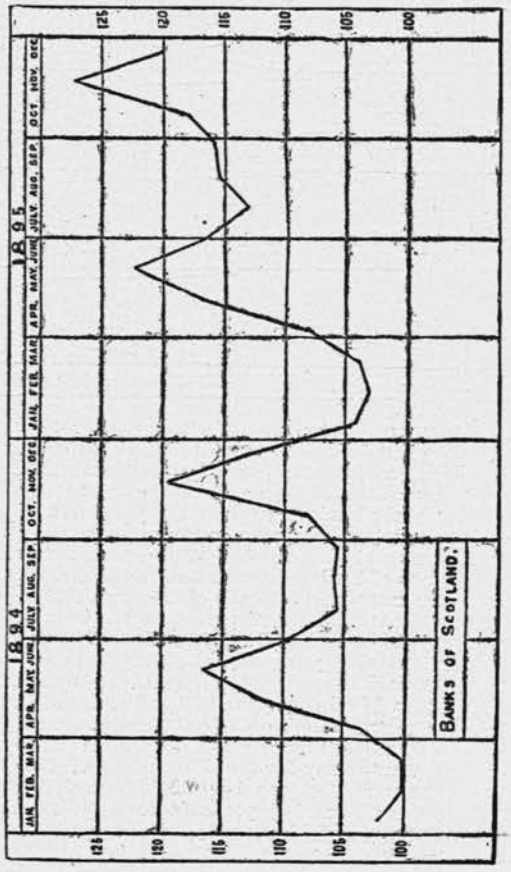
For the period since 1896 the following table gives the data as to the outstanding circulation at the end of each month. From this it will be noted that the same movement of circulation during the year still takes place, though recently on a higher general level than before 1898:

Circulation, Canadian banks, monthly from January 1, 1897.

	1897.	1898.	1899.	1900.	1901.	1902.
January	$30,208,157	$35,011,722	$36,916,579	$41,320,083	$45,025,306	$48,586,529
February	30,409,197	35,823,923	37,525,337	41,699,231	45,905,942	49,450,994
March	31,082,521	35,930,085	38,409,227	43,814,918	47,611,967	52,442,982
April	30,814,923	35,843,651	37,369,887	43,908,432	47,006,701	50,691,588
May	31,820,445	36,261 760	37,012,914	42,856,762	46,148,234	50,754,716
June	32,366,174	36,539,103	39,097,708	45,577,387	49,119,479	53,953,043
July	32,709,475	36,553,546	40,270,100	46,007,906	48,947,978	52,070,065
August	34,454,386	37,299,496	41,446,399	47,421,277	51,352,309	55,035,701
September	38,616,211	40,071,143	46,682,028	50,387,070	56,027,407	----------
October	41,580,928	42,543,446	49,588,236	53,198,777	57,954,779	----------
November	40,143,878	42,350,948	47,839,506	51,947,269	57,741,566	----------
December	37,995,123	40,258,381	45,999,753	50,758,246	54,372,788	----------

Now, there are in Canada 34 banks, and they have 747 branches extending over that country, which has about two people to the square mile, though I do not know that that statement is fair, for it takes in a very great section of country that is uninhabitable. This expansion amounts to $2.30 or $2.40 per capita every fall, and the increase disappears just as regularly as the disappearance of the crops from the market.

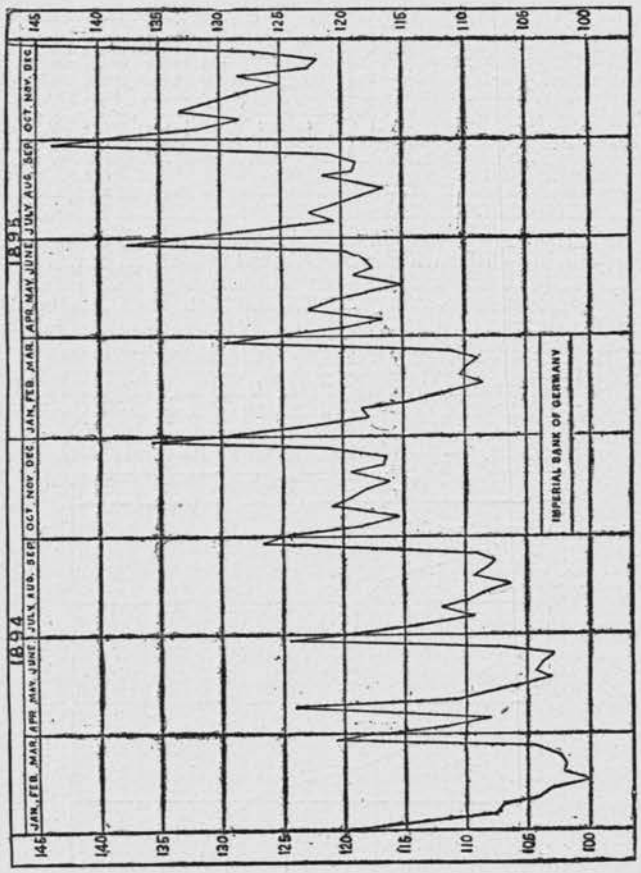
Now, I have called attention to the fact that in Canada there is but one season when this expansion of the currency is demanded by the business conditions. Here is a diagram which shows the amount of currency in Scotland at various seasons of the year.



In that country there are two settlement periods in the year—May and November. As regularly as May and November come out go the bank notes of Scotland to perform the work that is calling for them, and when the work is performed the notes again retire. This has gone on for two hundred years. For one hundred and forty years prior to the time when they had a single deposit in the banks of Scotland, there was simply an exchange of the notes of the banks with the farmers.

I will now refer to some figures to verify that statement. In February, when it stood at 100 per cent, there were $6,000,000 of these notes out; in June, $7,000,000. The increase had gone up from 100 per cent to 116 per cent. In December, again, or between November and December, it had gone up to 119 per cent, or $7,289,000. And so on through the recurring years you will find this same regularity in the movement of the currency of Scotland.

I have called the attention of the committee to the fact that in Scotland there are two periods in the year when there is a demand for currency. I will now call your attention to the German system, in which there are four regular periods when the currency goes out and returns. In Germany there are quarterly settlement days; and with perfect regularity the notes of the Imperial Bank go out and do the work that they are sent out to perform, which they accomplish precisely as checks do; and then return to the bank to await another summons from the demand of trade.



Now, I want to call your attention to a matter to which I am sure others may allude before this discussion is concluded, and that is the 5 per cent tax imposed by the German Government upon its note issue at a certain point. I want to say here that the statements of the bank when thoroughly understood will show that the 5 per cent tax has had no influence whatever upon the amount of the issue of these notes. The circulation went out to meet the demands of business and it went no higher after the tax was lifted by an amendment to the charter which took effect in 1901, so that while in 1899 the tax paid to the German Government on circulation reached the sum of $692,000, the highest amount of the issue that year was $336,453,220, and in the following year the tax paid amounted to $612,000, the maximum issue was $343,075,057, while in the year 1901, after the limit had been raised and the tax returned only $85,000, the highest issue was only $356,662,597 and the lowest $254,232,530. In further proof of this assertion I want to say for the information of the committee that during the year 1901 the Imperial Bank of Germany was loaning its money at 4 and 4½ per cent for months while it was paying the 5 per cent tax upon its circulation, a circumstance that was undoubtedly due to the fact that the bank was under the supervision of the Government. Therefore it is clear that the 5 per cent tax bore no relation whatever to the amount that went out nor changed or affected the time of its coming in. In a period of five years the lowest note issue was in 1898 and reached $240,000,000, and the highest was in 1902, when it was $363,000,000.

Going back to the year 1898 the amount of notes out on the 23d day of February was $240,882,504. But before the year was over, when they reached the maximum amount, they had gone to $330,000,000, or an expansion of nearly $100,000,000 in banks notes. Now, I will give you the figures for those four recurring periods of expansion and contraction. In February, 1898, the smallest amount out was $240,000,000. In March it went up to $311,000,000. In May it was $262,000,000, but in June it was up again to $308,000,000. In August it was $258,000,000 and in September it was $325,000,000. In November it was $276,000,000 and in December $330,000,000. I shall print as a part of may remarks the statements of this bank for five years, beginning with 1898, in which you will observe but one single variation of this phenomenon, and that is the increased business of Germany reflected by the increased amount of notes each year as they have gone on, but the phenomena of the exit and return of these notes four times every year always recurring.

The following information with regard to the Imperial Bank of Germany is of paramount importance to the best possible understanding of a true credit currency adapted to the modern methods of production and the extraordinary demand that is liable to be made at any time for this particular tool of commerce and trade.

I recognize the fact that so much detail is necessarily tedious, but the importance of the information more than justifies the severe test of patience its submission imposes, and therefore I am sure that I shall have your gracious indulgence while I proceed.

THE IMPERIAL BANK OF GERMANY HAS: CAPITAL, $37,500,000; SURPLUS, $10,000,000.

The limit of authorized circulation was fixed by the law of March 14, 1875, at 250,000,000 marks ($60,000,000), but the same law provided that when any existing bank of circulation should surrender its right, either by liquidation or by refusal to accept the conditions imposed by the new law, the amount of circulation might be assumed by the Imperial Bank. Seventeen banks surrendered their right to issue notes soon after the adoption of the new system, and their action added 26,085,000 marks to the authorized circulation of the Imperial Bank. This has since been increased to 42,117,000 marks authorized circulation ($69,523,846).—(From "Raffalovich, Marche Financier en 1893-94," page 67, in History of Modern Banks of Issue (fourth impression, 1902), by Conant).

The novel features of the German system of circulation is the authority given to the Imperial Bank to exceed the statutory limit of note issue without metallic security upon the payment of a tax at the rate of 5 per cent per year upon the excess of circulation.

The limit of authorized circulation was fixed by the law of June 7, 1899, at 450,000,000 marks ($107,100,000).

REPORT OF THE IMPERIAL BANK OF GERMANY FOR THE YEAR 1898.

[From the Bankers' Magazine, London, August, 1899, p. 205.]

The Imperial Bank exceeded the amount of uncovered bank notes permitted by section 9 of the bank law 16 times:

January 7, 1898	$14,736,940	October 23, 1898	$24,666,147
March 31, 1898	17,149,118	October 31, 1898	37,784,615
April 7, 1898	5,085,264	November 7, 1898	31,722,143
June 30, 1898	31,516,286	November 15, 1898	18,117,955
July 7, 1898	15,912,136	November 23, 1898	1,475,221
September 30, 1898	67,278,613	November 30, 1898	8,919,044
October 7, 1898	58,846,073	December 23, 1898	7,441,467
October 15, 1898	40,644,370	December 31, 1898	68,850,094

The duty on this excess, $468,985 (1897, $186,854), is included among the liabilities.

The note circulation of the Imperial Bank of Germany at the end of each month in 1898:

January 31	$265,430,414	July 31	$266,845,794
February 28	248,642,060	August 31	258,805,458
March 31	311,748,390	September 30	325,955,980
April 30	282,822,351	October 31	294,743,071
May 31	262,266,596	November 30	276,984,566
June 30	308,026,723	December 31	330,287,369

The circulation of notes was—

At the highest amount, 31st December	$330,287,403
At the lowest amount, 23d February	240,882,504
Average	273,641,835

REPORT OF THE IMPERIAL BANK OF GERMANY FOR THE YEAR 1899.

[From the Bankers' Magazine, London, August, 1900, p. 215.]

The Imperial Bank exceeded the amount of uncovered bank notes permitted by section 9 of bank law 20 times.

January 7, 1899	$35,792,193	October 23, 1899	$30,442,741
January 15, 1899	8,293,280	October 31, 1899	45,668,078
March 31, 1899	26,742,809	November 7, 1899	35,590,432
April 7, 1899	12,803,898	November 15, 1899	24,620,889
June 30, 1899	33,750,287	November 23, 1899	12,748,644
July 7, 1899	23,174,273	November 30, 1899	21,707,709
September 23, 1899	128,909	December 7, 1899	17,079,459
September 30, 1899	90,330,284	December 15, 1899	12,256,782
October 7, 1899	69,010,540	December 23, 1899	33,110,776
October 15, 1899	49,700,499	December 30, 1899	82,150,408

The duty on this excess, $692,819 (1898, $468,985), is included among the liabilities.

The note circulation of the Imperial Bank of Germany at the end of each month in 1899:

January 31	$270,625,223	July 31	$272,029,471
February 28	255,411,838	August 31	265,267,883
March 31	307,816,006	September 30	336,453,220
April 30	261,829,600	October 31	297,137,058
May 31	263,583,096	November 30	279,225,978
June 30	316,380,966	December 31	330,516,329

The circulation of notes was—

At the highest amount on September 30	$336,453,220
At the lowest amount on February 23	246,504,771
Average	277,816,805

The Bank of Germany publishes 4 returns a month, i. e., 48 during the year. In 20 of these returns, including the whole period from the latter half of September to the end of the year, the note circulation exceeded the legal limit, on average, $33,255,228, without any disturbance of public credit.

REPORT OF THE IMPERIAL BANK OF GERMANY FOR THE YEAR 1900.

[From the Bankers' Magazine, London, August, 1901, p. 189.]

The Imperial Bank exceeded the amount of uncovered bank notes permitted by section 9 of the bank law 20 times:

January 7, 1900	$50,863,724	October 15, 1900	$32,055,397
January 15, 1900	11,606,695	October 23, 1900	16,297,792
March 31, 1900	57,974,449	October 31, 1900	33,742,861
April 7, 1900	32,707,703	November 7, 1900	28,260,257
April 15, 1900	10,272,018	November 15, 1900	13,364,017
April 30, 1900	8,174,638	November 30, 1900	5,614,233
June 30, 1900	38,601,881	December 7, 1900	538,162
July 7, 1900	9,988,029	December 15, 1900	2,319,773
Spetember 30, 1900	71,180,164	December 23, 1900	17,545,737
October 7, 1900	60,539,172	December 31, 1900	86,603,606

The duty on this excess, $612,658 (1899, $692,819), is included among the liabilities.

The note circulation of the Imperial Bank of Germany at the end of each month in 1899:

January 31	$267,579,149	July 31	$273,097,405
February 28	250,950,771	August 31	266,685,061
March 31	318,748,513	September 30	327,019,047
April 30	283,381,419	October 31	299,969,225
May 31	265,408,977	November 30	283,751,867
June 30	318,722,473	December 31	343,075,057

The circulation of notes was—

At the highest amount on December 31	$343,075,057
At the lowest amount on February 23	244,797,603
Average	277,040,355

The Bank of Germany publishes 48 returns in the year. On 20 of these returns during the year 1900, including nearly the whole period from the last return in September to the end of December, the note circulation exceeded the legal limit, on average, $29,407,515 (1899, $33,255,228), without any disturbance of public credit, the bank paying duty on this excess, $612,658 (1899, $692,919), to the imperial treasury, and without raising the rate of discount, which stood at 5 per cent the whole time.

The quiet manner in which this provision works and the low rate of interest charged assist materially in the services which the Reichsbank affords to the trade of Germany. The contrast with what would have been the position of affairs in the country had the bank act been suspended on a single occasion supplies subjects for thought which English bankers will do well to ponder over. It will be observed that the limit was exceeded during the period over which one return extends, that of September 30, by nearly fifteen millions sterling ($72,997,500), and during another, that of December 31, by more than seventeen millions ($82,730,500).

REPORT OF THE IMPERIAL BANK OF GERMANY FOR THE YEAR 1901.

[From the Bankers' Magazine, London, August, 1902, p. 179.]

The amount of the uncovered tax-free notes of the Imperial Bank permitted by section 9 of the bank law has by article 5 of the law of June 7, 1899, been raised to 450,000,000 marks ($107,100,000), and, further, on March 26 of that year was increased to 460,000,000 marks ($109,480,000) owing to the giving up of their right of issue by the Frankfort Bank. (Section 49, clause 2, of the bank law. Compare Reichs-Gesetz Blatt, p. 263).

The limit rendering the excess liable to the note tax has been exceeded five times:

January 7, 1901	$16,058,462
March 31, 1901	3,977,716
September 30, 1901	26,425,372
October 7, 1901	9,552,597
December 31, 1901	26,390,158

The duty on this excess—$85,816 (1900, $612,658)—is included among the liabilities.

Note circulation of the Imperial Bank of Germany in 1901.

January 31	$281,211,262	July 31	$299,358,222
February 28	257,212,239	August 31	290,900,561
March 31	321,534,570	September 30	348,059,209
April 30	286,244,513	October 31	312,526,314
May 31	269,632,058	November 30	297,156,593
June 30	334,564,332	December 31	356,662,597

The circulation of notes was—

At the highest amount, on December 31	$356,662,597
At the lowest amount, on March 15	254,232,530
Average	289,620,988

Note circulation of the Imperial Bank of Germany in 1902.

January 31	$292,364,721	July 31	$299,747,201
February 28	271,497,169	August 31	289,678,413
March 31	328,362,221	September 30	363,858,472
April 30	303,324,079	October 31	322,877,676
May 31	287,532,286	November 30	303,669,600
June 30	343,005,520		

The population of the German Empire in Europe is 56,000,000, so that the increase from $254,000,000 in March, 1901, to $356,000,000 in December was about $2 per capita, which is in bold contrast with our own experience, where there is no increase whatever that is traceable to the trade demands.

The following tabulated statement covering the thirteen years from 1890 to 1902, inclusive, demonstrates the utter lack of any relation between our note issues and our business demands and must convince anyone who desires to know the truth and is willing to be convinced that there is a radical defect somewhere, and that a complete remedy is to be found in the adoption of the principle of a true credit currency so forcibly and conclusively illustrated by the note issues of the Imperial Bank of Germany.

The amounts actually outstanding are given as of the end of August and December in the years named and at the end of the following April:

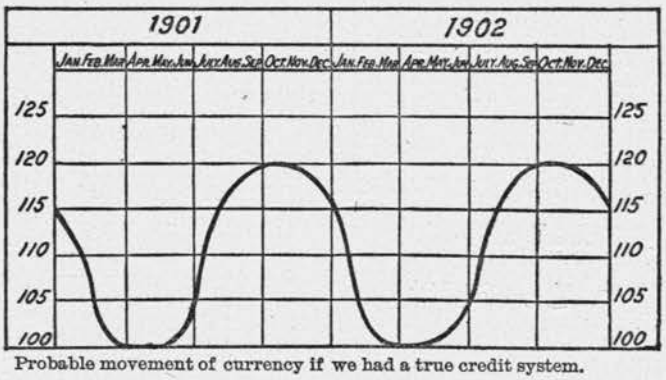
Year.	August.	December.	April.
1890	$178,071,525	$173,735,584	$166,171,886
1891	164,312,057	168,427,433	168,067,089
1892	166,033,118	168,361,365	171,770,315
1893	195,822,781	196,181,216	199,082,593
1894	202,025,053	201,845,738	204,760,225
1895	204,738,609	206,653,836	216,602,179
1896	215,798,526	221,384,148	224,211,934
1897	226,075,827	223,827,755	223,384,790
1898	222,845,926	238,337,729	238,877,207
1899	238,521,489	242,001,643	280,050,340
1900	314,627,523	332,188,526	343,725,282
1901	347,773,315	349,856,276	348,004,681
1902	346,557,379	368,678,531	a 362,404,253

a February 1, 1903.

It will be seen from the above figures that in three out of the past thirteen years bank circulation actually decreased in the harvest period following August. In only three years was there as much of an increase as $10,000,000 during the harvest period. In only four was there as much as $5,000,000.

But in the first four months of the year, when harvest was over and harvest money no longer needed, all but four of the last dozen years show increase in circulation, and in only two of the four years when circulation contracted was the decrease as much as $2,000,000. In other words, the rule has been for the circulation to contract during the period of harvest needs and to expand as soon as those needs were over.

Mr. Chairman, I would like to call the attention of the committee to this next diagram as indicating what the movement of currency would be in this country if we had an elastic system that responded to trade. Instead of the straight line which we had in the first diagram which I presented, and supposing our increase of currency was in proportion to that of Canada and Germany, the line would be approximately that shown here. All of the points except the maximum point have been assumed, but consideration given to the early wheat crop in the Southwest, the summer harvest of the Middle West, and the fall harvest of the Northwest, the cotton crop, and stock sales of the fall months. The maximum point was taken from the other two tables, because we have had no such system in this country and the increase indicated would exceed somewhat $200,000,000 during the crop-moving period, that is from July to January.



Probable movement of currency if we had a true credit system.

Mr. LATIMER. What do those figures indicate?

Mr. FOWLER. Twenty per cent increase. Therefore you can readily see, if we should have this increase under normal or natural conditions, what a tremendous strain the banking machinery of the United States must be under every fall, with no power to respond and adjust itself to the vastly changed conditions growing out of the crop movement, which aggregates more than $3,000,000,000—indeed, possibly reaches the $4,000,000,000 limit. But, Mr. Chairman, we are not confined to Canada, or Germany or Scotland for illustrations of a sound credit system. We have had such systems at various times in the history of the United States, and I now desire to call the attention of the committee to several of them. The United States Bank, which was incorporated in 1816 and ran

for twenty years, demonstrated the value and safety of a true credit-note system.

The capital of that bank was $35,000,000, and it could issue currency of an equal amount, and yet if you will examine the record from the time this bank was incorporated until its governmental relations ceased in 1836, you will find that the amount of circulation never at any time exceeded $23,000,000, which is absolute proof that a true credit system does not involve inflation and adjusts itself automatically to the business of the country. I shall print a statement with my remarks, and anyone reading them will find by recurring to it that the note issues were just about the same as the deposits, showing that the habits of the people then were different in this country from what they are now. What safety or protection had they? This was the penalty imposed, that if the United States Bank refused at any time to redeem any of its notes in gold or silver it was taxed 12½ per cent until those notes were paid. The result was that the United States Bank always kept an amount of coin ample to protect all of its notes outstanding.

LIABILITIES.

Year.	Circulation.	Deposits.	Due to State banks.	Due to bankers and others in Europe.	Other liabilities.	Capital.
1817	$1,911,200	$11,233,021				$35,000,000
1818	8,339,448	12,279,207		$1,357,778		35,000,000
1819	6,563,750	5,792,869		1,434,022		35,000,000
1820	3,589,481	6,568,794		2,053,650		35,000,000
1821	4,567,053	7,894,985		2,053,074		35,000,000
1822	5,578,782	8,075,152		2,040,000		35,000,000
1823	4,361,058	7,622,340		1,292,710		35,000,000
1824	4,647,077	13,701,936		1,020,000		35,000,000
1825	6,068,394	12,033,364		2,407,282		35,000,000
1826	9,474,987	11,214,640		251,494		35,000,000
1827	8,549,409	14,320,186		280,056		35,000,000
1828	9,855,677	14,497,330	$1,697,401	1,467,806		35,000,000
1829	11,901,656	17,061,918		1,447,748		35,000,000
1830	12,924,145	16,045,782				35,000,000
1831	16,251,267	17,297,041	734,900			35,000,000
1832	21,355,724	22,761,434	1,951,103			35,000,000
1833	17,518,217	20,347,749	2,091,891			35,000,000
1834	19,208,379	10,838,555	1,522,124			35,000,000
1835	17,339,797	11,756,905	3,119,172			35,000,000
1836	23,076,422	5,061,456	2,660,694			35,000,000
1837	11,447,968	2,332,409	2,284,598	6,926,364		35,000,000
1838	6,768,067	2,616,713	4,957,291	12,492,034	$7,987,434	35,000,000
1839	5,982,621	6,779,394	3,061,895	12,770,000	9,260,351	35,000,000
1840	6,695,861	3,338,521	4,155,366	4,971,619	8,119,468	35,000,000

The Bank of the United States had branches in the following cities, whose populations were as follows:

Population of certain cities in the United States in 1830.

[From the report of the Fifth Census of the United States.]

Cities.	Population.	Cities.	Population.
Baltimore, Md	80,620	New York, N. Y	197,112
Boston, Mass	61,392	Norfolk, Va	9,814
Buffalo, N. Y	8,668	Philadelphia, Pa	80,462
Burlington, Vt	3,525	Pittsburg, Pa	12,568
Charleston, S. C	30,289	Portland, Me	12,598
Chillicothe, Ohio	2,846	Portsmouth, N. H	8,026
Cincinnati, Ohio	24,831	Providence, R. I	16,833
Fayetteville, N. C	2,868	Richmond, Va	16,060
Hartford, Conn	7,074	St. Louis County, Mo. (including St. Louis)	14,125
Lexington, Ky	6,026	Chatham County, Ga. (including Savannah)	14,127
Louisville, Ky	10,341	Utica, N. Y	8,323
Mobile, Ala	3,194	Washington, D. C	[a]18,826
Nashville, Tenn	5,566		
Natchez, Miss	2,789		
New Orleans, La. (including suburbs)	45,999		

[a] Total population in the present Territory of the District of Columbia 30,261.

We had in the State of Indiana also a bank known as the State Bank of Indiana, incorporated in 1834, founded upon sound principles, largely those of the United States Bank, which had a capital at one time of $2,500,000. It could issue an amount of currency double its capital. What were the requirements insuring the safety of its note issues? A 20 per cent coin reserve, and if it failed to redeem its notes in coin they were taxed 12½ per cent upon the notes so delinquent. This bank continued from 1834 to 1854, and very soon afterwards the Bank of the State of Indiana was incorporated to succeed to the rights, privileges, and good will of the State Bank of Indiana and continued until the breaking out of the civil war, when the branches of that bank were converted into national banks; and no person who ever held a bank note either of the State Bank of Indiana or of the Bank of the State of Indiana ever lost a cent because he was a note holder or because he was a depositor of either institution.

State Bank of Indiana.

	1835.	1840.	1845.	1850.	1855.
RESOURCES.					
Loans and discounts	$1,434,790	$2,912,619	$1,830,181	$1,709,935	$1,024,648
Bills of exchange	376,175	704,628	1,197,435	2,414,951	3,654,132
Real estate, etc	19,510	204,805	348,169	364,233	177,825
Due from other banks	759,660	335,505	638,639	598,014	929,425
Notes of other banks	572,073	195,724	84,188	355,535	292,736
Other securities		1,092,963	663,133	224,842	238,203
Specie	797,811	1,022,963	1,079,368	1,197,880	1,223,199
LIABILITIES.					
Capital stock	1,199,778	2,690,000	2,878,894	2,082,950	2,150,107
Surplus	170,000	275,839	375,239	750,678	1,228,301
Public deposits	1,124,007	79,227			
Individual deposits	379,543	309,248	359,265	556,432	599,177
Due other banks	23,415	154,423	45,656	112,175	120,666
Circulation	1,534,020	2,835,902	3,667,495	3,548,267	3,397,251

Bank of the State of Indiana.

	1858.	1859.	1860.	1862.	1864.[a]
RESOURCES.					
Loans and exchange	$5,154,548	$6,213,659	$7,790,315	$3,857,428	$4,118,658
Real estate, etc	257,035	316,930	263,949	241,210	169,315
Due from other banks	982,731	716,631	1,152,119	1,342,104	763,209
Other securities				407,218	930,839
Bills of other banks[b]	338,189	264,964	217,429	1,233,122	1,258,501
Specie	1,685,894	1,411,500	1,917,368	3,472,369	1,417,957
LIABILITIES.					
Capital stock	2,486,259	2,988,431	3,323,850	3,354,200	2,775,000
Surplus	348,382	553,259	738,905	1,005,852	1,345,663
Due other banks	146,750	81,663	45,991	260,000	91,241
Deposits	986,468	834,188	1,186,870	2,033,795	2,755,688
Circulation	4,502,348	4,303,286	5,753,610	4,975,332	1,501,865

[a] Before the reports of 1864 were made most of the branches had been converted into national banks, and others were preparing for the conversion. All but three became national banks.

[b] Includes United States notes.

I shall include in my remarks also a statement of these banks from 1835 down to 1865; and if the members of the House shall take occasion to read my remarks I wish them to go over this statement of these banks, in which you will find that, although they could issue an amount of currency double the capital, the capital stock in 1835 was $1,199,000, but that the note circulation at the same time was only $1,500,000, and in 1840 the capital was $2,600,000, but the note issues were only $2,835,000. And so on down through the successive years. During all these years you will find by recurring to this statement that the deposits were very low indeed. Even when the notes were $4,303,000, in 1859, the deposits were only $834,000.

I want to call your attention now to a bank in the State of Ohio, founded upon the same principles and following the charter of the Bank of Indiana. A man by the name of Alfred Kelley, who had won distinction as a wise legislator in that State, proposed to the people a charter for a bank in order that they might extricate themselves from the misfortunes that had followed in the wake of the great panic of 1837. The Bank of the State of Ohio was organized in 1843. The characteristics of its charter were these: It could issue 150 per cent of currency; that is, $150,000 for every $100,000 unless the capital was very large, and then it was reduced down in some instances as low as 25 per cent upon the upper part of the capital; that is, on $2,000,000 the last hundred thousand would have less of circulation than the first one hundred thousand. The charter of this bank provided for a safety fund of 10 per cent. It also increased the reserve to 30 per cent, requiring that all of it should be equal to gold and silver coin and that at least half of it be actually in gold and silver coin. No man who ever held a note of the Bank of the State of Ohio ever lost one cent.

When the great Ohio Life and Trust Company, of Cincinnati, failed in 1857, bringing a crash all over this country, this splendid bank of the State of Ohio did not suspend. No man lost a dollar through it; while all, or nearly all, of the rest of the banks of the State of Ohio suspended, and most of them failed.

Another State of the Union, the State of Iowa, had a banking system that was founded undoubtedly upon the Ohio and Indiana charters. It went a step further, and you can find the traces of our national system in this Iowa charter. The bank legislation in Iowa was an evolution. In the first history of that State they provided that no corporation should have banking powers, and they further provided that if any man engaged in the banking business he should be fined a thousand dollars and be put in

jail for one year. Subsequently under the new constitution of 1857, they provided that the people might vote upon the question of a bank charter, and when the legislature met and prepared a charter, the people voted upon that question, and the result was the incorporation of the State Bank of Iowa. It was allowed to have 30 branches.

Now, what were the principles upon which this bank was founded? First, the stockholders were to be subject to a double liability. Second, the notes were to be a first lien upon the assets of the bank. Third, they could issue notes to twice the amount of capital. The capital must be paid up in gold and silver. Fourth, they must have a safety fund of 12½ per cent in United States or State stock. Fifth, the reserve against both the notes and the deposits of this bank were to be 25 per cent in coin. So you had there an almost perfect banking charter. What was the result? No man who ever held a bank note of the State Bank of Iowa lost a dollar, nor did any depositor ever lose anything. This bank continued, Mr. Chairman, until practically all of its principles were incorporated into the national-banking system, and through its branches it passed over into the national-banking system. I shall incorporate in my remarks a statement of this model institution which was made January 2, 1865:

State Bank of Iowa, statement January 2, 1865.

ASSETS.

Location of branches.	Safety funds.	Specie.	Notes of other banks.	Due from other banks.	Loans and discounts.	United States and State bonds.	Other items.
Burlington	$35,500	$77,526	$243,654	$139,525	$470,432	$19,100	$3,454
Council Bluffs	68,000	6,333	25,520	64,148	59,664	1,824	11,192
Davenport	25,000	3,284	217,401	58,147	166,490	54,600	11,376
Des Moines	19,500	36,731	66,646	4,735	173,894	10,000	1,986
Dubuque	36,305	71,806	102,817	84,345	427,826	115,956	20,408
Fort Madison	19,000	16,674	38,433	7,577	60,272	3,588	20,021
Iowa City	13,000	8,775	112,415	37,153	128,823	27,881	2,818
Keokuk	20,000	38,288	71,835	41,353	169,090	40,278	2,871
Lyons City	12,500	33,678	47,487	68,223	86,037	8,200	5,227
Maquoketa	7,700	15,543	46,747	27,200	30,603	1,687	4,221
McGregor	7,000	4,934	8,007	.....	58,981	1,050	84
Mount Pleasant	12,000	23,526	123,446	13,383	175,677	31,287	10,993
Muscatine	11,000	19,754	73,373	55,000	158,955	7,022	16,094
Oskaloosa	12,000	22,270	31,006	21,029	108,734	.....	6,833
Washington	10,400	10,674	91,688	46,686	192,877	38,700	5,260
Total	308,905	389,802	1,300,481	668,511	2,468,362	361,182	122,844

LIABILITIES.

Location of branches.	Capital.	Circulation.	Due other banks.	Due to depositors.	Other items.	Total liabilities.
Burlington	$150,000	$266,940	$1,265	$552,177	$18,810	$989,193
Council Bluffs	50,000	97,904	113	57,135	31,530	236,683
Davenport	60,000	1,785	5,454	452,751	16,308	536,299
Des Moines	78,000	140,035	1,404	83,369	10,684	313,493
Dubuque	150,000	283,837	9,148	361,474	55,005	859,465
Fort Madison	77,000	68,886	187	19,493	.....	165,566
Iowa City	70,000	32,276	479	214,772	13,348	330,875
Keokuk	80,000	132,477	1,233	156,232	13,773	383,717
Lyons City	50,000	86,586	1,501	111,758	11,509	261,355
Maquoketa	25,000	30,640	46	73,339	4,679	133,705
McGregor	50,000	19,484	296	4,009	6,268	80,058
Mount Pleasant	50,000	90,390	1,616	212,738	35,569	390,314
Muscatine	58,200	64,390	12,069	199,816	6,722	341,199
Oskaloosa	50,000	81,131	.....	64,355	6,388	201,875
Washington	50,000	43,003	110	288,037	15,136	396,286
Total	1,048,200	1,439,764	34,929	2,851,462	245,735	5,620,091

Lastly, I want to call your attention to a different condition in New England from any that I have yet cited. It was a condition where, not as one bank in Ohio, one bank in Indiana, and one bank in Iowa had the issue, but where there were 300 banks in 1840, with different charters, in different States, under different conditions, and with no common supervision. These banks conducted a business upon sound principles, and just because of one single fact. That was the compulsory redemption of their notes in Boston in coin at the Suffolk Bank. Now, there were, as I have said, 300 of these banks. Forty-six of them had less than $50,000 capital, 3 of them had only $25,000 capital; and so these banks, scattered all over that country, without railroads, without any uniform law, conducted a banking business that was one of the best that the world has ever known. Their issues ran all the way from 200 per cent down to 20 per cent of the capital, according to the conditions that were imposed in the various States at various times from 1820 to 1865.

I want to call your attention now to some of the features of this wonderful system, this natural evolution of a practically perfect banking system under conditions vastly more difficult than those now prevailing throughout the United States.

In 1840, when the entire capital of the New England banks was $61,000,000 and the permissive issue was $70,000,000, the notes of the banks were only $16,000,000. In 1850, when the whole capital of the banks had reached $65,000,000 and the permissive issue was $75,000,000, the actual issue was only $31,000,000. In 1860, while the banking capital had reached $125,000,000 and the permissive issue was $131,000,000, the banks had out only $47,000,000.

Those who may desire to investigate this subject and recur to my remarks will find certain detailed statements which prove and illustrate the principle laid down by Ricardo, to which I have already alluded.

The territorial distribution of the banks is worthy of attention. They were widely scattered throughout the whole area of the six New England States and were subject to but slight supervision or control.

The following table indicates the distribution of the New England banks, according to size, about 1840:

	$50,000 or less.		Over $50,000; less than $100,000.		$100,000.	
	No.	Amount.	No.	Amount.	No.	Amount.
Maine (January, 1841)	22	$1,099,000	6	$445,000	11	$1,100,000
New Hampshire (June, 1840)	2	100,000	3	185,000	16	1,600,000
Vermont (October, 1839)	6	280,000	8	562,770	2	200,000
Massachusetts (October, 1840)	.....	.....	.....	.....	39	3,900,000
Rhode Island (December, 1840)	15	601,480	14	1,006,510	6	600,000
Connecticut (March, 1840)	1	40,000	7	479,580	1	100,000
Total	[a]46	2,120,480	38	2,678,860	75	7,500,000

	Over $100,000; less than $300,000.		$300,000 or over.		Total.	
	No.	Amount.	No.	Amount.	No.	Amount.
Maine (January, 1841)	6	$1,027,500	2	$700,000	47	$4,371,500
New Hampshire (June, 1840)	5	652,508	1	300,000	27	2,837,508
Vermont (October, 1839)	2	255,000	.....	.....	18	1,297,770
Massachusetts (October, 1840)	42	7,740,000	34	22,110,000	115	33,750,000
Rhode Island (December, 1840	14	2,218,950	13	5,548,275	62	9,975,215
Connecticut (March, 1840)	12	2,233,115	10	6,025,550	31	8,878,245
Total	81	14,147,073	60	34,683,825	300	61,110,238

[a] Of these 46 banks, 7 are of less than $40,000 capital, 3 of them being $25,000 or less.

The maximum limit to circulation was, in the early days of the New England banks, established by the State legislatures in the case of each individual bank and varied widely not only from State to State, but also among the different charters in the same State. The differences between charters granted in the same State had, however, for the most part, been done away with before 1840, and between 1840 and 1860 the relation between circulation and capital was fixed in the New England States as represented in the annexed table:

	Per cent of capital.
Massachusetts	125
Vermont, after 1840	200
New Hampshire	[a]100
Maine, to 1846:	
Banks with a capital of $50,000 or less	100
Banks with a capital of from $50,000 to $150,000	75
Banks with a capital of more than $150,000	66⅔
Maine, after 1846	[b]50
Connecticut, before 1855	150
Connecticut, 1855–1858	125
Connecticut, after 1858	75
Rhode Island:	
Banks with capital of $50,000 or less	75
Banks with capital of $50,000 to $120,000	65
Banks with capital of $400,000 to $500,000	20
Rhode Island, after 1859	65

[a] Less loans on pledge of the bank's stock.
[b] Plus specie held.

Actual circulation compared with circulation permitted.

1840.

State.	Number of banks.	Capital.	Actual circulation.	Circulation permitted.
Massachusetts	115	$33,750,000	$9,112,882	$42,187,000
Rhode Island	62	9,880,500	1,719,230	5,000,000
Connecticut	31	8,806,204	2,325,589	13,209,000
Maine	49	4,671,500	1,224,658	3,500,000
New Hampshire	27	2,837,508	1,088,750	2,837,000
Vermont	17	1,196,770	1,099,784	3,590,000
Total	301	61,142,482	16,570,893	70,323,000

Actual circulation compared with circulation permitted—Continued.

1850.

State.	Number of banks.	Capital.	Actual circulation.	Circulation permitted.
Massachusetts	126	$36,925,050	$17,005,826	$46,156,000
Rhode Island	63	11,716,337	2,553,865	6,000,000
Connecticut	37	9,152,801	4,888,029	13,729,000
Maine	32	3,248,000	2,654,208	3,050,000
New Hampshire	22	2,203,950	1,751,096	2,203,000
Vermont	27	2,197,240	2,856,027	4,395,000
Total	307	65,443,378	31,709,051	75,533,000

Actual circulation compared with circulation permitted—Continued.

1860.

State.	Number of banks.	Capital.	Actual circulation.	Circulation permitted.
Massachusetts	178	$66,482,050	$25,012,745	$83,102,000
Rhode Island	91	20,835,569	3,558,295	13,562,000
Connecticut	74	21,606,997	7,702,436	16,205,000
Maine	68	7,506,890	4,149,718	5,765,000
New Hampshire	51	4,981,000	3,332,010	4,981,000
Vermont	44	3,872,642	3,784,673	7,745,000
Total	506	125,315,148	47,539,877	131,310,000

Statement showing condition of banks in the six New England States for years 1840–1860, as near to January 1 in each year as may be.

Year.	Number of banks.	Capital.	Circulation.	Deposits.	Due to other banks.[a]	Loans and discounts.	Due from other banks.	Specie.	Notes of other banks.
1840	306	$62,212,311	$16,461,947	$7,943,127	$3,174,180	$80,832,718	$5,883,718	$3,270,838	$2,367,809
1841	299	60,805,718	17,406,407	10,783,948	4,908,263	81,584,545	7,810,599	4,357,311	2,963,410
1842	290	59,542,546	18,106,582	10,340,173	5,215,637	81,769,111	6,999,410	4,353,604	3,136,251
1843	288	58,532,793	14,827,256	9,131,070	4,017,875	76,257,474	5,692,143	3,872,914	2,677,467
1844	270	56,113,451	19,406,979	15,143,972	9,414,703	75,774,234	12,746,274	8,597,775	3,184,919
1845	267	54,548,453	23,362,491	17,532,915	5,956,697	83,802,157	9,408,723	5,789,888	3,376,875
1846	266	55,233,762	26,316,986	17,231,601	6,137,670	89,492,708	8,996,953	4,574,711	4,044,205
1847	267	56,220,224	26,742,517	14,625,398	6,343,520	88,996,063	9,289,696	4,275,200	3,800,790
1848	274	57,909,527	31,574,918	16,220,799	8,478,578	97,453,503	10,401,109	5,520,670	4,431,228
1849	283	59,664,973	25,374,539	12,725,743	5,036,392	92,849,374	6,733,125	4,161,519	3,231,422
1850	300	62,861,393	29,833,015	15,487,144	5,849,508	99,874,402	8,397,447	4,280,988	4,835,194
1851	307	65,521,828	31,793,891	17,207,508	7,502,065	107,815,760	9,528,449	4,614,856	5,213,262
1852	349	69,495,829	38,572,122	21,915,416	8,734,031	122,173,852	11,895,525	4,524,784	7,638,000
1853	363	80,192,703	44,378,844	23,876,166	10,341,742	138,793,766	12,337,931	6,098,444	7,119,166
1854	411	92,769,405	54,839,335	28,777,711	10,823,726	162,850,048	14,652,108	6,799,866	9,728,348
1855	445	103,354,035	49,468,005	29,423,910	9,110,943	168,931,215	14,894,105	6,349,431	7,338,808
1856	495	112,151,077	50,088,971	32,255,039	8,139,334	180,218,629	15,002,415	6,992,746	6,832,780
1857	510	115,621,933	54,946,690	35,118,876	7,455,964	192,347,654	14,523,141	7,383,641	7,528,899
1858	499	118,255,605	36,207,518	27,647,671	6,593,838	171,586,923	12,149,099	6,177,753	6,045,985
1859	499	120,185,431	41,745,911	43,312,232	10,296,322	181,049,755	16,743,496	13,848,201	6,548,981
1860	504	123,563,069	44,653,095	41,208,190	9,247,621	192,848,894	14,220,811	10,058,995	7,073,555

[a] Exclusive of New Hampshire.

I will not detain this committee to speak of other institutions in the United States—certain banks of Virginia, of Georgia, of North Carolina, of Missouri, and Louisiana. I might, however, allude, and I do with a degree of great satisfaction, to the Wisconsin Marine and Fire Insurance Company, of which George Smith, a young Scotchman, and Alexander Mitchell, another young Scotchman, were, respectively, the president and secretary. Finding in this insurance charter a clause that allowed it to issue due bills, they began to issue its I O U's, and they continued many years doing business upon the banking principles then obtaining in Scotland, keeping a proper reserve and redeeming their notes in coin. The notes amounted at one time to $1,470,235 and traveled all over the Western country, and were known as George Smith's notes, always redeemable in coin, always good as gold, always selling at par or a premium wherever they might be found. It was simply an application of the principle I announced at the outset, a requisite reserve for a current coin redemption.

Now, what does the measure before this committee provide? It provides simply for the issue of credit currency amounting to 25 per cent of the paid-up capital of the national banks. What is the security required? We provide a 5 per cent guarantee fund in the first instance in United States bonds or United States notes or gold coin, or all combined. Next we provide that the banks shall pay each half year one-quarter of 1 per cent, or a total of one-half of 1 per cent each year, into this guarantee fund. Lastly we make the notes a first lien upon all the assets. Now, of the respective banks of issue, let me discuss for a moment or two the question of the safety of these notes.

I know that the first inquiry that will and ought to come from any member who has not studied this subject is, Are these notes safe beyond question? Let us see. Last year I asked the Comptroller of the Currency to take the national-bank system from its foundation in 1863 and eliminate every Government bond that had been deposited to secure the notes where the banks had failed, and then, making the notes a first lien upon the assets of the banks, estimate how much of a tax imposed upon all the outstanding notes would pay the notes not redeemed out of the assets. What was the result? It was estimated that if every dollar invested in Government bonds to secure the notes of the failed banks had been lost, and the notes had been a first lieu upon the assets of the bank, it would have taken a tax on all the notes outstanding of only eight one-thousandths of 1 per cent to pay the notes remaining unredeemed. In other words, this 5 per cent guaranty fund that we have proposed would last six hundred and twenty-five years, and the half per cent tax that we propose shall be paid each year will last sixty-two and one-half years. Is there any question about the safety of those notes? But it may be urged that the notes should not be a first lien. Allow me to call your attention to the tendency of legislation in this particular.

Mr. Horace White says that the first instance he discovered that notes were made a first lien on the assets of a bank was in Connecticut, where, in 1833, this distinction was made, that all notes of $100 or less should be a first lien on the assets of a bank, evidently with the view of protecting the poor. Subsequently the State of New York placed in its constitution of 1846 this clause:

> In case of the insolvency of any bank or banking institution, the bill holder thereof shall be entitled to preference in payment over all other creditors of such bank or association.

Massachusetts soon followed with the same kind of a provision. Then Iowa came, giving the note holder a first lien. Our national banking act followed the Iowa law almost without exception, including this particular feature.

Now, under the Scotch law the note holder has this advantage, that the stockholder is subject to unlimited liability if the bank was chartered under the joint stock act. The Canadian law gives the bill holder a first lien on the assets. The same rule obtains in Australasia. The reason for the prevalence of the rule is that we want a bank note that goes out to take the place of gold to be as good as gold or its equivalent. We want a bank note to perform a quasi-public function. It can not go out with an interrogation point behind it. Although it is not a legal tender, to all intents and purposes the public are morally bound to accept it; therefore it must be unquestioned.

Now, if we have such a note, the tendency is that it will remain out instead of returning to the issuer. Therefore this bill provides a system of redemption to facilitate the frequent and certain redemption of these notes. Let me say here that I am one of those who believe that currency must be redeemed as well as issued; that there is no true elasticity that does not work both ways. While the notes expand, they must also correspondingly contract, always adapting themselves naturally and automatically to the needs of the business.

Now, what is a credit note? A credit note does not differ in the slightest degree from the check of a private individual against his deposit, so far as the bank is concerned. Just follow me for a moment. If any man goes to a bank and borrows a thousand dollars, the bank loaning him the money will not care whether he deposits it and then draws checks against it or whether he asks the bank to give him a draft on a distant city, or asks the bank to certify his check, or the bank simply gives him the bank note, which is the cashier's check. They are similar in all respects, so far as the bank is concerned, differing only in this, that being used for quasi-public purposes we desire to make them safe beyond question—safe without reference to the particular bank issuing them—so that any man will take them without hesitation. They are for public use. It is for the public welfare and the public convenience that they should be safe beyond all peradventure.

Now, to impress upon you that there is not the slightest difference

in principle between a deposit check, a draft, a certified check, a cashier's check, and a bank note, let me remind you that for one hundred and forty years there was no such thing in Scotland as a deposit subject to check. The banks and the public merely exchanged notes. The one, being well known, would pass freely everywhere, while the other, being very little known or absolutely unknown, had no currency value. In time the deposit system grew up, and now most of the business in Scotland is transacted by check against deposits. But in France the note system still dominates the issue, amounting to more than $800,000,000, while the deposits at the Bank of France are only about $150,000,000.

I desire to call your attention to the fact also that in the early history of this country our banks which were properly organized had note issues largely in excess of their deposits subject to check. So that it is wholly immaterial whether the credit is in the form of notes in circulation or checks in circulation. Both are forms of bank credit, only differing and made to differ because we make the bank note safe beyond peradventure on the ground of public policy.

Now, I want to add this one observation—that a bank note is the poor man's check. Every wealthy man who has a large account and doing a large business does it by a deposit in the bank and issuing checks against it, while the people of moderate means or very meager means use the bank note instead; at least this should be so. As an illustration of this you have the demand for bank notes in the fall to move the crops, pay the help, buy the provisions, and buy the clothing for the family. Therefore I say that the people who are producers of this country should have as cheap a tool of industry as the rich man, whose great account is never subjected to any burden in the form of a tax.

I have heard it urged since this bill has been under consideration in this House that these notes when once out would collect in the centers and cause speculation. Now, let me call your attention to this observation and remind you that these notes are themselves not a legal tender; they can not be used as a reserve; therefore when the banker in the commercial center receives these notes he will at once send them for redemption. Why, sir, when a man borrows for speculative purposes he never takes away gold certificates, United States notes, or silver, or bank notes; he has a credit given him, and he checks against it. No man ever carried out a financial transaction of importance in actual money. Again, if a bank in a great financial center should receive $100,000 of these notes it would not use the notes, because by cashing them it gets the legal reserve of $100,000 and can then loan four times their face value. Therefore whenever these notes come to a financial center they will be returned to the bank of issue at once for redemption.

There are those who think that there should be a 5 per cent tax imposed on these notes in order that their retirement may be insured. Now, let me ask your attention from various points of view to this question of a tax.

In the first place, the theory of the man who would impose a 5 per cent tax is that the notes would never go out until there was trouble. Sir, do you think that any banker would take the chance of paying 5 per cent on deposits, as he would be doing by paying a 5 per cent tax on these notes, while his neighbor banker could say: "That bank must be hard up, because it is paying 5 per cent on deposits?" In other words, when a bank issued a note subject to a tax of 5 per cent it would be a danger signal to every man doing business with that bank; so that, instead of being a remedy for the evil, such a system would precipitate disaster.

Again, a 5 per cent tax is nothing more nor less than a 5 per cent burden placed upon the producers of this country, for in the long run the borrower must pay the tax.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. FOWLER. I ask unanimous consent to continue for a few minutes longer, until I have finished.

The CHAIRMAN. The gentleman from New Jersey asks consent to conclude his remarks. Is there objection? The Chair hears none, and it is so ordered.

Mr. FOWLER. Again, why would it retard redemption, as it necessarily would? Because if one banker received the notes of another banker which were subject to a 5 per cent tax, he would not return those notes to the issuing bank and put his own out, since he could make no profit on the notes upon which he must pay a 5 per cent tax. Therefore the very object which is sought by the imposition of a tax, namely, the return of the notes, would be defeated, from the very fact that they would not be returned, because there would be no profit to the man who held them to put out his own notes in their stead.

Now, we should have a credit currency in this country for another reason, and that a most important one. That reason is this: That when a commercial crisis approaches, we should have a currency in this country that would automatically take the place of credit subject to check. All experience shows that in times of financial danger financial disaster is averted by having a currency system that will transplant to a great degree the check system. When we have grown in business and expanded our credit we have greatly increased deposits subject to check: and whenever a crisis comes, the bank credit in the form of deposits subject to check goes down, and there is a corresponding demand for actual cash. We want a system by which we may when necessary pass at once from deposits subject to check to credit notes which will take the place of deposits subject to check.

Lastly, I want to call attention to another important fact—that a credit-note system will very perceptibly lower the interest rates throughout the United States. I do not know to what extent a perfect credit system would lower the rate of interest, but I believe that while we have an average interest rate to-day of 6 per cent throughout the United States, the average rate, with a true credit currency, would not exceed 4½ at the outside, or 5 per cent. When we enter into a contest with the rest of the world to compete for or control the markets of the world, the manufacturers and producers in the United States who are paying 6 per cent for their money are not on even terms with their competitors abroad who can get their money for 2½ and 3 per cent. And there is nothing more essential to the success of the American manufacturer and producer in the markets of the world than a lower rate of interest.

Now, what amount of note issue would this bill bring to the country? It provides for an issue of 25 per cent, which, at a maximum, would give $178,000,000. But the bill provides that all of those notes outstanding above 75 per cent of the bank capital may be retired without regard to the limit of $3,000,000 per month. Therefore there would be probably an immediate retirement of $39,000,000, bringing the maximum down to $139,451,653. I shall include in my remarks at this point a statement showing the amount of capital in central reserve cities, in reserve cities, and in the country banks, which shows that the central reserve cities of the United States have 46 per cent of their capital represented in notes, that the reserve cities have 38 per cent represented in notes, and that the country banks have 50 per cent of their capital represented in notes.

[From report of condition November 25, 1902.]

	Capital.	Surplus.	Undivided profits.	Circulating notes.			Percentage of notes outstanding to capital.
				Issued.	On hand.	Outstanding.	
Central reserve cities[a]	$132,160,000	$87,030,000.00	$49,570,746.00	$62,045,050	$653,157.50	$61,391,892.50	46.46
Reserve cities[b]	165,370,260	93,285,794.94	36,961,791.11	65,435,300	1,058,933.00	64,376,367.00	38.93
Country banks	417,086,093	155,447,935.44	95,191,235.18	213,114,425	2,373,691.00	210,740,734.00	50.53
Total	714,616,353	335,763,730.38	181,723,772.29	340,591,775	4,085,781.50	336,505,993.50	

[a] New York, Chicago, and St. Louis.

[b] Boston, Albany, Brooklyn, Philadelphia, Pittsburg, Baltimore, Washington, D. C., Savannah, New Orleans, Louisville, Houston, Cincinnati, Cleveland, Columbus, Indianapolis, Detroit, Milwaukee, Des Moines, St. Paul, Minneapolis, Kansas City, Kans., Kansas City, Mo., St. Joseph, Lincoln, Omaha, Denver, San Francisco, Los Angeles, and Portland, Oreg.

For the benefit of the members of the committee I shall add to my remarks a reprint of the bill, with such amendments in italics as the committee are going to offer at the proper time upon the reading of the bill.

Now, if there is anyone who desires to ask a question, I should be glad to answer it.

Mr. SHALLENBERGER. Mr. Chairman, I should like to ask the gentleman to state to the House the number of banks of issue that are now in operation in Canada.

Mr. FOWLER. Thirty-four.

Mr. SHALLENBERGER. And the number in operation in Scotland.

Mr. FOWLER. Eleven.

Mr. SHALLENBERGER. How many would there be in oper-

ation in this country under the gentleman's bill at the present time?

Mr. FOWLER. On November 25, 1902, there were 4,666.

Mr. SHALLENBERGER. How many would be possible in the future under the bill under consideration?

Mr. FOWLER. Any bank that might organize under the national-bank act could take out notes for circulation.

Mr. SHALLENBERGER. Does the gentleman know of any country that has a banking system similar to this intended here—that is, a credit system, and which allows the circulation of gold and silver and Government notes side by side as legal-tender money—which requires that banks of issue must redeem their notes specifically in gold?

Mr. FOWLER. I want to say, by way of anticipating the gentleman's question, that the amendments which the committee shall offer provide, among other things, that the banks may redeem the notes over their own counters in lawful money and at redemption cities in the United States notes or gold coin.

Mr. SHALLENBERGER. Does the gentleman know of any country that has a system similar to this where the profit to be derived from the issue of notes accrues to the bank and the Government itself guarantees redemption of notes without any cost whatever to the bank in case the bank repudiates the payment?

Mr. FOWLER. The Government does not guarantee payment of these notes.

Mr. SHALLENBERGER. Where the Government does guarantee payment, as practically done in this bill?

Mr. FOWLER. I beg the gentleman's pardon. I do not think the bill can be construed into anything else than a trusteeship for the fund the banks pay to the Government.

Mr. SCOTT. Mr. Chairman, I would like to ask the gentleman a question which refers, perhaps, to a matter of detail in administration, and which is suggested by the provisions contained in sections 10 and 11. These sections provide or designate New York, Chicago, and San Francisco as redemption cities, and set out that a bank which desires to designate New York as its redemption city shall be in that redemption district, that those redeeming in Chicago shall be in the Chicago redemption district, and so on. Then section 11 provides that if any national bank shall receive such circulating notes of any other national bank located outside of its own district, it shall not pay them out over its own counter. What I desire to inquire is, in the absence of any description here defining in a geographical way the redemption districts, how will any national bank which receives notes of another bank know the redemption district of the latter bank?

Mr. FOWLER. The Comptroller of the Currency in the first place approves of the selection of the redemption city, and when that bank receives its notes those notes will have in large figures "1," "2," and "3" printed on the face of them so that the notes will be known at sight, or there might be some other indication. That would be my suggestion, but that is a mere matter of detail.

Mr. SCOTT. And a bank in Boston, for example, may designate San Francisco as its redemption city?

Mr. FOWLER. I suppose it could select that if the Comptroller approved, but I do not think an intelligent Comptroller would approve.

Mr. SCOTT. Then it rests upon the approval of the Comptroller?

Mr. FOWLER. Yes; and I think the student of what we call the credit movement would conclude that the business of the South, for instance, would naturally move to New York, that New York and all the New England banks would furnish their credit notes to the South, and then if it were found that the credits of a town out in western Ohio moved to Chicago, those banks would clear in Chicago.

Mr. SCOTT. It merely occurred to me that in the absence of a geographical division there might be some confusion.

Mr. FOWLER. That would all be under the direction of the Comptroller of the Currency.

Mr. LACEY. I understood the gentleman to state in answer to a question from a gentleman on this side of the Chamber that the Government assumed no responsibility, that it was a mere trustee.

Mr. FOWLER. Yes, sir.

Mr. LACEY. Is not the gentleman mistaken in that? Section 5 provides that such notes shall be receivable for all public dues except duties on imports. If the Government has to receive these notes for internal revenue and other obligations to the Government, is there not a system of redemption absolutely?

Mr. FOWLER. Read the balance of it.

Mr. LACEY. And when so received shall be paid out again?

Mr. FOWLER. Yes.

Mr. LACEY. But who would take them again, if they were on a broken bank?

Mr. FOWLER. Why, the guaranty fund will last six hundred and twenty-five years, and I think anybody would be willing to take them.

Mr. LACEY. I am going on the supposition now that the Government assumes no liability. If the Government receives broken bank notes and for some reason the assets should be inadequate, the Government would not exercise its power forcibly to pay these notes out again.

Mr. FOWLER. It could seize the assets.

Mr. LACEY. Consequently the Government would have to redeem them without any way of recouping itself except out of the guaranty fund.

Mr. FOWLER. First, out of the assets of the bank, of which it always takes charge upon failure, or, if the bank did not have sufficient assets, the Government would simply transfer from the guaranty fund to its own account the amount of the notes.

Mr. LACEY. But in the first instance the Government has to take the risk.

Mr. FOWLER. I do not think it would be any risk to take a note which is redeemable from a fund that, according to the experience of the national banking system, would last six hundred and twenty-five years, and especially so when the Government itself was in possession of the fund and in charge of the bank at the time of its failure.

Mr. COCHRAN. I should like to ask the gentleman one question. He stated that the issues of the provincial banks of Great Britain, so called, are convertible at the option of the note holder into gold.

Mr. FOWLER. I did not mention the provincial banks of Great Britain.

Mr. COCHRAN. So called—the Scotch banks.

Mr. FOWLER. Oh, those; yes.

Mr. COCHRAN. And that is the designation of them in English writings. I believe you said that they were redeemable in gold.

Mr. FOWLER. Yes.

Mr. COCHRAN. I will ask you if the reserves of the provincial banks, as I call them and as English writers call them, may not be kept in Bank of England notes?

Mr. FOWLER. Which are redeemable in gold.

Mr. COCHRAN. Certainly; but I ask you that question.

Mr. FOWLER. Yes.

Mr. COCHRAN. Then they can be redeemed in Bank of England notes.

Mr. FOWLER. Yes; so long as the Bank of England redeems its notes in gold coin, and only so long. That makes them gold certificates to all intents and purposes.

Mr. COCHRAN. In other words, the Bank of England notes are available for the reserve of the other banks in England, are they not?

Mr. FOWLER. So long as the Bank of England redeems them in gold coin.

Mr. COCHRAN. And is it not true that in the economy of Great Britain, both as to legal tender and as to the bank reserves, the Bank of England note cuts precisely the figure that the greenback does in the United States?

Mr. FOWLER. I presume so, with this exception, that there the condition follows, so long as the Bank of England redeems its notes in gold coin.

Mr. COCHRAN. Is it not absolutely true that in Germany, France, Great Britain, Austria, Italy, Belgium, and Holland the issues of the imperial banks of those great countries are a legal tender for all debts?

Mr. FOWLER. The notes of the Bank of France are a legal tender so long as the bank redeems them in gold coin, but the notes of the Imperial Bank of Germany are not a legal tender.

Mr. COCHRAN. The notes of the Bank of France are a legal tender for all debts, and the court of last resort has decided that a law enabling the contracting parties to provide for any other payment is against public policy, and therefore can not be enacted.

Mr. FOWLER. But the law provides that they shall be a legal tender only so long as they are redeemed by the Bank of France in gold coin.

Mr. COCHRAN. The law of France as to legal tender is that a debt is dischargeable in the money of the country current at the time of the maturity of the debt, and it has never been otherwise from the Revolution down to this time.

Mr. FOWLER. They were only made an absolute legal tender on two occasions, from 1848 to 1850, and from 1870 down to 1878. Those were the only occasions they were ever made an absolute legal tender in the history of the bank without reference to the current redemption in coin.

Mr. LEWIS of Georgia. Will the gentleman allow me to ask him a question?

Mr. FOWLER. Yes, sir.

Mr. LEWIS of Georgia. If the rate of interest to the bank were 5 per cent, or if the bank loaned the money at the rate of 5 per cent, what would be the profit to the bank issuing this currency?

Mr. FOWLER. Oh, approximately, I should say in the neighborhood of 3 per cent if the rates continued to remain at 5 per cent, but I am of the opinion that the rates would fall, so that the borrower would have the advantage of the untaxed currency and that the borrower would in the long run pay any tax that may be imposed on the circulation.

Mr. LEWIS of Georgia. Let me ask another question. What is the profit to the banks issuing the bonded currency if loaned at 5 per cent?

Mr. FOWLER. About three-fourths of 1 per cent if all of the notes are kept out all of the time.

Mr. LEWIS of Georgia. What is the surplus of all the national banks of the United States?

Mr. FOWLER. I can tell you in a moment.

Mr. LEWIS of Georgia. In the neighborhood—just in round numbers?

Mr. FOWLER. I think it is about four hundred millions. I am not positive about that.

Mr. HILL. On the 25th of November the surplus funds were $335,000,000.

Mr. LEWIS of Georgia. If the banks make 3 per cent profit on this asset currency, do you not believe that they will increase the capital up to the surplus, so as to be able to issue a greater amount of currency on a greater amount of capital, in order that they may make more profit, and would not that have the effect of weakening the banks?

Mr. FOWLER. It would not have that effect. Every dollar of surplus turned into capital would increase the stockholder's liability just that much, and so increase the strength of the banks.

Mr. HAUGEN. I notice that this bill provides for a deposit of 5 per cent as a guaranty fund?

Mr. FOWLER. Yes.

Mr. HAUGEN. And there is a tax of a half per cent per year, and in the event the guaranty fund falls below 3 per cent the Comptroller of the Currency may impose an extraordinary tax of 1 per cent, which will make a total of 6½ per cent interest. Do you contend part of the 6½ per cent is a guaranty for the redemption of all the outstanding notes of all the banks?

Mr. FOWLER. The bill provides that that extraordinary tax shall be returned to the bank that deposits it immediately upon its being recovered.

Mr. HAUGEN. What proportion of the 6½ per cent do you contend is the guaranty fund for the redemption of all the outstanding notes?

Mr. FOWLER. Well, if it fell to 3 per cent before they imposed the extraordinary tax there would not be 6½ per cent.

Mr. HAUGEN. We will leave out the 1 per cent and make it 5½ per cent. What portion of the 5½ per cent do you contend is a guaranty for the redemption of all outstanding notes?

Mr. FOWLER. The whole fund.

Mr. HAUGEN. The whole 5½ per cent?

Mr. FOWLER. Every penny of the amount.

Mr. HAUGEN. You provide in line 7 of section 3:

If said bank shall retire said circulation or any portion thereof an amount of bonds or gold coin, or both, equal to 5 per cent of the notes so retired shall be returned to said bank.

Mr. FOWLER. Certainly.

Mr. HAUGEN. Now, when a certain bank retires its notes, the general guaranty fund has been impaired; you make it mandatory on the Comptroller to refund the total 5 per cent to any bank retiring its notes.

Mr. FOWLER. They can restore their fund, and in retiring their notes they redeem a corresponding amount of liabilities from which the guaranty fund has been made up.

Mr. HAUGEN. You do not so provide.

Mr. HILL. They are paying in full the cash before they can redeem the notes.

Mr. HAUGEN. If I take out $25,000 in notes, I can demand $25,000. Notwithstanding the fact that the guaranty fund has been impaired and reduced to only 1 per cent, you make it mandatory on the Comptroller to pay me the whole amount deposited with the Treasurer.

Mr. FOWLER. On the surrender of your notes.

Mr. HAUGEN. Yes; on the surrender of my notes. And he must pay me out of the guaranty fund the total amount deposited, all of which is subject to my call and demand, which is true of any banker who has taken out notes.

Mr. FOWLER. I do not quite follow you in your statement.

Mr. HAUGEN. How is the 5 per cent fund to be maintained by the extraordinary tax of 1 per cent if it falls to 3 per cent?

Mr. FOWLER. By imposing a tax of 1 per cent the fund could be raised to 4 per cent that year, but could not be raised to 5 per cent until the next year, when another extraordinary tax could be imposed; but the fact is that the fund would never be below 5 per cent, as there was not one single year from 1863 down to 1902 when the tax necessary to pay the rates of the failed banks exceeded forty-eight one-thousandths of 1 per cent, or only one-tenth of the annual tax of one-half of 1 per cent.

Mr. HAUGEN. If it falls to 3 per cent, how can you refund 5 per cent?

Mr. FOWLER. Why, if you surrender your notes you are going out of this business, and if all the notes are surrendered, all the guaranty fund will disappear.

Mr. HAUGEN. It guarantees 5 per cent of the total amount paid in.

Mr. FOWLER. Of course.

Mr. LACEY. Will the gentleman permit me to ask him another question? In explanation to me a little while ago the gentleman stated that forty years' of experience had demonstrated that the loss would amount to a certain percentage, and this is a matter of security. Now, I want to know if the gentleman has taken into consideration the fact that in those forty-one years we based the circulation of $100 on an amount which was equal to $120 or $130, based on the value of the United States bonds, and also 10 per cent more on face value of bonds during a considerable period, and did it not give a security on every $100,000 of notes standing out, say, of $125,000 to $135,000, and the more circulation was out the more advantage it was to the creditors of the bank, and the circulation instead of being a liability became an actual asset, because of the surplus of security over all the issues?

Now, reversing that proposition, and instead of putting up $130 for every hundred they only put up $5 for every hundred and one-quarter of 1 per cent tax in addition to that, would not the gentleman take a different basis of computation? In other words, would forty-one years' experience, with $130 security on every hundred, be a correct basis with which to figure the next forty-one years with only 5 per cent security on each hundred dollars?

Mr. FOWLER. Now, is the gentleman through?

Mr. LACEY. Yes. I wanted the gentleman to say whether he had taken the two conflicting positions into consideration.

Mr. FOWLER. I think I will satisfy the gentleman.

According to a special report made by the Comptroller of the Currency, if all the United States bonds which were deposited with the Government from 1863 to 1901, inclusive, to secure the payment of the notes of the national banks which had failed had been lost, an average annual tax of only eight one-thousandths of 1 per cent upon the notes outstanding during that thirty-eight years would have paid all the notes of the failed banks that remained unredeemed.

Now, I think the bond proposition is pretty thoroughly annihilated when you say that they have been lost and are gone forever.

Mr. LACEY. But the gentleman is assuming that the same reason exists in national banks with $130 security for every $100 that would exist in a bank that had for every $100 only $5 security. In other words, you have placed in the new system a great temptation. Every bank about to fail will immediately inflate its currency to the utmost limit that the law will permit, while under the old system they would contract their currency because the assets back of the currency and the bonds with the premium on them exceed the circulation, and a failing bank would first get rid of the circulation. Under the new proposition the failing bank would insist on getting as much out as it possibly could. Has the gentleman taken these two conflicting positions into consideration?

Mr. FOWLER. In the first place, do you want the House to understand that the banker would be less careful in loaning his credit and loaning the deposits in his bank simply because he had some bonds deposited to secure the notes in circulation? Does the gentleman think it would make the banker more careless to have one kind of an obligation than another where both were on demand?

Mr. LACEY. Well, banks have failed in the past. A bank failed over here in Philadelphia for $13,000,000, and it only had $250,000 in circulation out. If that bank could have had circulation out on its assets, instead of failing for $13,000,000 it would have failed for $15,000,000, and possibly more. It would have gone to its utmost limit before failing, because all it had to do was to print its notes to the largest amount based on its assets.

Mr. FOWLER. How many notes would they issue?

Mr. LACEY. This bill proposes 25 per cent.

Mr. FOWLER. On what?

Mr. LACEY. On the amount of the assets or the capital.

Mr. FOWLER. The gentleman knows, I hope, that there is a marked distinction between capital and assets.

Mr. LACEY. Yes, I know; but I want to get at the concrete situation. Here is a bank that we have had actual experience with, and it failed for $13,000,000.

Mr. FOWLER. What was its capital?

Mr. LACEY. I do not now remember the amount of capital.

Mr. FOWLER. Do not let us get into a controversy without facts. Give us the bank, the amount of the capital, the amount of the assets, and then the issue of notes, and we will go through the whole transaction intelligently.

Mr. LACEY. Will not every bank that is in failing circumstances do its utmost to increase its circulation of notes to the limit?

Mr. FOWLER. Would not every bank try to get all the deposits it could? Every failing bank tries to do all it can to cover what is coming due. The gentleman asked whether there would be a different condition if they did not have the bonds. In the six New England States to-day I think there are 550 national banks. In 1860 there were 515 banks in the same territory.

For the twenty years prior to 1860—from 1840 to 1860—with no uniform law, with no inspection whatever, no common inspection, I mean, running over all the States, with the proprietors of the banks having the privilege of going into the back yard and printing their notes on a hand machine or writing them out by hand, what was the experience with those New England banks, of which there were just about as many as there are now? There were banks of $25,000 capital, $50,000 capital, $200,000, $300,000, or $500,000 capital. During those twenty years the tax on all the notes necessary to pay the notes of the failed banks would have been only one-eighth of 1 per cent. Now, take the national-bank system from 1863 down to last year, and the tax on all the notes, without reference to a first lien—the tax on all the notes necessary to pay the notes of the failed banks would have been twenty-two one-hundredths, or more than one-fifth of 1 per cent, proving that the Suffolk system was a sounder system in this respect than the national-bank system. Illustrations equally convincing are to be found in Ohio, Indiana, Louisiana, and the gentleman's own State.

Mr. LACEY. Then why not go back to the old State bank system, if it was so good?

Mr. FOWLER. Oh, "the old State bank system!" You are talking about a thing; I am talking about a principle which has never failed to result in a sound currency wherever invoked.

Mr. FLEMING. Mr. Speaker, I have listened to the remarks of the gentleman from New Jersey, and his statements have been so very clear and concise that I want him to give me the very best explanation he can upon a point on which there seems to me to be a discrepancy. He stated that he considered the circulation per capita to be about $17.

Mr. FOWLER. I said now.

Mr. FLEMING. I mean now. The Treasury Department has issued a statement in which it puts the amount at $28 or $29.

Mr. FOWLER. The total amount out to-day is $32.

Mr. FLEMING. About $29, I believe.

Mr. FOWLER. I will give the exact figures in a moment.

Mr. FLEMING. The gentleman has been so very clear in all his other statements that I would like him to give, for the benefit of myself and others, the best explanation he can of that apparent discrepancy in the figures.

Mr. FOWLER. I will include in my remarks a statement of the Treasury Department showing all the accumulations of different kinds of money from 1892 down to the 30th of June last. This statement shows exactly where that money has gone and where it is to-day. Twenty-eight dollars and forty-three cents or $29, at the date given in this statement, was the amount of money in the hands of the people or in their pockets and in the banks. The money in the pockets of the people is $17.59; and when we say that we have $29 per capita in circulation it means the amount of money that is out of the United States Treasury and is in those two places—in the reserves of the banks and in use by the people.

Mr. VANDIVER. Will the gentleman allow me a question? Mr. Chairman, I sought to ask a question a little while ago, but the gentleman declined to yield. I would like a little more definite information on the particular point which the gentleman was then discussing, referring to the Secretary of the Treasury having to supplement the resources of the banks or come to their relief by increasing the deposits in certain banks and by payments of Government interest in advance, the October interest, for instance, being paid in September. By methods of that kind, according to the gentleman's statement, the Government was endeavoring to relieve the stringency of the money market. Now, I should like the gentleman to give us exact information as to the extent to which that method was used.

Mr. FOWLER. I refer the gentleman to my report, in a general way, and to the report of the Secretary of the Treasury himself. I do not think I ought to take the time of the House in reading that portion of the report, but will include it in my remarks. It would take some considerable time to answer the gentleman's question in detail.

Mr. VANDIVER. I would not care for all the details; but as the gentleman has given so much attention to the subject, I was assuming that he could answer the question briefly and give us information on that important point.

Mr. FOWLER. It is a question that requires such detail of information that I think the gentleman, or any other member, by referring to the report will get the information in more satisfactory form than I could give it by my statement in a short time. It involves deposits, and asking the banks to take out circulation, and making propositions to the banks, and all that sort of thing. I do not think it proper to take the time of the House to go into those details.

Mr. VANDIVER. The newspapers during last summer and fall, in speaking of this matter that the gentleman was discussing a while ago—the necessity for more elastic currency to supply the demands of trade at particular seasons of the year—gave us the information that the Secretary of the Treasury was relieving the banks by increasing deposits at several different times and paying Government interest thirty days in advance till finally he announced that he could not or would not do so any longer. Now, I should like to know the amount of those deposits and advance interest.

Mr. FOWLER. I do not think that is exactly a question bearing on this bill.

Mr. VANDIVER. But it bears on the point that the gentleman was discussing a while ago.

Mr. FOWLER. This is only a repetition of the question the gentleman asked before, and it would involve so much explanation of details that I do not think I ought to take the time of the House in answering the question, as I have already occupied so much time.

Mr. HOLLIDAY. Mr. Chairman, what I am concerned about is this: This bill provides that the Government shall have a first lien upon the assets of the bank. What I want to know is, Will not that impair the security now held by the depositors? Will not the depositors have that much less security than they have now for the payment of their claims?

Mr. FOWLER. To answer that question directly, I should say yes; but that is exactly what they have to-day when they hold Government bonds which are purchased by taking the depositor's money out of the bank after they have put it there, buying the bonds, carrying the bonds to Washington, and depositing them and securing notes. They will be in the same position then as they are to-day, identically.

Mr. LACEY. In that instance, however, they put that much of their capital beyond the reach of any defalcation in the Treasury of the United States, do they not?

Mr. FOWLER. Yes; but they might convert all of the capital and deposits into gold coin, and then deposit this gold coin in a safe-deposit vault, and then they would be still safer.

Mr. LACEY. I ask my friend, because I see he has been giving the matter very much attention, if he has considered this question, whether or not the tendency of making this currency a first lien on the depositors' money would not tend to drive the deposit out of the national bank into the surety companies, where no such risks exist?

Mr. FOWLER. I think not.

Mr. LACEY. Why not?

Mr. FOWLER. Because it is a matter of accommodation. The banks would give them some facilities which they otherwise would not have. The national banks are doing a business the trust companies do not do, and it would not any more drive them out then than it does to-day, because to-day it is a first lien—not only that, but a segregated first lien, a judgment, with the execution issued, the property seized and set apart for the purpose. If there are no other questions, I shall be glad to yield the floor to the gentleman from Massachusetts [Mr. THAYER].

[Omit the parts in brackets [ ] and insert the parts printed in italics.]

A bill (H. R. 16228) providing for the issue and circulation of national-bank notes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That any national bank may, with the approval of the Comptroller of the Currency, take out for issue and circulation an amount of national-bank notes not exceeding 25 per cent of its paid up and unimpaired capital without depositing United States bonds with the United States Treasury in the manner provided by existing law.

SEC. 2. That said national-bank notes shall be furnished by the United States at the expense of the respective banks issuing them, and shall be in the denominations of $10 and multiples theoeof.

SEC. 3. That before any national bank shall receive any of the bank notes referred to in this act it shall first deposit in the Treasury of the United States as a guaranty of the payment thereof an amount of United States bonds or gold coin [or both], *United States notes or in all* equal to 5 per cent of the amount of the notes so taken out, and such deposit shall be counted as a part of the lawful reserve of said bank against said notes. The interest upon said bonds shall be paid to the bank so depositing them, and if said bank shall retire said circulation, or any portion thereof, an amount of bonds or gold coin [or both], *or United States notes or in all* equal to 5 per cent of the notes so retired, shall be returned to said bank: *Provided, however*, That if it should be necessary to sell said bonds for the purposes defined in this act, the Secretary of the Treasury is hereby authorized to dispose of the same and use the proceeds in accordance with the provisions of law herein contained.

SEC. 4. That every national bank taking out such notes for issue and circulation shall, on the 1st days of January and July of each year, pay into the Treasury of the United States, in gold coin, a tax of one-quarter of 1 per cent upon the average amount of such notes in actual circulation during the preceding six months, and the tax so paid into the Treasury shall, with the 5 per

cent deposited as a guaranty for the payment of the notes, constitute a guaranty fund.

SEC. 5. That such notes shall be a first lien upon the assets of the respective banks issuing them, and shall be received upon deposit and for all purposes of debt and liability by every national bank at par and without any charge of whatsoever kind, and such notes shall be receivable for all public dues except duties on imports, and when so received shall be paid out again.

SEC. 6. That any national bank having notes outstanding in excess of 75 per cent of its paid-up capital, to secure the payment of which United States bonds have been deposited, may, upon the deposit of lawful money for the redemption of such excess, take out for circulation the notes provided for in this act, without reference to the limitation of $3,000,000 each month prescribed in section 9 of the act approved July 12, 1882.

SEC. 7. That the provisions of the law contained in section 9 of the act approved July 12, 1882, limiting the amount of notes that may be retired to $3,000,000 in any calendar month, shall not apply to the notes taken out in accordance with the provisions of this act.

SEC. 8. That every national bank taking out such notes for issue shall maintain at all times the same reserve against such notes when in actual circulation as is now prescribed by law for deposits.

SEC. 9. That the bank notes taken out for issue in accordance with the provisions of this act shall be redeemed on demand in [gold coin] *lawful money* over the counter of the bank issuing them, [and] if said bank is located outside of one of the redemption cities hereinafter established, *and in addition thereto* it shall [then] select a national bank as its agent in a redemption city, subject to the approval of the Comptroller of the Currency, which shall upon demand redeem said notes in gold coin *or United States notes, or both, at its option; but every national bank which is located in a redemption city and has taken out any of such notes for issue shall redeem the same over its own counter in gold coin or United States notes, or both, at its option, and said notes shall be redeemed only as prescribed in this act. No national bank shall pay out over its own counter, or otherwise put into circulation, any of its own notes, issued in accordance with the provisions of this act, which are worn, mutilated, defaced, or otherwise rendered unfit for circulation, but may exchange the same for new notes, which shall be furnished by the United States Government in accordance with section 2 of this act. Nor shall any national bank, acting as the redemption agent of any other national bank, pay out, or otherwise put into circulation, any of the notes of such bank that are worn, mutilated, defaced, or otherwise rendered unfit for circulation, but shall return the same to the bank of issue.*

SEC. 10. That for the purposes of this act New York, Chicago, and San Francisco shall be redemption cities, and all the national banks redeeming their notes at any one of these cities shall constitute a redemption district, and the New York redemption district shall be known as redemption district No. 1, the Chicago redemption district as redemption district No. 2, and the San Francisco redemption district as redemption district No. 3.

SEC. 11. That if any national bank shall receive such circulating notes of any other national bank located outside of its own district it shall not pay them out over its own counter, but shall forward them either to some bank in the district to which the notes belong, or to some bank located in the redemption city of its own district, and then they shall be returned to the bank issuing them or to some bank in the district to which the bank issuing them belongs.

SEC. 12. That upon the failure of a national bank any national-bank notes that have been taken out by it in accordance with the provisions of this act shall, upon presentation to the United States Treasury, be paid in gold coin out of the guaranty fund; but the United States Treasury shall recover from the assets of the failed bank an amount equal to its outstanding notes, and the same shall be paid into the guaranty fund.

SEC. 13. That any national bank desiring to go into liquidation shall first pay into the guaranty fund an amount of gold coin equal to the amount of its notes then outstanding.

SEC. 14. That if such fund shall, for any reason, fall below an amount equal to 3 per cent of the total amount of the bank notes taken out in accordance with the provisions of this act, the Comptroller may impose an extraordinary tax, not exceeding 1 per cent in any one year, upon the amount of the notes at the time outstanding; but such extraordinary tax shall be refunded to the respective banks whenever such repayment shall not reduce such fund below an amount equal to 5 per cent of all the notes outstanding.

MESSAGE FROM THE SENATE.

The committee informally rose; and Mr. BOUTELL having taken the chair as Speaker pro tempore, a message from the Senate, by Mr. PARKINSON, its reading clerk, announced that the Senate had passed without amendment bills of the following titles:

H. R. 1027. An act granting a pension to Lavinia Cook;

H. R. 3510. An act for the relief of the executors of James P. Willett, deceased, late postmaster of the District of Columbia;

H. R. 17204. An act to authorize the construction of a bridge across the Arkansas River at or near Moors Rock, in the State of Arkansas;

H. R. 16909. An act to amend an act entitled "An act authorizing the construction of a bridge across the Cumberland River at or near Carthage, Tenn.," approved March 2, 1901.

H. R. 16522. An act granting an increase of pension to Caleb C. Van Sickell;

H. R. 16509. An act to authorize the Pearl and Leaf Rivers Railroad Company to bridge Pearl River, in the State of Mississippi.

H. R. 15595. An act confirming and ceding jurisdiction to the State of Arkansas over certain lands formerly in the Fort Smith Reservation in said State, and asserting and retaining Federal jurisdiction over certain other lands in said reservation;

H. R. 14051. An act granting the consent of Congress to N. F. Thompson and associates to erect a dam and construct power station at Muscle Shoals, Alabama; and

H. R. 4178. An act for the relief of Austin A. Yates.

The message also announced that the Senate had agreed to the amendments of the House of Representatives to the bill (S. 3560) entitled "An act to amend an act entitled 'An act to promote the safety of employees and travelers upon railroads by compelling common carriers engaged in interstate commerce to equip their cars with automatic couplers and continuous brakes, and their locomotives with driving-wheel brakes, and for other purposes,'" approved March 2, 1893, and amended April 1, 1896, asked a conference with the House on the disagreeing votes of the two Houses thereon, and had appointed Mr. FORAKER, Mr. MILLARD, and Mr. FOSTER of Louisiana as the conferees on the part of the Senate.

The message also announced that the Senate had passed the following resolution; in which the concurrence of the House was requested:

Senate concurrent resolution 71.

Resolved by the Senate (the House of Representatives concurring), That the Secretary of War be, and he hereby is, authorized and directed to cause an examination and survey to be made of Penobscot River, Maine, with a view to widening the channel from Crosby Narrows to the Bangor and Brewer bridge, and also near Stearns's mill.

ISSUE AND CIRCULATION OF NATIONAL-BANK NOTES.

The committee resumed its session.

Mr. THAYER. Mr. Chairman, it is conceded by all parties who have given the subject any considerable thought that there is at certain times a demand for more money, more currency, with which to transact the affairs of the nation. Some have said that there was need for more currency all the time, and those are usually persons who are opposed to the national-bank system under which we are now acting and have been with such wonderful success these forty years. Others have claimed that there is sufficient money in circulation now to transact the affairs of the nation except at some critical times in a financial stress when there is need, for a limited length of time, of more money. This is no new question. It is a question that has been considered in this country for ten or fifteen years at least, and before we determine which policy we will pursue it is well, it occurs to me, to first consider the opinions of those whom we believe to be experts upon this matter.

Secretary Shaw, Secretary Gage, Director of the Mint Roberts, and Comptroller of the Currency Ridgely are all substantially of the one opinion, if I understand their writings and sayings correctly, that there is need only for a limited time each year perhaps, or at different periods, for an amount of money greater than that which we now have. And so the question for us to determine, it seems to me, is whether we shall follow in the line of these people and their predecessors in office, who have made this subject a special study, or whether we shall adopt a policy which will inflate the currency generally in order that we may provide for the brief time when there is really need for more money to bridge over a temporary stringency in the money market. To-day we have a per capita circulation of greater amount than we have ever had in this country before. We have to-day in circulation about $30 per capita, while in 1894 we had in circulation only about $24 per capita; and I do not believe we need to increase the amount of money for the general needs of business. The extra amount should only be supplied for temporary relief when there is a stress in the money market. It seems to me it is but the part of wisdom for us to consider the opinions of men whom we know to be experts on these matters. These officials and ex-officials whom I have named, and many other prominent gentlemen, among whom I might mention my predecessor, Hon. Joseph H. Walker, a gentleman who has devoted much study to this subject and is as well posted as any other man in the country to-day, are strong advocates of what is commonly known as asset or credit currency. I wish to quote from the opinion of some of these gentlemen. Mr. Roberts, in his speech, which he made a few months ago, says:

> In times of panic the power to issue additional notes would be an element of great strength to the banks and not of weakness. It would enable the banks to protect themselves and their customers when protection is most needed. Panics or financial crises come generally very suddenly and as the result of fear which spreads among the people that they will not be able to get money to meet their payments and conduct their business. This spreads and forces liquidation of credits which otherwise would have remained outstanding. There never is a time when the liquidation of all credits or any large proportion of those outstanding is possible without producing a crisis. As long as there is confidence, and each individual feels secure that he can get what money he needs upon usual terms and security, there is no necessity for it. If our bank circulation can be made more automatically elastic, so that the banks can supply more or less of circulation as needed, which is so safe and reliable that it is readily accepted and used for all business transactions, we will have a force at work in our financial affairs which will diminish the liability of a money panic, and will be an efficient aid when we shall have an actual condition of panic.

Speaking of this asset currency, he further states:

> It is not claimed that panics may be prevented in the future by such means, but the tendency or liability to panics will be appreciably diminished if our banks have such a reserve power furnished them, and when panics occur we will be better prepared to meet them and mitigate their force and effect. This currency should be immediately and quickly available, so that the banks need not wait for serious trouble before they begin to issue it. The conditions of issue should not be such as to make it a confession or indication of weakness for a bank to issue the notes.

I have the opinions of several others which I will spread in the RECORD and not take the time now to read. They are the opinions of people whom we ought, as an important body seeking to get the best light from whatever source it may come, to respect.

The minority report states some of the objections to this bill, and I invite the attention of the members of the House to its careful consideration.

I am opposed to this bill, first, because it permits each national bank to issue two kinds of notes or bank currency, the one redeemable alone in gold, the other redeemable in greenbacks or gold. I care not if you contend that the notes which this bill permits the banks to issue are just as good or even better, if that be possible, than the present bond-secured notes. You can not escape the result that the people will differentiate between two kinds of money issued by one and the same bank. The very fact that the notes are to be considered as a different kind of money furnishes an objection to the bill, which we should seek to remedy as far as possible by making the notes redeemable practically in the same way as the bond-secured notes are now redeemed.

Mr. HILL. Will the gentleman yield for a question?

Mr. THAYER. I would rather wait until I get through. Then I shall be glad to answer, if I can. I do not know that I can answer any question the gentleman from Connecticut may see fit to propound; he is so proficient in all the ramifications of this subject.

Second. The practical effect of the operation of this bill will be to very materially and radically inflate the currency of the country far beyond any conservative requirement. It will increase bank circulation throughout the country nearly if not quite one-half. There is no legitimate demand for increase to such an amount. The caption of the bill is misleading and does not conform to the body of the bill. It should read, to be consistent: "A bill to extend the currency beyond the public requirements." The total amount of money in the country to-day is $2,563,266,958, and of this amount there is in national-bank-note currency $380,476,334.

We have in circulation about $30 per capita. In 1894 we had only about $24 per capita. If this bill is passed, we shall, in my opinion, have in one year more than $33 per capita in circulation, and used by whom? The poor farmers of the West we hear so much about, to move their crops between July and October? Not at all.

I will tell you, Mr. Chairman, how it will be used and who will use it. The banks having an oversupply will be anxious to put it where it will earn something, and it will go to the promoters for bolstered-up, weak, and struggling securities, new enterprises, unsubstantial projects, and uncertain and insecure enterprises. It will go where New York's money went last summer, to such an extent that in October the Secretary of the Treasury was induced to resort to questionable measures to allow banks to issue $25,000,000 of bank notes to avert a financial crisis. To be sure, the shortage came when there was a somewhat extra demand for money to move the Western crops, but this small extra demand was not the cause of the stringency in the money market.

The cause of the stringency was from another source. The small country banks had loaned their notes to the city banks in New York and Chicago months before at a small rate of interest when they had no use for them, and when they were called in as business activity in the fall created a demand for them a stringency in the money market in these great centers was experienced—not in the crop-moving localities.

Every year after the summer vacations, when business enterprises have remained dormant, trade taking a rest with those who make trade, every business enterprise takes on new life and activity, purchases begin to be made to meet the fall and winter trade, more money is required to transact the business of the country than had been required for the several months previous, and this general demand for money is still further increased by the wants of the farmers for money to move their crops.

Last fall money had been loaned out on wild-cat securities and stock-jobbing speculations to an unwarranted extent, just where it would go again if a superfluous currency were forced upon the market. Too much money invites speculation, promotes hazardous enterprises, and encourages unreliable and venturesome schemes. Wild-cat business schemes, watered-stock corporations, unsubstantial and nebulous enterprises spring up like mushrooms all over the land when money is too plentiful and interest correspondingly low.

The majority of the Committee on Banking and Currency have prepared their report with this misleading caption: "To provide en elastic currency." This is too misleading and not at all warranted by the bill itself. Anything to be elastic must not only have the ability to expand, but it must also have the ability to contract equally as well. That this bill provides for a most generous expansion of the currency no one who has carefully considered it will deny, but it is powerless to contract to any appreciable extent. It is long on expansion and short on contraction.

Let us consider for a moment what will be the practical working of a bank under this bill. Take, for example, a bank capitalized at $100,000. This bank can at once issue $25,000 in notes without any expense whatever except the payment of one-half of 1 per cent per annum taxes and 5 per cent contributed to the guaranty fund. It is not obliged to spend a dollar for United States bonds or for anything else. It should keep, of course, as it does under existing law, 15 per cent of this amount in gold to redeem the notes—6 per cent of this 15 per cent in its own vaults and 9 per cent in the redemption bank in New York or elsewhere.

The bank officials of any bank who would not avail themselves of the opportunity to issue this $25,000 in notes would be fit subjects for an asylum for idiots and the feeble minded.

Let us see what would be the next step for this bank to take. The present existing law permits any bank to withdraw its circulation to an amount equal to 25 per cent of its capitalization. The statistics show that the amount of national-bank circulation for all the 4,600 national banks in the country is only 54 per cent of their capitalization. Some, to be sure, have taken out an amount equal to their capitalization, but others have only 25 per cent out, in the whole averaging 54 per cent of their capitalization.

Now to return to this bank which we have taken as an example. It has under the present law taken out, for instance, $50,000 for circulation. Experience has shown that this is all that is required, all that is profitable, under the conditions which prevail in that locality. But having availed itself of the provisions of this bill and because it does not cost the bank anything, it has put out the $25,000 in notes and increases its circulation from $50,000 to $75,000, or 33⅓ per cent. If this bank concludes not to disturb its bonded issue, it has increased its bank circulation one-third, and I claim there is no demand for such increase in any city or town in the whole country. Suppose this bank concludes that there is no necessity for such a large circulation, what will it do? It will retire $25,000 of its bonded issue, which it can do by sending $25,000 of its bond-secured notes to the United States Treasury and receive the bonds in return.

These bonds can be sold at the present rate of 10 per cent premium on the 2 per cent bonds and about 35 per cent premium on the 4 per cent bonds. Assuming that they are all 2 per cent bonds, there will be received a premium of $2,500 in gold on the $25,000 in bonds, and this would increase the loaning powers of the bank $2,500 when it retires $25,000 of its bond-secured issue.

Thus it will be seen that banks which avail themselves of the provisions of this bill, and all banks will avail themselves of its privileges, will increase on the average their bank-note circulation one-third, providing they do not disturb their bond-secured circulation. And those banks which withdraw as much of their bond-secured note circulation as they increase it by issuing the amount they are entitled to under the bill increase their ability to loan just to the amount that United States bonds are above par.

BOSTON.

Bank.	Capitalization.	Notes.
First National Bank	$1,000,000	$50,000
Faneuil Hall National Bank	1,000,000	46,250
Merchants' National Bank	3,000,000	749,060
National Bank of Commerce	1,500,000	50,000
National Bank of the Republic	1,500,000	50,000
National Exchange Bank	1,000,000	50,000

NEW YORK.

National Shoe and Leather Bank	$1,000,000	$49,500
Phœnix National Bank	1,000,000	50,000
First National Bank	10,000,000	2,953,500
Fourth National Bank	3,000,000	50,000

The following banks have no outstanding circulation:

NEW YORK.

American Exchange National Bank	$5,000,000
Chemical National Bank	300,000
Mechanics' National Bank	2,000,000
Merchants' National Bank	2,000,000

In Boston there are 6 banks, with a capitalization of $9,000,000, which have out notes only to the amount of $246,250. In New York there are 4 banks, with a capitalization of $15,000,000, which have out notes only to the amount of $3,093,000, and 4 banks, with a capitalization of $9,300,000, which have no notes.

The 6 Boston banks availing themselves of the provisions of this bill would issue $2,250,000, when now they have only $246,250, or more than ten times as much as they now have.

The 4 New York banks would inflate the national-bank currency in the sum of $3,750,000, in place of the amount they now have out of $309,000, or more than ten times as much.

And the New York banks which have now no bank circulation whatever would put out $2,325,000.

These 14 banks in Boston and New York to which I have called attention now have a circulation of $555,550, but under this bill they can issue $8,325,000.

Mr. HILL. Why do they not take out this circulation?

Mr. THAYER. Because they can make money better and faster by not doing it. Here, then, I have attempted to show, a fair field for expansion and a good incentive for it, but is there a like opportunity for contraction after the expansion has taken place? I am assuming that the bank issue under this bill will be just as safe, just as popular, just as readily accepted as the bonded-issue notes which the banks circulate to-day. This is what the friends of the bill claim, and if it is not true, then the banks should not be given the privilege of issuing the notes at all.

We want no inferior or debased money. We have had sufficient experience with money we have had to apologize for. If the people are to question the stability or the security of these notes, are to be suspicious of them and refuse to accept them, then this legislation is both unwise and futile and dangerous to our national-bank system. But I assume and believe, otherwise I would not support any bill favoring asset currency, that these two kinds of bank notes, firm, secure, and safe, will circulate side by side upon equal terms and with equal favor, neither to the exclusion nor injury of the other, yet one is expensive for the bank to circulate, the other is inexpensive.

The notes issued under the provisions of this bill within the district where the bank is located are received by everybody, including other banks, and paid out by everybody, without let or hindrance. They have the same purchasing power, the same ability to satisfy debts and obligations of all kinds, that the bonded issue has, and, in my opinion, when not issued to a greater amount than 25 per cent of the unimpaired capitalization of the bank they are absolutely and unqualifiedly safe. If I am correct in this, tell me why these notes are any more liable to be returned to the parent bank than the bonded notes are. They are working side by side with the bonded issue and upon equal terms.

But, say the friends of the bill, "When they get outside of their own district and are received by other banks they can not again be paid out over the counter of those banks, and therefore they will be sent home to the parent bank and gold received for them, and this will cause contraction."

Not at all, or, if any, to a very small and limited extent, and to no such amount as the friends of the bill claim.

I have little sympathy with this provision of the bill. It is one of the worst of its many bad features. It seems to me to be an unnecessary, cumbersome, bungling, and uncalled-for method of redeeming a part, and that, too, a small part, of these notes; but that it can be excused on the ground that it furnished a way to force contraction I deny, and if its purpose is to force contraction, it will absolutely and completely fail in its purpose.

The great body of this issue will circulate in the district where the bank is located, and whatever portion, proportionately small as it must necessarily be, that gets away from home, outside the district, can and will be redeemed, even in the bungling manner provided for in this bill, with alacrity by the bank, and not at all to its discomfiture. There will always be sufficient idle gold in the vaults of the parent bank for this purpose, and the notes thus redeemed will again and at once be put in circulation.

The part of this issue of the bank in my city of Worcester which goes to Chicago, San Francisco, or New Orleans and is there received on deposit or otherwise by a bank in either of the three cities named can not, to be sure, be paid out by that bank again over its own counter, but may be returned to the Worcester bank, or its redemption bank in New York, for redemption.

But, Mr. Chairman, it will take no longer for a bank note to get from Worcester to one of the three cities named than it will for one of the notes of the banks in the three cities named to get to Worcester. Mr. Chairman, it must be borne in mind that all persons, companies, and corporations can receive and pay out these bank bills anywhere on earth as freely and as frequently as they choose. The prohibition to the absolutely free circulation of these bank notes is confined only to other banks located outside the district of the parent bank. Now, when these bank bills are received outside the district of the home bank, where they can not be paid out, they may be returned to the parent bank or its bank of redemption in exchange for like notes of the bank sending them, and thus the exchanges will be made between the notes of the different banks, very much like what now takes place in the clearing houses of every city, and the balance only will be paid in gold.

This will be done practically by exchanges, and the balances only will be required to be paid by the parent bank in gold, and these balances being necessarily small it will be no hardship for the parent bank to be forced to pay that balance in gold. The amount would be, as it were, a mere drop in the bucket, and no bank would hesitate to keep the notes in circulation on this account. Banks are already devising schemes by which they can get rid of the gold which accumulates in their vaults. Nobody wants gold, and nobody will take it if they can avoid it. The banks will be delighted with an opportunity to pay out the little amount of gold that will be required of them under this bill.

If I am correct in this, where does the ability for this bank issue to contract appear? I can readily see the ability for expansion once and for all in the first instance. It can not expand again, however great the demand, for it has spent its force. It is permanent and fixed, and is incapacitated and powerless to contract or to be forced to contract, as I have attempted to show.

Of what avail, then, will be the provisions of this bill in times of financial panic or when an extra or an added amount of bank circulation is required or demanded? The amount of issue under this bill will go out at once, regardless of panics or financial distress in the money market, and it will remain out and in circulation, fixed and permanent, because it is largely for the interest of the bank that it should be kept out.

If more money is required at any particular time, it can be furnished only, as it is now, by an extra issue of the old bond-secured notes. By the passage of this bill we have provided for no financial emergency, we have furnished no elastic currency; we have simply permitted an expansion of the national-bank currency to more than one-third of its present limit, as heretofore stated, and this is substantially all we have done. And we shall have done this under the pretense that we are providing an emergency currency to be used by the farmers to enable them to move their crops in the fall. Oh, farmer, in thy name what crimes are committed!

Mr. Chairman, let me not be misunderstood. I am not objecting to asset currency. On the contrary, I am in favor of it and believe it can be made safe, secure, and a benefit to both borrower and lender in the transaction of the business of the country. I am not opposed to permission being given national banks to increase their bank circulation when properly safeguarded and protected. I am only now attempting to show that this bill does not provide for an elastic currency, as the majority of the Committee on Banking and Currency claim, and furnishes no relief in a time of emergency. The very thing we are attempting is provided for.

Secretary Shaw, in an address before the Chicago Bankers' Club, December 20, 1902, said, speaking of asset currency:

> Elasticity and safety are essential. The details are not essential, provided our present system be not disturbed and the country be protected against inflation.

"Elasticity and safety," Mr. Chairman, are what the Secretary demands. Safety, in my opinion, is properly cared for in this bill, but elasticity is wanting. Expansion, one of the attributes of elasticity, has spent its force at the outset. It can not be renewed. The entire issue provided for in this bill will have gone out at the beginning. None of it will be kept in reserve because it costs little or nothing to keep it out where it is earning something. But there will be no contraction, no calling it in and placing it aside to be used when a stringency comes in the money market. If there is to be expansion and contraction the old bond-secured notes must provide it as it does to-day by the purchasing of additional bonds when extra issue is required, and by retiring the same notes when the extra damand for them has ceased.

Again, the Secretary says, "Our present system must not be disturbed." But by the provisions of this bill our present system will be disturbed, because the tendency will be strong for each bank to retire as much of its bonded issue as it pays out of the new issue, under the provisions of this bill, for each bank is the best judge as to how much bank circulation can profitably be kept out.

The purpose of the friends of this bill is in the end to change the entire system under which we are operating and permit the banks to increase the amount of asset currency to 50 or 75 per cent of their capitalization and in the end overthrowing altogether the present system. In this purpose they may be right. It is no part of my purpose at this time to acquiesce in or dissent from this purpose, but for those who agree with the Secretary I am attempting to show that this bill does disturb the present system and the ultimate purpose of its friends is entirely to overthrow the present system. This bill furnishes but the entering wedge. About 50 per cent of the present issue under existing laws is to be retired at once and the way blazed in the near future to retire all the national-bank issue under the bond system.

Secretary Shaw wants a "supplementary issue"—something that in times of emergency and financial stress will relieve the situation, whereas this bill provides not for a supplementary but a substitute for bond issue.

I am calling the attention of the members of the House to this provision of the bill and what I believe to be its practical workings, not for the purpose of antagonizing asset currency or opposing the principle, but for the purpose of calling attention to the fact that under the crude and ill-considered conditions of this bill we shall permit a substitute currency to take the place of the bonded currency, instead of providing what I feel should be

provided, viz, a supplementary bank currency, to be used more particularly in times of emergency and financial distress rather than permanently to increase to any great extent the national-bank circulation notes. I believe there is nearly money enough in circulation to-day to answer all the legitimate needs of trade. Thirty dollars per capita is the largest amount of money we have ever had in this country, and it is sufficient, in my opinion, generally speaking, for the wants of the people. But there are occasions when for a limited time there is need of an extra supply. The provisions of this bill, in my opinion, utterly fail to meet that demand.

Now, Mr. Chairman, the minority or some of the minority of the Committee on Banking and Currency have presented a bill which meets their views for an elastic currency, and they ask its adoption—a bill in my opinion much to be preferred to the majority bill, and one that every member of this House who believes in asset currency can support. It differs from the majority bill in many material and vital points.

Mr. BARTLETT. May I interrupt the gentleman?

Mr. THAYER. Yes.

Mr. BARTLETT. The gentleman does not mean to say that the minority members of the Banking and Currency Committee have had any bill submitted to them as minority members with that purpose in view as a minority?

Mr. THAYER. If I had meant to say that I should have said it. I said nothing of the kind. I said certain members of the minority of the committee had presented this bill.

Mr. HILL. To what bill does the gentleman refer?

Mr. THAYER. To what is known as the Padgett bill.

Mr. HILL. You do not refer to the Pugsley bill or the Lewis bill?

Mr. THAYER. I do not, but to the Padgett bill.

In my opinion, this bill is much to be preferred to the majority bill, and one that every member of this House who believes in asset currency, in my opinion, can and ought to support.

Mr. SMITH of Kentucky. Will the gentleman yield for a question?

Mr. THAYER. Yes.

Mr. SMITH of Kentucky. I understand the gentleman from Massachusetts to concede that this asset currency provided for in the majority bill will be perfectly safe. If that be true, why do you want the bank to resort to a bond issue of currency, which will be more expensive, while the other would be cheaper and equally safe?

Mr. THAYER. Because these large banks in New York are availing themselves of the opportunity to do business without paying any tax for circulation, and these heavy banks, the great banks of this country, have out but very little if any circulation, and quite a number of the largest ones have none whatever. Our purpose is to compel them to place money in circulation to help you people who want a larger circulation per capita, and force them to take out one-half of their capitalization in bond-secured notes before they can get within the arena of this bill.

Mr. SMITH of Kentucky. Yes; but if they can furnish us with the currency that we want without going to the expense of purchasing bonds at a premium, why should we object to it? That is, why should anyone object to it who believes in banks of issue, which I do not?

Mr. THAYER. Because this is the only way we can reach these big banks. They will not now of their own free will furnish you with this currency, and we want to treat Peter and Paul alike. I presume the little banks in the city where you live have got out 75 or even 100 per cent of their capitalization in the form of bank circulation and are paying a tax on it. If they loan a part of it to a bank in New York City and want to get it back in the fall to help move the crops, they are unable to get it, because it is out skylarking. Whereas if the large banks themselves had been obliged to double their bank issues—as in some instances they would be obliged to double and in some instances to increase one hundred fold—and put the circulation out of their own banks, as was originally intended in the national-bank scheme, they would not need and they would not lock up the currency issues of these smaller banks in the country; and besides they would be paying something to the Government and be more nearly on an equal basis with smaller banks that are paying a tax on their circulation.

Mr. SMITH of Kentucky. I want it understood that I for one do not believe in banks of issue at all.

Mr. THAYER. How would you get your money, then?

Mr. SMITH of Kentucky. I would have the Government issue it.

Mr. THAYER. Then you will not vote for this bill?

Mr. SMITH of Kentucky. I will not.

Mr. THAYER. Then I can not expect to get to your heart. I am trying to address myself to those who believe that the National Government should rid itself even of the connection which it now has with the business of issuing currency. I believe the people of this country will be glad to see the Government rid itself of that whole business.

Mr. SMITH of Kentucky. I have no doubt the banks would be glad to see the Government do so.

Mr. THAYER. Why should the banks be glad to see this done if they are now making so much money in the banking business under the present system? But what harm can come if the people are not injured in having an asset currency? If the banks, after being permitted to issue asset currency, can issue it to the borrower for about half or two-thirds the rate of interest of what they do to-day, will not the borrower in the end get the benefit of it by way of a reduction of interest charges? And thus lender and borrower alike will be benefited. I am working now, as I have been most of my life, for the under dog; and I believe if this substitute bill goes into effect, the rates of interest will be lower to the borrower. Otherwise we must consider that the bankers, all of them, are a set of scoundrels.

Mr. SMITH of Kentucky. I want to state to the gentleman that I do not consider bankers a set of scoundrels, but I do consider them just as I consider people in other lines of business. They are in private business for what they can make out of it; and if you put it in their power to control the currency they will make hard times when they want to and relieve them when they want to.

Mr. THAYER. That is human nature, I confess, but on the whole the lender will ask a less rate of interest if the money costs him less.

First, the minority compels every bank before it can issue a dollar under the bill to take out and maintain in circulation 50 per cent of its bond-secured notes. The majority bill does not require them to have a dollar's worth of bond-secured notes in active circulation. The minority bill permits the banks to issue only 20 per cent of their capitalization by paying 1 per cent tax. The majority bill permits them to issue 25 per cent by paying one-half as large a tax.

Personally I prefer that the bill should provide that only 15 per cent should be issued under its provisions; but 20 per cent is to my mind much to be preferred to 25 per cent.

These two provisions are of vital importance. Under the majority bill three banks in New York, capitalized at $15,000,000, which do not to-day have any bank circulation whatever outstanding, could issue $3,750,000 of bank notes without furnishing a single bond. Under the minority bill they would have to issue and maintain $7,500,000 of bond-secured notes before they could issue a dollar's worth of notes. Under the minority bill the grand total which they could issue would be between $35,000,000 and $40,000,000 less than under the majority bill, but the bond-secured circulation would be forced up to this amount and more. As regards these two provisions is there any question which is to be preferred?

Mr. HILL. Will the gentleman allow me to ask him a question?

Mr. THAYER. Certainly.

Mr. HILL. I think the gentleman is in error as to his figures. Under the 50 per cent provision, paid in of course, they would have the 50 per cent of outstanding capital, and does the gentleman mean that they would tax it so high that it would be of no value?

Mr. THAYER. I would tax it so high that they would not issue more than is necessary. That is where our bill is better than this bill of yours. I am assuming that they would only take the 20 per cent unless there was a great, a very great, stringency in the money market and interest correspondingly high.

Mr. HILL. Do I understand the gentleman to admit that asset currency is a good thing, but if you give them permission to issue it that you ought to tax it so high that they will not issue it?

Mr. THAYER. That is the proposition, in one aspect of it; that is, I would tax the greater part of it so highly that it would not go into circulation generally, only when there was great need of the extra issue to stem the devouring tide. I would tax it so heavily that they would not put any more into circulation than is absolutely needed, and it is at this very point that this substitute bill provides for elasticity and your bill does not. You have no provision in your bill that will help out in a time of emergency, when we need money and when we are willing to give 6, 8, or 10 per cent for its use for a limited time. You have no provision in your bill compelling or even permitting banks to issue currency at such a time.

Mr. HILL. Let me understand your contention. I suppose we have authorized—the Republican side has authorized—say, 25 per cent of asset currency under certain conditions, and you claim that is inflation. On the other hand, you have authorized an issue of 50 per cent.

Mr. THAYER. No.

Mr. HILL. Am I not correct in that, Mr. PADGETT? That 50 per cent is to be issued under certain conditions, providing the bank will also issue 50 per cent on bond security in the Treasury?

Mr. THAYER. Yes; now you are getting right.

Mr. HILL. You claim that is the thing to do—to issue asset currency, and then to turn around and tax it 3, 4, or 5 per cent, so that it can not be issued.

Mr. THAYER. In order to provide that it may be issued when needed, and not at times when not needed.

Mr. HILL. Who is to be the judge?

Mr. THAYER. The banks themselves. You may determine as to what are the needs of Bridgeport. No man knows better than you how much money is needed to transact the business in Connecticut. When you put out a certain amount you will stop, but when stringent times come and you can get a large rate of interest from the borrowers you are willing to pay the Government a part of that interest for that very money, in order that you may help out your customers in this their time of distress and at the same time lose nothing yourself.

Mr. HILL. But how does that make contraction?

Mr. THAYER. When an exigency arises, when a high rate of interest can be asked, then you will pay a high rate for the privilege of circulating money, and arrange it so that when the storm is passed the money comes again to the bank, because you do not want to pay that high rate of interest except at times, and those very far off, when you can get an extra high rate of interest.

Mr. HILL. Then I understand the gentleman to mean that the tax will be added to the discount?

Mr. BURK of Pennsylvania. To help the under dog.

Mr. THAYER. Yes; the borrower will have to pay it in times of exigencies, but he will prefer to do that than to go into bankruptcy or see his all swept before him, as he too often does now.

Mr. HILL. That is the way the gentleman is proposing, as the gentleman from Pennsylvania says, to help the under dog.

Mr. THAYER. Well, those dogs and all the other four-footed animals of whatever name on the other side of the Chamber will take care of themselves. They have a patent on taking care of themselves.

The CHAIRMAN. The committee will be in order.

Mr. THAYER. Do I understand that my time has expired?

The CHAIRMAN. The gentleman has seven minutes remaining.

Mr. HILL. I ask that the gentleman may have time to conclude his remarks.

The CHAIRMAN. The Chair will submit that request at this time. The gentleman from Connecticut asks unanimous consent that the time of the gentleman from Massachusetts may be extended so that he can conclude his remarks. Is there objection? [After a pause.] The Chair hears none.

Mr. THAYER. Up to this point the bills stand upon equal footing so far as regards furnishing an elastic currency. Neither has done anything of the kind. But the minority bill by further provisions does provide for an elastic currency, while the majority bill utterly fails to meet this requirement.

The minority bill provides that when a bank issues an amount greater than 20 per cent of its paid-up capital it must pay for the next 15 per cent a tax of 1½ per cent and for the next 15 per cent a tax of 2½ per cent.

Mr. COCHRAN. Does the gentleman say that there is a minority bill before the House?

Mr. THAYER. No; I do not think there is. I said that there was a bill that would be offered as a substitute.

Mr. COCHRAN. The gentleman referred to it as a minority bill. I do not know that there is a member on this side that would vote for it.

Mr. HILL. The gentleman from Missouri has a bill of his own.

Mr. THAYER. How many will vote for your bill?

Mr. COCHRAN. I do not know.

Mr. THAYER. That is the trouble; we all have measures, and each one is kicking against each other rather than attempting to get together, make concessions and agree upon something practical. These taxes are so high as practically to prohibit the circulation of bank issue except in those times when money temporarily is scarce and commands a high rate of interest. At such times the banks can avail themselves of these provisions and issue 15 or even 30 per cent of their capital and thus relieve the stress and still lose nothing themselves.

Mr. HILL. The gentleman says that they will lose nothing. Will he let me put him a concrete case? A customer comes into the bank to-day and wants to borrow $50,000. The bank says no, we can not loan it to you, but we will let you have our note at 10 per cent, 5 per cent interest and 5 per cent discount.

Mr. THAYER. Oh, the gentleman is getting mixed up. [Laughter.]

Mr. HILL. They lend it on three months' time at 10 per cent, and five days afterwards the money comes in and they retire the notes. Under your system they have made a three months' loan at 10 per cent, and their notes have only been out five days.

Mr. THAYER. Oh, let the gentleman give that to some schoolma'am and let her figure it out. [Laughter.]

Mr. HILL. I think it would be answered better than the gentleman from Massachusetts himself could answer it. [Laughter.]

Mr. THAYER. Here is the practical provision for expansion in times of financial depression. As soon as the exigency has passed this extra issue being circulated at the expense of high taxation will be called in and here contraction takes place. It has been said that there will be no way to call in these notes by the parent bank after they had served the purpose of relieving the financial stress, but this can easily be done by arrangements made between the banks, each to help the other in the endeavor to contract the issue by returning it to the parent bank for redemption.

Section 6 of the majority bill furnishes an inducement for banks having to-day outstanding notes in excess of 70 per cent of their capitalization to contract their bonded issue. This facility to contract is a proposition I have never heard advocated in financial circles anywhere. There is no desire to contract the bond-secured circulation unless we do away with it altogether and substitute therefor another system equally safe and secure in its application to banker and farmer alike.

It must be kept constantly in mind that we are providing for a supplementary money to be used in an emergency and in times of financial distress, and we are not providing for a substitute money or making preparations for an entire overthrow of the present banking system.

Section 7 of the bill, permitting an amount greater than $3,000,000 to be retired any month, is entirely superfluous. Practically none of this issue, under the provisions of either of these bills, will be retired any month. These notes are doing just as good service for the bank as the bond-secured notes, which cost the bank three times as much to keep in circulation. There is not sufficient inducement for it. It costs the bank too little to keep these notes in circulation for them to permit them to be retired. This is the issue the banks can make money on, and there is every inducement for them to keep it in circulation.

The Comptroller of the Currency recommends very earnestly that something be done at once to secure an expansion of the bank currency when more money is needed and when it becomes redundant that a contraction shall follow. This is no new recommendation. It has been urged for years.

The Comptroller has this plan, which he thinks will accomplish the desired purpose. He would have the law restricting the amount to only $3,000,000 per month which the banks may redeem repealed, and let the banks use their own judgment as to how much they will redeem; and he believes the banks, when permission is given them, will redeem a much larger amount when they feel that there is no demand for so much outstanding, and thus contraction must take place. And to go hand in hand with this recommendation, he suggests further that—

> If in addition to the amount of notes they (banks) are now allowed to issue by law on bonds deposited in the Treasury the national banks are allowed to issue an additional amount of uncovered notes, beginning with 20 per cent and gradually increasing to 50 per cent, it would make the circulation more elastic. A graduated tax on the amount issued, joined with ample provisions for their redemption and return to the issuing bank, would result in the necessary contraction when the circulation became redundant and the notes not needed in business. The safety of the notes can be made absolute by a reserve fund raised by a very small tax. During the almost forty years the national banking system has been in existence the total amount of the notes of the banks which have failed, outstanding at the time of their failure, has been less than $21,000,000, and during this same period the banks have paid in taxes on circulation above $90,000,000.

Of course it must be conceded that these results accrued when we were dealing with national-bank currency, every dollar of which was protected by United States bonds on deposit, but, Mr. Chairman, I contend that under the provisions of this substitute bill the bank notes issued will be as secure as are the old bond-secured notes. We have provided only for a limited amount of them to be issued—20 per cent of the capitalization of each bank. We have also provided for the same guarantee fund in bonds and the same redemption fund as is now provided for in the bond-secured note system. We have doubled the taxes for circulation and in every way necessary, in view of the experience of the past, safeguarded and protected this circulation so that it will be as safe, sound, and reliable as the bond-secured note and the public fully protected in its use.

Mr. Chairman, is there any question which of these bills is to be preferred by those who are willing to accept the system of a limited asset currency? Is there any question which furnishes and which does not furnish the most relief in times of stringency in the money market? Is there any question which bill is the more conservative and most in accordance with our present system? Which will cause the least disturbance, and incite the least criticism and fears? Which, in short, ought to be adopted, if either is adopted?

I can see but one fault to be found with this bill. It comes from Democratic sources. I fear there is a feeling here that no

good can come out of Nazareth. I have been forced to this conclusion by my experience here during the last four years, and I am not entirely clear which side of the Chamber is most at fault in this matter. I have hoped that the time would come when in the legislative halls of the State and nation wise, needful, and practical legislation for the good of the whole people was proposed, the representatives who are elected to serve the whole people rather than the half which belongs to their respective parties would be willing to aid in such legislation, regardless of the source from which it came, and I call to witness those who have served with me in the different legislative bodies of my own State, and you who have suffered me to remain with you in this great deliberative body, if I have not repeatedly given evidence by my acts of the hope that is within me.

This bill is a currency bill. It is in nowise a party bill or a party measure. There is no politics in it, unless we see fit, without provocation, to inject politics into it. There is no 16 to 1 nor the dollar of the daddies in this bill. Those who sing the praises of the silver goddess and those who kneel with bared heads before the golden nugget can walk arm in arm down the center aisle of this Chamber when a division vote is being taken on the passage of this substitute bill.

Shall this grand spectacle, a union of forces and a union of parties on this banking substitute bill, be presented to the American people? [Applause.]

Mr. CANNON. Mr. Chairman, I want to ask unanimous consent that the committee rise temporarily to enable me to report the general deficiency appropriation bill, so that it can be printed.

The CHAIRMAN. The gentleman from Illinois asks unanimous consent that the committee rise informally in order that he may report the general deficiency appropriation bill, so that it may be printed. Is there objection? [After a pause.] The Chair hears none.

Accordingly the committee rose informally, and Mr. CAPRON took the chair as Speaker pro tempore.

GENERAL DEFICIENCY BILL.

Mr. CANNON. Mr. Speaker, by direction of the Committee on Appropriations, I report the deficiency appropriation bill.

The SPEAKER pro tempore. The gentleman from Illinois reports a bill, which the Clerk will report.

The Clerk read as follows:

A bill (H. R. 17493) making appropriations to supply deficiencies in the appropriations for the fiscal year ending June 30, 1903, and for prior years, and for other purposes.

The SPEAKER pro tempore. Referred to the Committee of the Whole House on the state of the Union.

Mr. RICHARDSON of Tennessee. Mr. Speaker, I reserve all points of order.

The SPEAKER pro tempore. The gentleman reserves all points of order.

ISSUE AND CIRCULATION OF NATIONAL-BANK NOTES.

The committee resumed its session.

Mr. LOVERING. Mr. Chairman, I will not take the time of the committee to state any of the rudiments of finance, for I will not presume that you are more ignorant of them than I am. I will, however, give you what seems to me some of the reasons for currency reform at this moment.

To begin with, the present form of our national-bank circulation is objectionable, not because it is not safe, for it is safe, safe as the Government bonds, and they are as safe as the Government itself. It is objectionable because it is inadequate to the duty required of it. Because, when it is hardest pressed to do the business of the country, it is not to be had in sufficient quantity at the point where the transactions are to be made and the business is to be done.

Our present form of bank circulation presupposes a currency panic at intervals. It is inevitable under the system, and yet there are those who contemplate the prospect of a panic with indifference or in a spirit of laissez faire.

There are men who upon all other subjects are clear and fixed in their minds, yet when they are face to face with a financial proposition take council only of their fears and become hopelessly entangled in a web of technicalities.

Now, Mr. Chairman, the bill which a majority of your committee has reported is one that every thoughtful man can safely support. It is not designed simply to increase the volume of currency, but to change its character, to shift the responsibility of its redemption more directly on the banks, to invest it with a resilient and homing quality that will send it to the home bank for redemption at short intervals to be retained, if not needed, and to be reissued if business activities require it.

It has been said that all forms of money are but the tools of business. If so, the banks are the tool houses whence the tools are taken out when needed and returned when not needed. When a farmer finds it necessary to send 20 men into the field to hoe corn, he would be in hard luck if he had but 10 hoes to give them. And yet after a time he would have no use for any hoes, but would return them all to the tool house.

Money is credit and credit is money. The piece of paper which bears the Government stamp of a denominated value is nothing more or less than a certified check or certificate that there is somewhere money to ultimately redeem it. With this assurance it becomes at once current for all purposes of business.

What blood is to the body money is to business.

So long as blood circulates there is life in the body.

So long as money circulates there is life in business.

When blood ceases to circulate it means death to the body.

When money ceases to circulate it means death to business.

As the business of the country is continually increasing the basis of the national-bank currency is continually decreasing.

The steady retirement of Government bonds, which gives them an additional element of safety, makes them all the more sought after as investments for trust estates, and the consequent premium which they command makes them less profitable or desirable for national-bank circulation. And so, right in the midst of prosperous times, with phenomenal crops, and all the requisite conditions for a successful business, we see the rates for money pushed up out of reach. We have seen in the last few months a financial stringency almost amounting to a panic.

We have seen the attempt of the Secretary of the Treasury to relieve the situation by depositing public money in the banks and by anticipating the purchase of Government bonds.

Now, whether bonds be purchased or whether bonds be tied up to secure deposits in the banks of Government money, it adds just so much to stringency in the bond market and practically withdraws just so much of the basis of circulation, and no actual or permanent relief is felt in the monetary situation.

However, any action of the Secretary of the Treasury at any time to relieve the money market is of questionable expediency, if not of questionable authority. The very suggestion of such an act engenders distrust and feeds public apprehension.

What about the time when the Secretary may have to call his deposits from the banks? Will this not occasion a new anxiety?

It is easy to see how an unscrupulous official might manipulate a rise and fall in the stock market.

A bond-secured currency is undoubtedly very good and very safe, but it is not as good and not as safe as the credit currency which would be issued under this bill.

It seems to me that the only questions that we have to answer in connection with this subject are, first, Is a credit currency necessary? and, second, Can it be safely issued?

The necessity for it seems to be increasing every day. Year by year more money goes to the West and the South to move the crops, and each succeeding year less money comes back. As business increases and becomes more prosperous in those sections they require more money to continue their developments.

The increase in wages which has recently taken place in the railroads, mines, and industries of this country requires in certain localities an increased volume of currency, and, unless it can be had, the burden falls upon the borrowers everywhere.

Formerly, when monthly payments of wages were made and company stores were the rule, little cash was needed.

I knew of a case where an entire family at the end of the month did not have a single penny coming to them, all their wages being taken up at the corporation store. What use was there for money in that locality?

People have been known to go through an entire year without seeing a dollar bill. But, thank Heaven, those days are gone by—and forever, I hope.

In these days of weekly or frequent payments, and in the absence of company stores, there is abundant use for money.

Money is a great educator; it teaches arithmetic, geography, and history, and it is for this reason that I have favored the adoption of our currency in the Philippines. They will by using it come to learn something of our country.

Nothing sharpens the wits like money. You may employ any foreigner, no matter how new a comer he may be, and when you pay him at the end of the week you can not cheat him out of a single cent.

It is only the very rich or the very poor who have little or no money in their pockets. The one because he does not need it, and the other because he can not get it. It is the large intermediate classes who employ the currency.

In what way may the functions of Government be invoked to protect the integrity of our currency without asking it to be responsible for its complete and ultimate redemption?

1. By fixing the limitation of the circulation to be issued by the national bank.

2. By prescribing the form and denomination of national bank bills to be issued.

3. By exacting the deposit of a guaranty fund and assuming the custody thereof.

4. By exercising a supervision over all national banks and demanding frequent reports of their condition.

Much further than this the Government can not go without trenching upon that unwritten mercantile code that governs the every day barter in trade.

Banks will not avail themselves of the opportunity to issue circulation in any form unless they are reasonably certain of a profit in doing so, and when the price of bonds becomes so high as to wipe out the profit they are sure to retire the circulation to the full amount allowed by the law, and when this is done the legitimate business of the country is sooner or later bound to suffer.

What happened in the fall of 1902 is almost sure to happen in the fall of 1903, and the situation is likely to be more strained and fraught with greater danger. It will be remarkable indeed, without some remedial legislation in this Congress, if we do not suffer great financial distress and many disasters.

While the purpose of this bill is to provide a safe form of currency in the interest of the borrower to carry on legitimate business, it can not be expected that the banks will avail themselves of the privilege and issue such a circulation unless there is some profit for them in doing it.

The essential advantage of a flexible bank-note currency is that it increases credit facilities in communities with small capital. Any form of bank credit, draft, certificate, or note, represents an order upon a banking institution in the United States for payment in lawful money.

The more easily such forms of credit can be issued the more certainly does it inure to the benefit of the borrower. The farmer and the manufacturer is assured of his money at a lower rate of interest.

The circulation to be issued under the provision of this bill will be likely to remain in the vicinity of the point of issue, and the benefits will be felt in times of panic, and the money centers and the legal country banks will be in a better position to take care of themselves and their customers by having the power to take out circulation at any moment that it is needed.

If in the panic of 1893 the banks of New York and other parts of the country had possessed the power to issue bank notes under such a provision as this, they would not have been compelled to suspend payment of checks in currency.

The power to issue notes would not only have increased the amount of currency available, but it would have enabled the banks to maintain confidence by keeping their reserves of lawful money intact or unincumbered.

The ability to issue credit notes would relieve the pressure of a panic in another way. By giving to the country banks an increased power of issue it would enable them to husband their cash reserves and would greatly diminish their drafts upon New York and other reserve cities for legal-tender money.

Thus the New York banks would be aided not only by their own power of issue, but by relief from the withdrawal of reserve deposits, which is always so serious a menace in times of panic or monetary pressure.

This relief would, perhaps, be more important in some respects than the ability of the city banks themselves to issue notes, and the net result of all these resources would be much greater elasticity in the banking system for meeting emergencies of every nature.

But it is when we are seeking foreign markets for the products of our labor that we most feel the need of a credit currency. It is when we have to compete with the low rental value of money in foreign markets that we are at the greatest disadvantage.

With such a system as is provided in this bill we could establish and maintain a credit center in this country and not be compelled to draw our bills of exchange on London in all our business transactions throughout the world.

A bill of exchange on London is regarded as the best in the world. It is the fault of our banking system, and it is not greatly to our credit that a bill of exchange on New York is not as good as a bill drawn on London.

A low money rental means a large volume of business the world over.

Under this bill banks would make their money by charging low rate on a large volume of money rather than by charging high rate on a small volume of currency, and everybody would be benefited.

It will be observed that the volume or amount of the bank clearings or checks and transfers of book accounts adjusts itself to the volume or amount of the sales and purchases of each day, month, or other term of customary credit granted and received. The one amount in the settlement in the clearing house is the symbol of the other. The liquidation in terms of money can not be separated from the traffic in the goods or other property any more than a shadow can be separated from the substance by which it is thrown upon the ground. The objective point of all legislation in respect to the issue of bank notes which are to be passed from hand to hand in the payment of wages or for the purchase of small parcels should be directed toward a similar adjustment of means to ends—that is, to make provision so that these small instruments of exchange shall correspond in number, volume, or amount to the work which they are to do. They should adjust themselves automatically to the payment of wages, the moving of crops, and the small transactions of life in exactly the same way that the clearing-house transactions in liquidation of wholesale work adjust themselves automatically to the conditions of each day, each month, or each season.

If there were no statutes limiting the issue of bank notes, and if the Government did not undertake to assure the redemption of such notes on demand, the notes would circulate on the credit of the banks of issue and the volume would become adjusted to the exact measure of their use. Under modern conditions—the supervision of clearing houses, the quick spread of information, and the exact knowledge of credits—the public would be protected by the solvency of banks and bankers, and there would be no legislative problem such as is now pending. But the Government has not only taken upon itself the manufacture of coined money, certifying by its stamp the weight and quality of each coin, but it has also assumed the duty of assuring the redemption in coin made of gold of all the small notes or instruments of exchange, whether issued by the Government or by banks of issue. In other words, the Government has assumed the functions of a bank of issue, for which it is totally unfit. The actual problem of legislation, therefore, is how to divest the Government of this unfit function, and also how to assure the redemption of bank notes, and at the same time to enable banks to issue notes in such number, amount, and volume as will meet the varying demands of trade. This is a very simple problem. At the present moment the conditions are as follows:

First. An enormous production of real capital—by "real capital" meaning a production of metals, food, timber, and fabrics—beyond the immediate needs of the people for the support of life, the additional capital being available for the construction of new works of every kind to meet the increasing demands of the population.

Second. We have a well-established banking system, ample for the conduct of what has been called the wholesale exchange and capable of expanding on that line in exact proportion to the requirements of the nation, but utterly incapable of supplying an adequate circulation of small notes.

Third. We are under a restricted or inelastic system of providing small notes for the payment of wages or for the purchase of goods for cash over the counter.

The conditions may be compared to that of a great railway system for which all the plans had been perfected; the rails, materials for bridges and buildings assembled where needed; the workmen waiting to do the work, but the whole work is stopped because of an insufficient supply of wheelbarrows and tipcarts at the right places.

The analogy between the railway and the bank is very close. Railways are the common carriers of the food, fuel, fibers, and fabrics which are necessary to existence. I am informed by one of our most distinguished statisticians that in the year 1901 14 tons (28,000 pounds) of these materials were hauled 142 miles over some railroad for every man, woman, and child of the population. These materials consisted of grain, meat, cotton, wool, timber, iron, coal, and all fabrics. The average charge to each person for this service was $13.79, or a fraction less than a dollar a ton for hauling 142 miles.

As these goods were passing from producer to consumer the banks and bankers were also the common carriers of the titles of or instruments of credit secured by these goods.

They were passing the checks, drafts, bills of exchange, and book accounts representing the goods, while the goods themselves were passing over the railways throughout the land. When these goods reach their final destination and are in the process of distribution in small parcels, the bank note becomes the instrument by which the title passes. The amount and number of these bank notes must adjust themselves to the volume of trade. No statute can prescribe a limit any more than the number of wheelbarrows and tipcarts required at a particular point in the construction of a railway could be fixed by statute.

It is a fact of common knowledge, which has received but little attention in this discussion, that the losses by bad debts of banks, trust companies, merchants, and traders do not amount in an average year or even in a year of panic or commercial crisis to a quarter of 1 per cent, or to 25 cents on each hundred dollars of credit granted and received. If the Government itself should offer to guarantee the prompt payment at maturity of the obligations of all debtors to their creditors at a quarter of 1 per cent, the business community as a whole could not afford to take it, because their aggregate losses by bad debts are much less. Sir Henry Sumner Mayne rightly observes that in the modern conduct of commerce almost wholly upon credit of longer or shorter date

"The trust reposed in and deserved by the many makes the opportunity for the fraud of the few."

Perhaps one of the most remarkable developments to contemplate in our industrial history as we pass from the old to the new century is the relative position of our agricultural and manufactured products. A study of the census discloses a remarkable relation of our manufactured to agricultural products.

Prior to the census of 1890 there had been no question whatever as to the supremacy of agriculture. The census of 1890 showed that the total value of products of agriculture, including live stock on farms, amounted to $3,289,000,000. The gross value of the products of manufacture were returned at the same census as $9,972,000,000. It is fair to deduct from this amount the value of all materials consumed in 1890, whether raw or partially manufactured. After doing this there remains $4,210,000,000 of manufactured products which may be called the value added to the raw materials by the several processes of manufacture.

This shows an excess of about $1,000,000,000 of manufacture over agriculture. So it will be seen that thirteen years ago agriculture had fallen to second place in this country.

These differences have continued to widen, and the census of 1900 shows a gross value of agriculture products of $4,740,000,000 and of manufactures in net value of $8,370,000,000, or nearly twice that of agriculture.

It must be remembered that all of the raw products consumed in manufactures are not agricultural products. The census of 1900 shows that of raw materials consumed in manufactures agriculture supplied $1,940,727,000 in value, or 81.2 per cent.

The mines supplied $319,975,000, or 13.4 per cent in value, and the forests $118,803,000, or 5 per cent of the total. The oceans, lakes, and rivers supplied $9,635,000, or four-tenths of 1 per cent.

It will be seen by these figures that the manufactures of this country are forging ahead, and it is not too much to predict that the next census will find the manufactured products three times greater in value than the agricultural products.

Wonderful as this statement may seem, it affords no reason for jealousy or enmity between these two great departments of industry. It is inevitable that it should be so, and makes it absolutely a necessity for us to seek out all possible markets for our products wherever they may be found throughout the world.

At the present time the nations of Europe which are the strongest competitors of the United States in the markets of the world are passing through a period of severe commercial depression.

In order to provide employment for their workmen and create a market for surplus products, every effort is being made to secure foreign orders which in the ordinary course of trade would be placed in the United States.

That this policy will certainly result in diminishing our export trade in manufactured articles is evidenced by the fact that orders for machinery and other articles of a like character now required by South Africa are being placed in England and Germany.

Recent trade reports state that some American manufacturers are building factories abroad with the view of taking advantage of cheaper materials, to hold the trade which they have already built up in neutral markets.

We must not shut our eyes to the fact that under normal conditions the productive capacity of the United States far exceeds the consuming power. Nor can we shut our eyes to the fact that the present prosperous conditions can not continue with a diminished export trade. Unless our export trade keeps pace with our trade in domestic markets we are bound sooner or later to pass through the same commercial depression as Europe is now experiencing. I believe that this can in a large part, if not entirely, be averted by amending our banking laws as provided in this bill, and by giving our manufacturers the utmost possible freedom from tariff exactions when competing in the markets of the world.

But these figures are chiefly valuable in connection with this question as showing the great need of a flexible and obtainable currency at all times and in all places where business is to be done.

If we would continue the development of our country and the endurance of prosperity, we must provide for some form of currency more flexible and better adapted to the varying conditions of trade at different times and sections.

There is an alternative. We can arrest the development of the country; we can curtail the products of our manufactures; we can stop building railroads; we can cultivate less acres; we can mine less coal and less minerals; we can cut down our foreign trade and shut ourselves out from the world; we can cut down wages everywhere, and possibly then we can get along with the present currency.

This might give us relief, but it would be the relief which comes with death. Is it possible that there is anyone who seeks this form of relief?

Does anyone delude himself with the belief that a pinch will not be felt when another autumn comes with its demands for currency to move the crops?

Can anyone rise up here and propose any remedy for the situation which will be lawful and at the same time safer and more scientific than a carefully guarded credit-currency measure?

There are some, doubtless, who will say: "Oh, let this go on, and when the worst comes to the worst let the banks issue clearing-house certificates, and, if need be, legalize such an issue."

Well, my friends, this is as if a man should wait until it got so cold that he would set fire to his house to get warm.

If the issue of clearing-house certificates were legalized and made possible, how long think you it would be before it would become the rule and not the exception to do this? My impression is that it would be more difficult to properly safeguard such an issue than it would be a credit currency. Moreover, its benefits would be confined to the large money centers and would not meet the varied necessities of the country banks and country borrowers.

The issue of bank notes to-day is so difficult and expensive that it works as a discrimination in favor of the money centers and against the agricultural districts.

The means of doing business in the large cities, where there are plenty of banking facilities, makes the use of the check system one of the great facilities, and the result is that bankers are somewhat indifferent to the benefits to be derived from a flexible bank-note system.

Banking facilities in the agricultural districts are so wide apart that it is not easy to employ the check system to advantage. The bank note, which is nothing more than the printed certified check, would be of great use to such communities.

So much, Mr. Chairman, for the necessity for a credit currency. Now, can it be safely issued?

This, it seems to me, is purely a question of mathematics, and it can be demonstrated beyond contradiction that a credit currency can be safely issued under this bill.

By the great law of averages, which is the foundation and saving principle of life and fire insurance companies, and by the experience in Canada, Scotland, and the United States, the exact liability is perfectly measureable.

It is shown that an annual tax of a fraction of 1 per cent, amounting in the case of the present national banking system of the United States, during its entire history, good and bad, to about one-fifteenth of 1 per cent per annum, would more than meet all the losses upon the notes of failed banks not covered by their assets.

I desire to submit a statement showing the ratio of demands upon the safety fund indicated by the history of the national banking system from 1864 to 1901:

Ratio of demand upon safety fund indicated by history of the national banking system, 1864–1901.

Total outstanding issues of failed banks at the time of failure, 1864–October 31, 1901	$23,559,915
Annual average of this amount for thirty-seven years	$636,754
Percentage of liabilities to assets	.75
Annual average thus applied to note issues	$477,564
Net loss on notes	$5,889,978
Annual average net loss on notes	$159,188
Total collections under the tax upon circulation to October 31, 1901, at 1 per cent to March 14, 1900, one-half of 1 per cent in certain cases since that date	$88,786,089
Average annual taxes collected	$2,399,624
Excess of average annual taxes above losses if notes had shares ratably with other assets	$2,240,436
Excess of total taxes collected above losses	$82,896,111

Taxes collected more than 15 times the indicated demands upon the safety fund.

It will be seen by this statement that the question of safety of the circulation provided by this bill is secured beyond a peradventure by the annual tax without the encroaching upon the 5 per cent guaranty fund.

It is the consensus of opinion among all the financial students that the risk attending a properly safeguarded credit currency is reduced to a minimum.

It is true that there are not wanting some men who lived in the times of the State banks and the issue of an unguarded circulation who have not grown with the country and are incapable of appreciating the needs of business. These men may be found today standing like scarecrows by the roadside shouting, "Wild-cat currency!" They are often the same men who at one time favored an irredeemable fiat money, or at another time contended for the free coinage of silver. They are not the people who have made a study of our business necessities. They are not the people who have kept pace with or in any way contributed to the development of the country.

Mr. Chairman, I am not one who believes that there is only one road to Jerusalem, that there is only one way to Heaven, or that there is only one correct plan for currency reform.

Six men sitting down separately to draw bills might each draw a perfectly sound and workable measure, either of which this House might with safety adopt, provided they all recognized the fundamental principles of necessity and safety.

In the last Congress I introduced a bill, which was reported from the committee, providing for an issue of 10 per cent of the

capital stock of a national bank in credit currency. It was in essence and principle the same as the present bill. It provided for two funds, a redemption fund of 5 per cent in lawful money to currently redeem bank notes through the agency of the subtreasury, and a guaranty fund of 5 per cent lawful money to pay the bills of failed banks. Both of these funds were deposited and maintained in the Treasury of the United States.

The bill provided that after three years a further issue of 20 per cent, and after six years a still further issue of 40 per cent, of the capital stock of said bank might be made. I have all confidence that this bill would be absolutely safe, practicable, and remedial.

I have equal confidence that this present bill will be as safe, as practicable, and more immediately remedial than my bill, because it carries a 25 per cent issue at once instead of a 10 per cent issue.

It is gratifying to see that the minority of the committee have introduced a bill which has the essentials of a sound credit currency measure, and which, were it not that the majority bill is so much better, would with a few amendments be entitled to receive the support of this House.

Mr. BARTLETT. Mr. Chairman, I do not want to interrupt the gentleman, but I know he does not desire to mislead the ocmmittee. The gentleman said something about a minority bill.

Mr. LOVERING. The only bill I have seen which could be referred to by the report signed by the minority of the committee has been the Padgett bill. Has the gentleman himself a bill?

Mr. BARTLETT. That was not the purpose of my interruption. The gentleman does not desire to mislead anyone, and it would be misleading to the House and to the public to say that the minority is in favor of the Padgett bill. Mr. PADGETT is a member of the committee and a member of the minority, and has introduced a bill, but there is not a word said by the minority in the report about the Padgett bill or any other bill.

Mr. LOVERING. I do not want to offend the gentleman by using the word "minority."

Mr. BARTLETT. It is no offense; I only wanted to correct the gentleman.

Mr. LOVERING. The report is signed by five members of the committee, and is in favor of a credit currency.

Mr. BARTLETT. A majority of the minority members may be in favor of it.

Mr. LOVERING. A large majority. To my mind the most important feature of the bill is the provision that is made for the redemption of bank notes. This is the backbone of the measure. It supplements and reenforces every other section. It contributes to the safety of the currency issued. It makes it an easy matter to examine and report upon the condition of banks.

It supplies the contracting quality necessary to elasticity, and without which there can be no elasticity. For this reason, if for no other, this is the strongest bill that has yet been presented to this House.

Mr. Chairman, speaking as a practical business man, I feel absolutely sure that so far as the issuing of a commercial or credit currency is concerned it can be done with absolute safety under this bill, and I think that the advantages that will accrue to the business of the country can not be overstated. [Loud applause.]

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES.

The committee informally rose; and Mr. OVERSTREET having taken the chair as Speaker pro tempore, a message in writing from the President of the United States was communicated to the House of Representatives, by Mr. BARNES, one of his secretaries, who also informed the House that the President had approved and signed bills of the following titles:

On February 18, 1903:

H. R. 1014. An act granting an increase of pension to Laura Levenseler;

H. R. 2614. An act granting a pension to John Sullivan;

H. R. 11199. An act granting a pension to Lewis Walton;

H. R. 12963. An act granting a pension to Sarah E. Smith;

H. R. 12971. An act granting a pension to Thomas Martin;

H. R. 13358. An act granting a pension to Elizabeth A. Wilder;

H. R. 14168. An act granting a pension to John B. Anderson;

H. R. 14258. An act granting a pension to Fletcher Duling;

H. R. 14407. An act granting a pension to May E. Bunn;

H. R. 14811. An act granting a pension to Almedia J. Robinson;

H. R. 14814. An act granting a pension to Herman J. Miller;

H. R. 15084. An act granting a pension to James H. Powell;

H. R. 15694. An act granting a pension to Bessie Ledyard;

H. R. 16058. An act granting a pension to John Corbett;

H. R. 16153. An act granting a pension to George W. Choate;

H. R. 16321. An act granting a pension to Michael Devine;

H. R. 305. An act granting an increase of pension to George Heinzman;

H. R. 714. An act granting an increase of pension to Frederick Hart;

H. R. 1015. An act granting an increase of pension to Isaac F. Russell;

H. R. 1377. An act granting an increase of pension to Bridget Agnes Tridel;

H. R. 1423. An act granting an increase of pension to Asa Tarbox;

H. R. 1482. An act granting an increase of pension to John A. Smith;

H. R. 1531. An act granting an increase of pension to Susan E. Duncan;

H. R. 1689. An act granting an increase of pension to Hiram S. Thompson;

H. R. 1829. An act granting an increase of pension to George W. Brill;

H. R. 1923. An act granting an increase of pension to Frederick W. Damon;

H. R. 1929. An act granting an increase of pension to Peter Tuper;

H. R. 2473. An act granting an increase of pension to James Billingsley;

H. R. 2675. An act granting an increase of pension to John M. Stanley;

H. R. 3516. An act granting an increase of pension to Ozro F. Cheney;

H. R. 3569. An act granting an increase of pension to Joseph A. Buckholz;

H. R. 3578. An act granting an increase of pension to Erastus E. Edmunds;

H. R. 3899. An act granting an increase of pension to Thomas B. Wilson;

H. R. 4059. An act granting an increase of pension to Julia A. Cook;

H. R. 4183. An act granting an increase of pension to Gottlieb Kafer;

H. R. 4266. An act granting an increase of pension to Henry Ehmke;

H. R. 4441. An act granting an increase of pension to Oscar Brewster;

H. R. 4807. An act granting an increase of pension to Thomas Parfitt;

H. R. 5167. An act granting an increase of pension to John G. Nowman;

H. R. 5460. An act granting an increase of pension to Thomas Sherry;

H. R. 5511. An act granting an increase of pension to Cyrus V. Gorrell;

H. R. 5898. An act granting an increase of pension to Reuben F. Carter;

H. R. 6889. An act granting an increase of pension to Michael Rader;

H. R. 7012. An act granting an increase of pension to Abel Fleming;

H. R. 7334. An act granting an increase of pension to Ira L. Evans;

H. R. 7851. An act granting an increase of pension to Jennie H. Cramer;

H. R. 8254. An act granting an increase of pension to John R. Curry;

H. R. 8287. An act granting an increase of pension to Peter Johnson;

H. R. 8288. An act granting an increase of pension to Scott Case;

H. R. 8626. An act granting an increase of pension to Sarah E. Yemans;

H. R. 9814. An act granting an increase of pension to Mary Williams;

H. R. 9950. An act granting an increase of pension to Moses Whitcomb;

H. R. 9987. An act granting an increase of pension to Aaron Young;

H. R. 10663. An act granting an increase of pension to Benjamin H. Downing;

H. R. 10953. An act granting an increase of pension to John A. M. Seitz;

H. R. 11125. An act granting an increase of pension to John S. Campbell;

H. R. 11417. An act granting an increase of pension to Julia Anglada;

H. R. 11596. An act granting an increase of pension to Inez L. Clift;

H. R. 11790. An act granting an increase of pension to Abel Woods;

H. R. 12019. An act granting an increase of pension to William Lowe;

H. R. 12214. An act granting an increase of pension to Jane A. Tillinghast;

H. R. 12410. An act granting an increase of pension to Mary Nichols;
H. R. 12524. An act granting an increase of pension to Elvira M. Cooper;
H. R. 12991. An act granting an increase of pension to Gustavus S. Perkins;
H. R. 13088. An act granting an increase of pension to Hiram D. Deming;
H. R. 13239. An act granting an increase of pension to Ervin Thompson;
H. R. 13240. An act granting an increase of pension to Nimrod F. Clark;
H. R. 13519. An act granting an increase of pension to James M. Clement;
H. R. 13534. An act granting an increase of pension to James Evans;
H. R. 13799. An act granting an increase of pension to Henry C. Trout;
H. R. 13826. An act granting an increase of pension to Francis N. Bonneau;
H. R. 13850. An act granting an increase of pension to Charles K. Cameron;
H. R. 13999. An act granting an increase of pension to Dennis Cosier;
H. R. 14120. An act granting an increase of pension to Sarah A. Leepard;
H. R. 14143. An act granting an increase of pension to Augusta W. Seely;
H. R. 14251. An act granting an increase of pension to Hugh J. Reynolds;
H. R. 14302. An act granting an increase of pension to Samuel Burrell;
H. R. 14303. An act granting an increase of pension to Robert H. Maricle;
H. R. 14388. An act granting an increase of pension to Graham McClosson;
H. R. 14391. An act granting an increase of pension to Edward Walsh;
H. R. 14604. An act granting an increase of pension to Asa C. Hill;
H. R. 14605. An act granting an increase of pension to John T. Knoop;
H. R. 14789. An act granting an increase of pension to David Brobst;
H. R. 14897. An act granting an increase of pension to Phillip Mooney;
H. R. 14952. An act granting an increase of pension to Leonard S. Grove;
H. R. 14963. An act granting an increase of pension to Herman Tuerck;
H. R. 15064. An act granting an increase of pension to Frederick Shovar;
H. R. 15329. An act granting an increase of pension to Elizabeth Rosenbarger;
H. R. 15358. An act granting an increase of pension to John Snodgrass;
H. R. 15406. An act granting an increase of pension to James P. Campbell;
H. R. 15409. An act granting an increase of pension to James Claybourn;
H. R. 15421. An act granting an increase of pension to Elizabeth Palmer;
H. R. 15437. An act granting an increase of pension to Sarah A. Gerry;
H. R. 15438. An act granting an increase of pension to Thomas E. Peabody;
H. R. 15439. An act granting an increase of pension to Jane P. Chester;
H. R. 15472. An act granting an increase of pension to William H. Chamberlin;
H. R. 15571. An act granting an increase of pension to John Macfarlane;
H. R. 15585. An act granting an increase of pension to Solomon S. Shaner;
H. R. 15622. An act granting an increase of pension to Benjamin Cardwell;
H. R. 15661. An act granting an increase of pension to James M. Marshall;
H. R. 15684. An act granting an increase of pension to Joseph R. Prentice;
H. R. 15693. An act granting an increase of pension to Delitha A. Cook;
H. R. 15839. An act granting an increase of pension to Luther Scott;
H. R. 15840. An act granting an increase of pension to Rudolph B. Weyeneth;
H. R. 15841. An act granting an increase of pension to John Da Silva;
H. R. 15964. An act granting an increase of pension to Benjamin Knestrict;
H. R. 15870. An act granting an increase of pension to John Smith;
H. R. 15889. An act granting an increase of pension to Chester W. Abbott;
H. R. 15892. An act granting an increase of pension to Eli Titus;
H. R. 15910. An act granting an increase of pension to James A. Hale;
H. R. 15961. An act granting an increase of pension to Jane C. Welch;
H. R. 15997. An act granting an increase of pension to Christian J. Flanagan;
H. R. 16032. An act granting an increase of pension to Henry Taylor;
H. R. 16053. An act granting an increase of pension to Henry P. Reynolds;
H. R. 16148. An act granting an increase of pension to Harry F. Libby;
H. R. 16162. An act granting an increase of pension to George Brown;
H. R. 16217. An act granting an increase of pension to Julia E. Jones;
H. R. 16269. An act granting an increase of pension to Annie W. Coit;
H. R. 16271. An act granting an increase of pension to Gustavus W. Peabody;
H. R. 16272. An act granting an increase of pension to Enoch Dodd;
H. R. 16358. An act granting an increase of pension to Benjamin W. Walker;
H. R. 16465. An act granting an increase of pension to William H. Knepple;
H. R. 16492. An act granting an increase of pension to Wilson G. Gray;
H. R. 16499. An act granting an increase of pension to Charles S. Wainwright;
H. R. 16512. An act granting an increase of pension to John Dinneen, now known as John J. Davidson;
H. R. 16591. An act granting an increase of pension to James Mattingly;
H. R. 16534. An act granting an increase of pension to James H. Durham;
H. R. 3504. An act granting an increase of pension to Grace A. Negley;
H. R. 5101. An act granting an increase of pension to Benjamin Contal;
H. R. 7110. An act granting an increase of pension to Aurelia M. Power;
H. R. 15473. An act granting an increase of pension to Winthrop W. Wolcott;
H. R. 15911. An act granting an increase of pension to George N. McMurry;
H. R. 12952. An act authorizing the Secretary of the Interior to issue patent to the Rochford Cemetery Association to certain lands for cemetery purposes; and
H. R. 16731. An act permitting the town of Montrose, Colo., to enter 160 acres of land for reservoir and water purposes.

On February 19, 1903:

H. R. 7642. An act providing for the holding of terms of the circuit and district courts of the United States at Kansas City, Kans., and for other purposes;
H. R. 7792. An act for the relief of the legal representatives of John L. Young;
H. R. 14164. An act for the relief of Charles W. Carr;
H. R. 13307. An act for the relief of Valdemar Poulsen;
H. R. 14047. An act for the relief of the clerks of circuit and district courts of the United States;
H. R. 2812. An act granting a pension to Susan Kent;
H. R. 4118. An act granting a pension to Charles Maschmeyer;
H. R. 4153. An act granting a pension to Jane Hale;
H. R. 5450. An act granting a pension to Charles P. Bigelow;
H. R. 5918. An act granting a pension to Margaret Fox;
H. R. 5920. An act granting a pension to Washington T. Filson;
H. R. 7778. An act granting a pension to Peter Buckley;
H. R. 8617. An act granting a pension to Sabina Lalley;
H. R. 9074. An act granting a pension to Elizabeth C. Gates;
H. R. 11258. An act granting a pension to William F. Randolph;
H. R. 13297. An act granting a pension to Martin Greeley;
H. R. 13689. An act granting a pension to William W. Painter;
H. R. 14687. An act granting a pension to Margaret Brennan;
H. R. 14889. An act granting a pension to James T. Lundy;
H. R. 15206. An act granting a pension to Mary P. Everton;

H. R. 15211. An act granting a pension to Mary J. Slusser;
H. R. 15300. An act granting a pension to Delania Preston;
H. R. 15550. An act granting a pension to Mary A. Hinkle;
H. R. 15572. An act granting a pension to Charles W. Bracken;
H. R. 15673. An act granting a pension to Annie E. Doss;
H. R. 15754. An act granting a pension to Frances Cowie;
H. R. 16711. An act granting a pension to Ann Gilbert;
H. R. 6161. An act granting an increase of pension to Homer Davis; and
H. R. 10672. An act granting an increase of pension to Ada S. Kaempfer.

On February 20, 1903:
H. R. 6332. An act granting a pension to Michael Conlon;
H. R. 9107. An act granting a pension to Austin A. Vore;
H. R. 14845. An act granting a pension to Margaret Snyder;
H. R. 15757. An act granting a pension to Frances C. Broggan;
H. R. 10355. An act granting an increase of pension to William W. Smithson;
H. R. 12411. An act granting an increase of pension to Joseph Bart; and
H. R. 15400. An act granting an increase of pension to Enos Turner.

ISSUE AND CIRCULATION OF NATIONAL-BANK NOTES.

The committee resumed its session.

Mr. LEWIS of Georgia. Mr. Chairman, a great deal has been said about the bill and the substitute of the minority of the committee. I wish to say in behalf of the minority, once for all, that their report speaks for itself. We have agreed upon no bill, no substitute. We did say that we would favor an asset currency if properly issued, properly protected, and properly taxed. We have gone no further than to say that. We have further said, and we reported, that we did not favor the bill now under consideration, known as the "Fowler bill."

It has ever been obnoxious to me to feel that the Government must depend upon any association or banking institution for the issue of money; but I have investigated the practice of the countries of the world, and I have found that all first-class governments depend to a certain extent for currency upon the different banking institutions.

The Democratic party have had in their platform a declaration for State bank currency. My own State, which I have the honor in part to represent on this floor, has on its statute books a law declaring for a State-bank currency and asking for the repeal of the 10 per cent tax on the State banks of issue.

I am free to say that I would vote for the repeal of that 10 per cent tax at the very first opportunity. I should be glad to see the State banks of issue once more in existence. On the other hand, I am frank to say that with 45 States having different kinds of bank currency I should have grave fears that some of the States would have too liberal and probably weak laws in giving banks the privilege to issue currency, and thereby casting reflection upon the banks of the States having better laws.

But I am glad that this question is being discussed and discussed here in Congress. For the last ten or a dozen years the press of the country, the different boards of trade, and the people generally have been discussing the question of asset, elastic, and emergency bank currency. But the difference on this question is widespread. None have come to a conclusion as to what would be a proper currency or a proper system. Therefore, the minority of the committee have said that they would be willing to assent to an asset currency properly issued, properly protected, and properly taxed. Of course it is understood by the members of the House and the country that under the existing law all national banks are permitted to issue bank-note currency in amount equal to the capital of the bank, or to the extent of the par value of United States bonds deposited by the bank with the Treasury of the United States.

This bill does not permit the national banks to issue a greater amount of currency than the system under which national banks now operate, but it provides that every national bank may issue asset currency to the extent of 25 per cent of its paid-up and unimpaired capital without depositing bonds as security therefor, the assets of the bank and the double liability of stockholders of the banks being the security, the banks paying one-quarter of 1 per cent semiannually as a tax on this issue.

I am opposed to this, the Fowler bill, for several reasons. First, it confers a special privilege upon the banks. Without indorsing the views of our Populist brethren, I have always loved their motto—"Equal rights to all and special privileges to none." Sir, I am opposed to this Government granting special privileges to any individual or any corporation.

Second, the banks, under the operation of this bill, will decrease their bonded circulation in preference to their asset circulation.

Mr. HILL. Will the gentleman allow me a question right here?

Mr. LEWIS of Georgia. Certainly.

Mr. HILL. I ask it not for the purpose of interruption, for I want to say that I appreciate the fairness and honesty and integrity of purpose with which my friend from Georgia has approached this question. But I wish to ask him what harm could possibly be done by decreasing the bond-secured currency and substituting for it, under a fixed limit, an asset currency if this currency is cheaper and better for the country than the bond-secured currency?

Mr. LEWIS of Georgia. I am glad to answer the gentleman's question, which is the same question he asked of one of my colleagues of the committee. I want to say that I believe in a liberal amount of currency; and while I have never espoused the cause of the national-bank currency, I honestly concede that the bond-secured circulation is the soundest currency we can have. We have five securities for that currency: First, the Government is behind it; second, we have the security of the Government bonds; third, the redemption fund put up by all the national banks of the country; fourth, to secure that currency there is a first lien on the assets of the banks; and fifth, there is the double liability of the stockholders of every bank. Therefore we want that currency; but the banks should be denied the right of retiring the bond-secured currency, which is not very profitable to them, and issuing instead an asset currency, which, though good, is, in my opinion, the weaker of the two forms of money, but very much more profitable to the banks.

It is a safe currency, apart from the question whether it is otherwise a desirable currency; and if asset currency is to be issued, I would demand that every bank should take out 50 per cent of the bond-secured currency before it could have the privilege of issuing this asset currency. The chairman of the committee stated this morning, in answer to a question of mine, that the profit on the bonded currency to the banks amounted to only three-fourths of 1 per cent, while the profit on the asset currency would amount to about 3 per cent.

I am opposed to any bank issuing this asset currency until it has first done its duty and taken out a certain amount of bonded currency. I want to keep the bonded currency that we have now on hand. It amounts to about $5 per capita. I want to keep it, because it is the safest money—safer than asset currency, because for the asset currency you have only the security of the assets of the bank and the double liability of the stockholders. Therefore, I say, whatever may be the security for the asset currency it is not so good as a bond-secured circulation.

Fourth, I object to this bill because the banks should pay a greater tax to the Government for the privilege of this issue than is proposed in this bill. The banks in all countries pay their respective governments for such a privilege.

A great deal has been said here to-day about taxing this asset currency. It is proper it should be taxed. The Government should get some benefit from it. Under the Fowler bill the Government gets no benefit from the taxation of this money; it all goes to building up the redemption fund in the Treasury, which is for the benefit of the banks. I believe it ought to be taxed to make it the elastic and flexible currency of the country, and to make it remain out at issue as long as the trade and commerce of the country demand it and are willing to pay the interest. When the demand or stringency has passed, and it is no longer profitable to the banks to keep this currency in circulation, then they could and would retire it. In my opinion, this is the kind of asset currency the country is asking for.

I beg to read here some remarks of Secretary Shaw in respect to what he says about taxing this money. He says:

> How shall retirement be secured? I recognize that some careful students of the subject think that this will regulate itself when given free play and that the lower the rate of tax the more certainly it will retire. This would, perhaps, be true if our entire system were unified upon that plan. I am not so certain if the present system, which must not be disturbed, is to be supplemented by the allowance of a limited issue available only in times of stringency. If the issue were a billion, 5 per cent retirement would mean a fifty million contraction. But if the issue be limited to from fifty to one hundred million, 5 per cent retirement would not signify much. A reasonably high rate will certainly afford a strong inducement for the banks to retire their circulation when not actually needed. What that rate shall be is a question for very careful, not scientific, but practical investigation.
>
> I will use two extreme illustrations. If the banks were paying only one eighth of 1 per cent tax on circulation, they would not voluntarily retire so long as it could be loaned at all. Other banks might send it in for redemption, but it would be reissued with equal promptness. But if the tax were 2 or 3 per cent and if the banks were required to maintain a reasonable reserve against it, they would certainly retire rather than loan even at 4 per cent. They would, however, reissue whenever interest rates advanced to the point of profit. A stringency would bring it forth, and in the locality where most needed.

Mr. HILL. Will not the gentleman admit that the Secretary is speaking of an entirely different kind of redemption? He is speaking of redemption through the United States Treasury, whereas the Fowler bill proposes a redemption through the banks themselves, taking the Government entirely out of the business. They could do that in redemption through the United States Treasury, but you can not do it with the banks making their own redemptions.

Mr. LEWIS of Georgia. But does not the gentleman know that the bank making 3 per cent profit on asset currency would keep that currency out at all times?

Mr. HILL. I know is is absolutely impossible for the bank to put out currency unless there is a legitimate demand for it of some kind somewhere.

Mr. LEWIS of Georgia. That is the point I am making. The banks would keep the asset currency out and would retire the bond currency. Yes; the banks should be required to issue 50 per cent of bond currency before they have this special privilege, and when this privilege is granted they should be made to pay a tax of at least 2 per cent on this asset circulation. There has been something said about what the banks are doing in the way of circulation. We find the average circulation of the national banks all over the United States to be 54 per cent, but on investigation it will be found that the smaller national banks of the country are coming to the rescue of the currency and doing their duty, and not the larger city banks.

Mr. FOWLER. Just a moment. The records from the Treasury Department show that the country banks have 50 per cent of their capital represented in notes, and the banks of the central reserve cities have 46 per cent. There is not very much difference.

Mr. LEWIS of Georgia. I have made a tabulated statement of twenty of the largest banks in the three largest cities—New York, Chicago, and Boston. I find that eleven banks in New York City have a total capital of $62,000,000 and a circulation of $24,000,000, or 38 per cent. I find that five of the largest banks in Chicago have a total capital of $18,000,000, and that they have a circulation of only $1,545,000, or only 11 per cent as compared with their capital. Four of the large banks in Boston have a capital of $9,500,000, and they have out in circulation only 4 per cent as compared with their capital. Therefore the total percentage of the circulation as compared with the capital of these twenty banks I find to be 31 per cent.

NEW YORK.

Name of bank.	Bonds to secure circulation.	Bonds to secure deposits.	Capital.	Circulation.
Fourth National Bank	$50,000	----------	$3,000,000	$50,000
First National Bank	2,977,000	$2,678,000	10,000,000	2,953,000
American Exchange National Bank	5,000,000	1,053,000	5,000,000	5,000,000
Chase National Bank	450,000	1,830,000	1,000,000	450,000
Chemical National Bank	50,000	----------	300,000	----------
Hanover National Bank	2,450,000	5,211,000	3,000,000	2,309,000
Importers and Traders' National Bank	50,000	----------	1,500,000	48,000
National City Bank	5,520,000	15,837,000	25,000,000	5,000,000
National Park Bank	50,000	3,000,000	2,000,000	49,050
National Bank of Commerce	8,308,000	2,692,000	10,000,000	8,200,000
Western National Bank	550,000	2,040,000	2,100,000	367,997
Total	25,455,000	34,341,000	62,900,000	24,487,047

CHICAGO.

First National Bank	$1,000,000	$700,000	$8,000,000	$896,000
Corn Exchange National Bank	500,000	500,000	3,000,000	500,000
Continental National Bank	50,000	----------	3,000,000	50,000
National Bank of North America	50,000	----------	2,000,000	50,000
National Bank of Republic	50,000	100,000	2,000,000	49,997
Total	1,650,000	1,300,000	18,000,000	1,545,997

BOSTON.

First National Bank	$50,000	----------	$1,000,000	$50,000
Merchants' National Bank	755,000	$700,000	3,000,000	749,060
National Shawmut Bank	2,069,500	2,267,000	3,500,000	1,898,000
State National Bank	50,000	240,000	2,000,000	49,997
Total	2,924,500	3,207,000	9,500,000	2,747,057

SUMMARY.

City.	Total number of banks.	Total capital.	Total circulation.	Percentage of circulation to capital.
New York	11	$62,900,000	$24,487,047	38
Chicago	5	18,000,000	1,545,997	11
Boston	4	9,500,000	2,747,057	4
Grand total	20	90,400,000	28,462,044	31

I find some of the large banks of the country have not taken out any circulation at all. Now, would it be right to permit them to come in and take out this profitable asset circulation and thus reap the benefit? Let me illustrate. One of the largest banks in the United States, the National City Bank of New York, has a capital of $25,000,000. They have a bonded circulation of only $5,000,000, or 20 per cent, as compared with their capital. Would it be fair to let this bank come in under this bill and get the benefit of this asset currency? They could issue $6,250,000 of this asset currency, it being 25 per cent of its capital, upon which to operate. Why would they not take it out? What does it cost them?

They could issue this currency, paying at the rate of a half of 1 per cent tax or interest, whatever you may term it. Certainly, they would take out asset currency and probably decrease their bonded currency. Let us see what we would be doing for that one bank alone. At the rate of 3 per cent, which the chairman of the committee states these banks would derive, that bank would make on this $6,250,000 of asset currency a profit of $187,000. In other words, the Government is giving them $187,000 of profit by reason of this special privilege.

Mr. HILL. The gentleman stated a moment ago that he was in favor of the repeal of the 10 per cent State bank tax, which, in the State of Georgia, would give his bank the privilege of issuing 100 per cent of asset currency.

Mr. BARTLETT. Oh, no.

Mr. HILL. Oh, yes. Why does the gentleman object to the national bank issuing 25 per cent if the State bank he is in favor of could issue 100 per cent.

Mr. LEWIS of Georgia. I do not say that I am in favor of that. I say there is a law. I do not know the amount that it permits the banks to issue. I say and maintain that State banks should issue only a reasonable amount as compared with the capital and it should pay a tax for that privilege. There is where we differ. Instead of the banks issuing this bonded currency, they are using their bonds to secure deposits. The National City Bank of New York, to which I was alluding when interrupted, while taking out only $5,000,000 of currency as against a capital of $25,000,000, has on deposit of Government money to-day $17,000,000.

That is what banks prefer to use bonds for—to get this deposit money. It is more profitable to them, because by depositing bonds with the Treasury of the United States they get the use of this vast amount of Government money free of all interest.

Permit me to allude further to a transaction of the Government with this same bank. We all remember the sale by the Government of the custom-house property in the city of New York to the National City Bank, in which peculiar transaction the Government is called upon to appropriate annually $130,600 as a rental, and under the peculiar terms of the contract between the Government and the bank at the expiration of the full term of the contract, which has five years yet to run, the Government will have completely paid the purchase price of the property and $100,000 in addition, and the National City Bank will have the property at no cost whatever to itself. I desire to read a statement relative to this strange transaction that appeared in the New York World of February 2:

CITY BANK GETS ANOTHER $130,600—ANNUAL CONTRIBUTION FOR RENT OF BUILDING BOUGHT BUT NOT PAID FOR.

WASHINGTON, *February 2, 1903.*

The United States Government's annual contribution of $130,600 to the National City Bank of New York appears in the sundry civil appropriation bill reported to the House to-day. With the present payment the Government will have paid to the National City Bank $653,000 for rent for the old custom-house property, which the bank bought of the Government for $3,265,000.

At the expiration of the full term of the contract between the bank and the Government, which has five years yet to run, the Government will have completely paid the purchase price of the property and $100,000 in addition, and the National City Bank will have the property practically at no cost whatever to itself.

When the National City Bank bought the old custom-house property it agreed to pay the Government $3,265,000 for it. In reality the bank never paid a cent, although in August, 1899, it did notify the Secretary of the Treasury that it had deposited with itself to the credit of the United States $3,215,000. The Government never called in this money, but permitted it to remain in the bank, which is a Government depository.

ARRANGED THROUGH MR. GAGE.

It is frankly admitted by the National City Bank that it still owes $50,000 of the purchase price. This jugglery was done through Secretary Gage and the bank officials, so that the title to the property would still rest with the Government, and the bank would not be obliged to pay about $75,000 a year in taxes to the city of New York. It was one of the best and most scientific methods of tax-dodging then invented. During the five years that the Government has been donating $130,600 a year to the bank, the bank has saved about $375,000 in taxes.

In addition to the rental the bank gets it also receives interest from the Government on the United States Government bonds which it deposited with the Secretary of the Treasury to be allowed to hold its purchase money as a Government deposit, at the rate of 4 per cent a year.

At the expiration of five years, half the term of the contract, the account stands:

Paid National City Bank in rental for five years, at $130,600	$653,000
Paid interest on Government bonds, at 4 per cent, to secure Government deposits	653,000
Saved National City Bank in taxes	375,000
Total	1,681,000

The contract is to run five years longer, when $3,362,000 will have been paid into the bank by the Government for a property which the National City Bank bought for $3,265,000.

HAS HAD UNITED STATES FUNDS.

In addition to all this, the National City Bank has had the use of Government moneys, which have always been of a greater sum than $4,000,000. This money is lent by the bank at whatever rate of nterest it can get.

Of course, Congress will make the appropriation for the rent.

As matters now stand, in ten years the National City Bank will have the old custom-house property and will have received from the Government or been saved through nonpayment of taxes $3,365,000. For this all that it did was to write a check and notify the Secretary of the Treasury that $3,215,000 was on deposit in the National City Bank to the credit of the United States.

I desire to show further the close relation that exists between the Treasury Department and some of the large banks of the country, which is so advantageous to these banks. For that purpose I give herewith a statement of the United States deposits with five large banks in New York City, which are generally recognized by all as the Rockefeller or Standard Oil and J. P. Morgan & Co. banks:

Name of bank.	United States deposits.
First National Bank of New York	$2,678,000
National Bank of Commerce, New York	2,692,000
National Park Bank of New York	3,000,000
Hanover National Bank of New York	5,211,000
National City Bank of New York	17,089,128
Total	30,670,128

You will see from this statement that the combined deposits of the United States Treasury with these five banks amounts to more than $30,000,000, for which the banks are paying no interest and at the same time lending at the ruling rates of interest.

It is for these reasons that I look with suspicion on all legislation pertaining to circulation and the banks. It occurs to me, Mr. Chairman, that too much has already been done for the banks and we are yet asking for more favors for them. Let us look to a system that will not confer too many favors on the banking corporations, but rather let us devise a system of deposits and a plan of circulation that will promote the welfare of all lines of commerce and the good of the country at large.

We to-day have nearly $30 per capita circulation. Whether this is as much money as is good for the welfare and hearty condition of our country I am unable to say. At times it may be and at other times it would not answer our purposes. At any rate, I am inclined always to the side of a most liberal circulation of good and safe money. I want to say to my friends on this side of the House, let us condemn the currency system and our Treasury plans that now exist. The Republican party on March 14, 1900, passed their currency bill. They said, "Our currency system has been put in good condition, we are all right; now we can go before the country and praise its perfection."

I want to say that to-day we are having as much or more trouble with the currency than we had at that time. And about the best thing they did was to make the national banks more popular by making them more useful to the wants of trade and adapted more generally to all parts of the country. We opposed their currency plan then; and I say let us stand together ready to condemn its weaknesses and inconveniences now. Why, the idea of the Government keeping $150,000,000 in gold locked up in the Treasury of the United States. What for? For the purpose of redeeming our United States notes. If you will investigate the condition of the Treasury on the 20th day of February, 1903, statement of which I insert in my speech, you will find that they have only $6,000,000 of United States notes on hand, while they have $150,000,000 gold the reserve fund to protect that $6,000,000.

Statement of the United States Treasury on the 20th day of February, 1903—Cash in the Treasury.

IN DIVISION OF ISSUE AND REDEMPTION.		
Reserve fund—gold coin and bullion in Division of Redemption		$150,000,000
Trust funds—held for the redemption of the notes and certificates for which they are respectively pledged:		
Division of redemption—		
Gold coin		$397,839,069
Silver dollars		463,052,000
Division of redemption—Continued.		
Silver dollars of 1890	$786,837	
Silver bullion of 1890	21,604,163	
Total		883,282,069
Division of issue—		
Gold certificates outstanding		397,839,069
Silver certificates outstanding		463,052,000
Treasury notes outstanding		22,391,000
Total		883,282,069
GENERAL FUND.		
Gold coin and bullion		$82,505,598.54
Gold certificates		21,500,630.00
Standard silver dollars		12,136,641.00
Silver certificates		6,282,694.00
Silver bullion		923,609.22
United States notes		5,366,864.00
Treasury notes of 1890		59,643.00
National-bank notes		18,066,715.52
Subsidiary silver coin		8,451,077.44
Fractional currency		157.67
Minor coin		787,990.77
		156,081,621.16
In national-bank depositaries—		
To credit of the Treasurer of the United States	$142,845,779.97	
To credit of disbursing officers	7,360,825.08	
	150,206,605.05	
Awaiting reimbursement, bonds and interest paid	197,940.18	
		$150,404,545.23
		306,486,166.39
Liabilities:		
National-bank 5 per cent fund	12,478,341.73	
Outstanding checks and drafts	8,445,148.37	
Disbursing officers' balances	56,200,489.28	
Post-Office Department account	6,428,117.82	
Miscellaneous items	1,447,412.53	
		84,999,509.73
Available cash balance		221,486,656.66

The circulation statement issued by the Treasury Department, February 1, 1903, which I present, shows that the general stock of gold in the United States on that date was $1,246,876,715, while the total stock of United States notes is and has been all the time $346,681,016, it being a fixed amount, while gold is increasing all the while. Now, with this large amount of gold in the country, certainly an amount ample to take care of all the United States notes at any and all times, it is absurd and impractical for the Government to keep locked up and out of the channels of trade, from the wants of the country, and preventing it from performing its duty as a circulating medium, the $150,000,000 in gold, held there for the purpose of redeeming these notes.

It is true that in 1893 these notes, then standing at same amount as now, did cause a demand and strain on the Treasury for gold redemption, thereby producing what is commonly known as the "endless chain;" but the great increase in the production of gold in the last ten years makes it improbable and unreasonable to even suspect that the condition of 1893 would possibly occur again. Then we say the present system is bungling and ought to be condemned. Let us ask and insist—yes, demand—that it be corrected on proper and common-sense lines.

Circulation statement—February 1, 1903.

	General stock of money in the United States.		Held in the Treasury as assets of the Government.[a]	
	Jan. 1, 1903.	Feb. 1, 1903.	Jan. 1, 1903.	Feb. 1, 1903.
Gold coin (including bullion in Treasury)	$1,246,876,715	$1,252,842,475	$270,777,264	$247,783,746
Standard silver dollars	548,098,168	549,580,553	6,217,202	16,885,506
Subsidiary silver	100,769,875	100,528,519	6,419,206	8,020,705
Treasury notes of 1890	24,053,000	22,953,000	132,574	87,522
United States notes	346,681,016	346,681,016	2,910,158	6,473,503
National-bank notes	384,929,784	383,973,546	16,251,253	21,569,293
Total	2,651,408,558	2,656,559,109	302,707,657	300,820,275

MONEY IN CIRCULATION.

	Jan. 1, 1903.	Feb. 1, 1903.	Feb. 1, 1902.	Jan. 1, 1879.
Gold coin (including bullion in Treasury)	$629,630,632	$629,023,915	$634,733,847	$96,262,850
Gold certificates[b]	346,418,819	376,034,814	307,504,839	21,189,280
Standard silver dollars	78,310,334	75,838,448	71,235,873	5,790,721
Silver certificates[b]	463,570,632	456,856,599	443,011,480	413,360
Subsidiary silver	94,350,669	92,507,814	83,842,839	67,982,601
Treasury notes of 1890	23,220,426	22,865,478	37,443,524	----------
United States notes	343,770,858	340,207,513	335,681,645	277,098,511
Currency certificates, act of June 8, 1872[b]	----------	----------	----------	33,190,000
National-bank notes	368,678,531	362,404,253	346,437,662	314,359,398
Total	2,348,700,901	2,355,738,834	2,259,951,709	816,266,721

Population of the United States February 1, 1903, estimated at 79,914,000; circulation per capita, $29.48.

[a] This statement of money held in the Treasury as assets of the Government does not include deposits of public money in national-bank depositaries to the credit of the Treasurer of the United States and amounting to $112,903,773.07. For a full statement of assets see public debt statement.

[b] For redemption of outstanding certificates an exact equivalent in amount of the appropriate kinds of money is held in the Treasury and is not included in the account of money held as assets of the Government.

A condition confronts us. Therefore let us face it and adjust it as best we can.

They tell us we have not enough bonds; that the national banks can not get the bonds upon which to issue their bonded currency. Upon investigation I find a bond-secured circulation of about $384,000,000, while the total national-bank capital is $715,000,000. Our interest-bearing bonded indebtedness amounts to $931,000,000, consisting of 2 per cent bonds, $445,000,000, and in 4 per cent and other rates of interest bonds, $486,000,000. Or, we have $216,000,000 more bonds than the total national banking capital, and we have $547,0000,000 more bonds than the total bank-note circulation. In addition to that, we will soon have the Panama Canal bonds for the purposes of bank circulation.

While I am not advocating national banks, I say they are growing more popular in the country than they ever have been. I find that since the act of March 14, 1900, to October 31, 1902, the number of national banks organized was 1,212, and out of that number the South organized 307 and the great State of Texas 153, as appears from the table given below.

Organizations by classes, States, and geographical divisions during the period named are shown in the following table:

National banks organized from March 14, 1900, to October 31, 1902.

States, etc.	Capital, less than $50,000.		Capital, $50,000 or over.		Total organizations.		Bonds deposited.		
	Number.	Capital.	Number.	Capital.	Number.	Capital.	Banks, capital, less than $50,000.	Banks, capital, $50,000 or over.	Total.
Maine	1	$25,000	4	$225,000	5	$250,000	$12,000	$57,500	$69,500
New Hampshire	1	25,000	2	200,000	3	225,000	10,000	50,000	60,000
Vermont	1	25,000			1	25,000	25,000		25,000
Massachusetts			5	2,150,000	5	2,150,000		175,000	175,000
Rhode Island			1	500,000	1	500,000		50,000	50,000
Connecticut	2	50,000	1	50,000	3	100,000	22,500	13,000	35,500
Total New England States	5	125,000	13	3,125,000	18	3,250,000	69,500	345,500	415,000
New York	23	585,000	23	5,510,000	46	6,095,000	199,550	875,000	1,074,550
New Jersey	12	320,000	8	625,000	20	945,000	133,550	132,500	266,050
Pennsylvania	61	1,582,000	72	9,740,000	133	11,322,000	573,600	1,617,750	2,191,350
Delaware	2	50,000			2	50,000	25,000		25,000
Maryland	11	302,000	7	730,000	18	1,032,000	77,700	190,000	267,700
Total Eastern States	109	2,839,000	110	16,605,000	219	19,444,000	1,009,400	2,815,250	3,824,650
Virginia	16	420,000	8	660,000	24	1,080,000	137,750	192,500	330,250
West Virginia	13	365,000	10	610,000	23	975,000	125,750	182,500	308,250
North Carolina	9	230,000	1	50,000	10	280,000	80,250	12,500	92,750
South Carolina	2	50,000	2	110,000	4	160,000	13,250	32,500	45,750
Georgia	8	245,000	8	850,000	16	1,095,000	63,000	182,500	245,500
Florida	2	60,000	4	350,000	6	410,000	17,500	100,000	117,500
Alabama	6	152,500	10	625,000	16	777,500	40,000	165,000	205,000
Mississippi	1	25,000	4	375,000	5	400,000	6,250	143,750	150,000
Louisiana	5	125,000	7	750,000	12	875,000	31,500	162,500	194,000
Texas	112	3,023,000	41	2,810,000	153	5,833,000	913,400	742,750	1,656,150
Arkansas	3	75,000			3	75,000	18,750		18,750
Kentucky	11	275,000	11	2,270,000	22	2,545,000	101,800	374,000	475,800
Tennessee	8	210,000	5	270,000	13	480,000	47,000	92,500	139,500
Total Southern States	196	5,255,500	111	9,730,000	307	14,985,500	1,596,200	2,383,000	3,979,200
Ohio	36	990,000	30	4,170,000	66	5,160,000	312,550	1,027,500	1,340,050
Indiana	24	645,000	17	1,950,000	41	2,595,000	213,050	510,000	723,050
Illinois	49	1,300,000	17	3,300,000	66	4,600,000	500,000	800,000	1,300,000
Michigan	4	110,000	6	430,000	10	540,000	28,550	157,500	186,050
Wisconsin	13	330,000	11	1,050,000	24	1,380,000	90,950	286,250	377,200
Minnesota	62	1,570,000	11	700,000	73	2,270,000	560,250	204,500	764,750
Iowa	49	1,300,000	17	960,000	66	2,260,000	475,750	282,500	758,250
Missouri	9	240,000	7	1,485,000	16	1,725,000	87,750	240,000	327,750
Total Middle States	246	6,485,000	116	14,045,000	362	20,530,000	2,268,850	3,508,250	5,777,100
North Dakota	25	880,000	1	50,000	36	930,000	285,500	19,000	304,500
South Dakota	24	600,000	2	100,000	26	700,000	172,550	25,000	197,550
Nebraska	28	735,000	1	50,000	29	785,000	233,300	12,500	245,800
Kansas	24	615,000	8	650,000	32	1,265,000	223,500	200,000	423,500
Montana	2	55,000	1	250,000	3	305,000	14,000	50,000	64,000
Wyoming	3	75,000	2	100,000	5	175,000	18,750	50,000	68,750
Colorado	10	265,000	7	700,000	17	965,000	71,500	190,000	261,500
New Mexico	6	150,000	1	50,000	7	200,000	48,800	12,500	61,300
Oklahoma	53	1,340,000	6	400,000	59	1,740,000	453,250	105,000	558,250
Indian Territory	43	1,135,000	10	555,000	53	1,690,000	315,400	138,750	454,150
Total Western States	228	5,850,000	39	2,905,000	267	8,755,000	1,836,550	802,750	2,639,300
Washington	3	80,000	4	300,000	7	380,000	26,250	75,000	101,250
Oregon	4	100,000			4	100,000	33,000		33,000
California	4	105,000	11	1,750,000	15	1,855,000	36,500	375,000	411,500
Idaho	5	125,000	1	50,000	6	175,000	31,300	12,500	43,800
Utah	1	30,000	1	50,000	2	80,000	7,500	12,500	20,000
Nevada									
Arizona	3	80,000			3	80,000	20,250		20,250
Alaska									
Hawaii	1	25,000	1	500,000	2	525,000	6,500	50,000	56,500
Total Pacific States	21	545,000	18	2,650,000	39	3,195,000	161,300	525,000	686,300
Total United States	805	21,099,500	407	49,060,000	1,212	70,159,500	6,941,800	10,379,750	17,321,550

This shows that these banks are becoming more popular, and, as I say, when we have a condition confronting us let us meet it. The banks are here, and here to stay, most of them strong, under our system; then let us manage and control these banks and make them come to the rescue of the country in issuing currency and pay a proper tax to the Government for the privilege we grant them. Let us make them rather the servants of the people and the servants of the country than masters of the situation.

I can not advocate any measure that simply looks to the profit of the bank and not to the interest of the people. With three-quarters of 1 per cent profit to the banks on bonded circulation, I do not think it is harmful, and I am anxious to see that bonded circulation increased, certainly not diminished. We must bear in mind that our money is all fixed. The amount of silver we have is fixed. The amount of bank notes we have is fixed. Our only way of increasing the money of the country is by what gold we may produce or acquire by advantageous exchanges with other countries. Consequently I believe we need a currency for circulation, as I have said, properly issued, protected, and taxed.

I believe such a currency would prove of benefit to my own section of country, the South, at our crop-moving season, when, on account of a stringency of money, we can not always rely on the great money centers for assistance. At such a time and in such an emergency the local banks, under some system of elastic currency, could come to the rescue and supply the need of temporary increase in the volume of money frequently needed in moving our large cotton crop. When the emergency had passed, that currency should be retired.

Such a currency would likewise prove beneficial to the West in moving its enormous grain crops, and to all sections of our common country where circumstances and conditions are such as to occasion, in times of money stringency, the temporary need of an increase in the volume of existing currency.

Mr. Chairman, before I close my speech I must insist that the Government should have its banks of depository more equitably

distributed over every section of our country. I believe it would be a wise policy to permit all national banks in the United States to become depositories and entitled to their respective shares of the Government's surplus money, in proportion to the amount of circulation they issue under the privileges extended them by some plan of elastic emergency currency, and I would require the banks to pay interest on every dollar so deposited. If that plan were in existence to-day the Government would be getting a revenue from its deposits in the national banks, and instead of the deposits being largely confined to certain favored banks in certain favored sections this money would be wisely and justly distributed where the entire commerce of the country would receive the direct benefits that would flow from it.

I would be glad to see all surplus moneys not wanted in the Treasury deposited with these banks, but above all, Mr. Chairman, I would rather see our burdensome taxes reduced and the needless accumulation of money in the Treasury, which is and has been going on for some time, stopped.

By our present relations of Government to banks we have added great wealth to the national banks of the country, and by our unholy and unnatural system of tariff taxation not only have we taken from the tax-ridden public what was not needed, but we have builded up great and powerful "trusts," which in turn are controlling many of the largest banking institutions of the country.

Then let us at once change our system of finances and taxation, reduce the taxes, and let the money remain where it rightfully belongs—in the channels of legitimate business and in circulation among the people. [Loud applause.]

Mr. PRINCE. Mr. Chairman, we have now under consideration the bill H. R. 16228, which is for the purpose of providing for the issue and circulation of national-bank notes. Perhaps it would be well for the committee to consider just what kind of money we now have in our country.

Gold coin, standard silver dollars, subsidiary silver, minor coins, United States notes, and Treasury notes of 1890 have the legal-tender quality as follows: Gold coin is legal tender for its nominal value when not below the limit of tolerance in weight; when below that limit it is legal tender in proportion to its weight. Standard silver dollars and Treasury notes of 1890 are legal tender for all debts, public and private, except where otherwise expressly stipulated in the contract. Subsidiary silver is legal tender to the extent of $10, minor coins to the extent of 25 cents, and United States notes for all debts, public and private, except duties on imports and interest on the public debt. Gold certificates, silver certificates, and national-bank notes are nonlegal-tender money. Both kinds of certificates, however, are receivable for all public dues, and national-bank notes are receivable for all public dues except duties on imports, and may be paid out for all public dues except interest on the public debt.

This bill adds another kind of money to the money that we now have in circulation and will be either legal tender or nonlegal tender. Now, let us see what this kind of a currency will be. Section 5 provides:

That such notes shall be a first lien upon the assets of the respective banks issuing them, and shall be received upon deposit and for all purposes of debt and liability by every national bank at par and without any charge of whatsoever kind, and such notes shall be receivable for all public dues except duties on imports, and when so received shall be paid out again.

In other words, these notes, if issued under the provisions of this bill, will be very similar to the present national-bank notes and will be nonlegal tender. Now, perhaps it may be said by some of our friends in this committee, Will these notes be good and will they be as universally used throughout the entire country as our present national-bank notes? To my mind, and from my reading and study of this question, I am convinced that these notes will be good; that they are abundantly secured under the provisions of this bill. But perhaps the committee may say: "That may be your opinion, but you may not have knowledge sufficient to give to this committee upon which they should also base their opinion and agree with you upon this question." Now, let me for the benefit of the committee read the opinion of one who ought to know something upon this question. I read from the annual report of the Secretary of the Treasury for the year 1902, on page 66:

I see no objection to the issuance of circulation based upon general credits, if properly safeguarded. (Neither do I believe it necessary to make currency thus issued a first lien upon assets.) A very small tax upon circulation would be sufficient to cover any possible loss. The Government actuary has demonstrated that a tax of one-eighth of 1 per cent upon circulation would have covered all loss from the beginning of our national-banking system to the present time, had each bank maintained its limit of circulation. Instead of calling this a tax, suppose it be called "premium on insurance" and the Government the "underwriter." The banks could be required to redeem their circulation at reserve cities, and the Government would never suffer injury or embarrassment as an insurer against ultimate loss. The lowest tax suggested by anyone would far exceed any possible loss, and the Government could assume responsibility to the people and still realize a profit.

When thus guaranteed and primarily redeemed by the Government at the expense of the bank of issue, currency based on general assets would be as acceptable and as secure as the present national-bank notes based on specific assets.

I doubt, however, the wisdom of making provision for the issuance of credit currency to the limit of the bank's capital. Not that I would fear unfortunate results, but in all financial legislation the greatest caution must be exercised lest the currency be suddenly and unduly inflated. An elastic currency is well-nigh imperative, but a sudden, unnecessary, and permanent increase would be most unfortunate.

Authority to issue circulation based on credits would not preclude the continuance of the present national-bank currency. Neither is it necessary that it be designated "credit currency." If all forms of money were made interchangeable, what some are pleased to call "asset currency," others "credit currency," and still others "emergency currency" might be denominated "gold-reserve currency," for certainly a reserve against this class of currency should be maintained by the bank, and this reserve would be very properly gold, should the Government make all its money interchangeable.

So much for the report of the Secretary of the Treasury. Now let us see the report of our friends who are on the minority of this committee. On page 3 of their report I find this:

If it is the purpose and policy of the bill to get away from the present system of a bond-secured currency and substitute in its stead a credit currency, then the legislation providing for it should be comprehensive in its scope and particular in its details, and should be so framed as to furnish a currency sufficient in volume to meet the demands and necessities of the legitimate business of the country.

We are of opinion that many of the banks, finding the circulation authorized under this bill so much more profitable than the currency authorized under existing laws, will be inclined, as far as possible, to use the currency provided under this bill and refrain from issuing currency under the provisions of existing laws, and seek to force the currency issued under the provisions of this bill to do the business of the country.

We would cheerfully support a bill measuring up to the standard above indicated, which would be calculated to remedy the evils of the present currency system, but we are unwilling to assent to the passage of a bill such as H. R. 16228, which, in our opinion, fails to afford relief and will only produce confusion in our monetary affairs.

The views of the minority agree with us, in the main, that is, as to the mode of procedure as to the question at issue, whether it is wise or unwise for us at this time to proceed along the line of a credit currency, along the line of asset currency, along the line of emergency currency, along the line of a currency convertible into gold, or a gold currency. That is really what this bill is. This is a measure asking for the issuance of a bill which over the counters of the issuing banks is convertible into gold, exchangeable into gold, and at the reserve cities, within the limits of where they are placed, they can be exchanged for gold. Then we have in circulation a currency that our friends on the other side by their report seem to concede that there is no harm in the passage of a measure looking toward this end. But they differ with us as to the mode of procedure, and to listen to my friend from Massachusetts in his discussion he seemed to be of the same opinion, but he doubted the wisdom of the working plan of this bill. We upon the other side believe in the working plan of this bill. We believe it will carry out the purposes that we have in view, namely, taking a step toward getting away from the bond-based currency we now have.

Now what have we? We have a national-bank system, and in order to get the right of circulation they have to purchase a certain number of bonds. They have got to go into the market and buy the bonds. The bonds upon which their circulation is based are largely a 2 per cent bond, selling, say, at 108. Then, if they desire to issue circulation, say, of $100,000, each bank would have to go into the market and pay $108,000 to issue a circulation of $100,000. But that $108,000 is locked up, and they are receiving in consideration therefor 2 per cent, and they then take $100,000 from that $108,000 and there are $8,000 locked up, not in circulation. They receive the $100,000 and they receive interest at the rate of 2 per cent on the remainder.

What is the effect upon the business interests of the country? Just exactly as it is occurring in my own city, just exactly as it is occurring in Illinois and all the States of the Union, men are going out of the national banking system and going into the trust system. They are going into private banks of the State. Why? Because they will take the hundred thousand dollars and lend it to their neighbors and get 5 or 6 or 7 per cent a year, and not have to take $108,000 in order to get into the banking business.

Mr. HILL. And they are not compelled to maintain any reserve.

Mr. PRINCE. And, as the gentleman from Connecticut says, they are not compelled to maintain a 25 per cent reserve in the large places and 15 per cent in the smaller. There is no reserve whatever, and they go into the trust banks to the exclusion of the other, and contract the currency of the country as rapidly as they can, bringing it down, because they are forbidden to exceed $3,000,000 monthly. This is not compulsory; this measure confers on the banks an opportunity to go along in that line. In other words, they march along side by side with the bond-based currency. If they do not wish to take advantage of it, well and good. If they do wish to take advantage of it, well and good. If the business interests of this country do not believe it is a safe currency, they can not put it into circulation. If the business men and the people who use this money, either in trade or commerce, will not accept it for the payment of debts, if they have any doubt that it is good, they will refuse to accept it, and the banks will have to go out of existence; and at the rate of 25 per cent of paid-up capital it can work no great harm to the country

at all. Why? Because it is amply secured. The Secretary of the Treasury so states.

The report of the gentlemen on the other side make no claim that it is wildcat; they make no claim that it is red dog; they make no claim that it is that class of money that you will have to take a counterfeit detector along with you—that old book that they used in the time of the old-fashioned State banks. There is no such charge made against the bill; no such charge can be truthfully made against it. It may be in the nature of a departure, but it is a step in the direction of getting the Government out of the banking business. It is a step of departure from the bond-based currency, and as the time approaches we will have to move out in some direction or other. There is no question about it. We are paying for bonds as fast as we can get them. The Secretary of the Treasury of the United States has gone into the market and paid a premium in order to get bonds.

I do not want to touch upon political matters in these remarks, but I want to say that the Government is only an aggregation of individuals. The Government is receiving more money to-day than it is paying out; it is on a sound financial basis. In the days before the party to which I belong took possession of the Government the receipts of the Government were not enough to meet the daily expenses, and the gold reserve run down and there was a financial depression all over the country and it was called a banker's panic; but call it by what name you please, it came and we felt the effects of it. To-day there is more money coming in than we are paying out. We have been piling up the surplus, and to-day there is more than $220,000,000 available to the credit of the Government. One hundred and fifty million dollars of gold reserve, fifty millions more than we had in other days, $220,000,000 of available cash that the Government can use, and yet by reason of these bonds being put at a future date for payment, they can not reach them to-day unless they pay a premium.

Now, the purpose of this bill is to get away from the bond question. You will remember that when Mr. Harrison was President the question was then urged, What shall we base our national-bank system upon? He was paying off the debt as rapidly as could be done. We have been paying it off ever since March 4, 1897, as rapidly as it can be done. The indebtedness to-day is less than it was before the Spanish war, with all the accumulation that has been placed upon us by that war. We are rapidly paying of this debt. These bonds are being used by trust companies, guardians, executors, conservators, and trustees; they are putting their money into these bonds for the purpose of protection. It is a question of some importance to men who want to enter into the national-banking business, as to whether they can get the bonds with which to issue currency. Why should the Government bonds be a subject of speculation in the markets of this country? Why should we put our bonds in that shape? For one I am in favor of moving along other lines—along the lines of this credit currency—because I believe it is safe and just and right, as affecting the interests of the people of the country.

But my good friend on the other side has suggested (if I may digress a little at this point) that we ought to get some interest on this money. Well, I wish we could. I have never believed as a citizen that a school trustee should use the public money by loaning it and then appropriating to his own use the interest upon it. I have never believed that a county treasurer should so use the people's money that the interest may come into his hands. I have never believed that a State treasurer should so deal with the public money as to realize a personal advantage to himself by the loaning of the funds and appropriating to his own use the interest realized upon said loans. It is public money. I do not believe that we ought to put the money of the Government in pet banks anywhere and allow them to have the use of it without giving the Government any interest or advantage in some form.

I wish to see some kind of measure presented and passed which would secure to the Government such benefit. But I am free to say that it is better for the people's money to be in the people's banks, where the people can get it, than to have it locked up and nobody getting any benefit from it. It would be better in the pockets of the people than locked up here in the Government vaults at Washington. But there are $150,000,000 that have been put out in this way, and it is better that it should be so disposed of than that we should be issuing bonds to get gold with which to pay the expenses of the Government.

But let us go a little further in the consideration of this measure. Let me read from the bill. The first provision is that—

> Any national bank may, with the approval of the Comptroller of the Currency, take out for issue and circulation an amount of national-bank notes not exceeding 25 per cent of its paid up and unimpaired capital without depositing United States bonds with the United States Treasury in the manner provided by existing law.

Does that comport with the idea of the Secretary of the Treasury? Certainly. I doubt, however, the wisdom of making provision for the issuance of credit currency to the limit of the bank's capital. This provides for an issue not exceeding 25 per cent of the "paid up and unimpaired capital" of the bank.

Mr. BARTLETT. The gentleman was referring a few moments ago to the report of the Secretary of the Treasury. Was that the report of Secretary Shaw?

Mr. PRINCE. I think so. Yes, sir; the report of the Secretary of the Treasury dated December 2, 1902.

Mr. BARTLETT. It sounded very much like the language of Secretary Gage.

Mr. PRINCE. Well, Secretary Gage is a very clever man and a very learned man on the subject of finance.

Mr. BARTLETT. I did not mean to say that he was not; I simply said that what the gentleman read sounded very much like the language of Secretary Gage.

Mr. PRINCE. One of these gentlemen lives in Illinois and the other in the neighboring State of Iowa. Both gentlemen have been in a position to know a great deal on this subject. I say that the bill comports with the recommendation of the Secretary of the Treasury. Let me further read from the bill:

> SEC. 3. That before any national bank shall receive any of the bank notes referred to in this act it shall first deposit in the Treasury of the United States as a guaranty of the payment thereof an amount of United States bonds or gold coin, or both, equal to 5 per cent of the amount of the notes so taken out, and such deposit shall be counted as a part of the lawful reserve of said bank against said notes. The interest upon said bonds shall be paid to the bank so depositing them, and if said bank shall retire said circulation, or any portion thereof, an amount of bonds or gold coin, or both, equal to 5 per cent of the notes so retired shall be returned to said bank.

In addition to this, section 4 says:

> SEC. 4. That every national bank taking out such notes for issue and circulation shall, on the first days of January and July of each year, pay into the Treasury of the United States, in gold coin, a tax of one-quarter of 1 per cent upon the average amount of such notes in actual circulation during the preceding six months, and the tax so paid into the Treasury shall, with the 5 per cent deposited as a guaranty for the payment of the notes, constitute a guaranty fund.

Now, there is a provision for a tax of one-fourth of 1 per cent. The Government actuary, according to the report of Secretary Shaw, has demonstrated that a tax of one-eighth of 1 per cent upon the bank circulation would have covered all loss upon the issue of the failed banks from the beginning of our national-bank system to the present time, had each bank maintained its limit of circulation.

Evidently the committee in preparing this bill has kept within the lines of the Secretary's recommendations—has not gone beyond his suggestions; but, by additional provisions, has made the measure stronger than suggested in the Secretary's report.

In addition to that, section 5 provides that—

> SEC. 5. That such notes shall be a first lien upon the assets of the respective banks issuing them, and shall be received upon deposit and for all purposes of debt and liability.

The Secretary says in his report of December 2, 1902:

> When thus guaranteed and primarily redeemed by the Government at the expense of the bank of issue, currency based on general assets would be as acceptable and as secure as the present national-bank notes based on specific assets.

The Secretary further says:

> Neither do I believe it necessary to make currency thus issued a first lien upon assets.

The committee in its wisdom has thought it well that the currency should be a first lien on assets.

Mr. BARTLETT. May I ask the gentleman a question?

Mr. PRINCE. Certainly; I am glad to yield to the gentleman.

Mr. BARTLETT. The gentleman has just read from the report of Secretary Shaw, with reference to the question of making this currency a first lien on assets. I wish to ask him whether it is not a fact that ex-Secretary Gage appeared before the Committee on Banking and Currency while it was considering the present bill, and agreed with the present Secretary of the Treasury that it was not a proper thing to make these notes a first lien on the assets of the banks? Does the gentleman remember that statement?

Mr. PRINCE. I am frank to say to my colleague that I was not present at that meeting. I remember he was to be there. If the gentleman says he was and said that, I would not question my colleague's word. If my colleague says it is so, I know him well enough to stand by the statement.

Mr. BARTLETT. I think they both agreed on that point, both the Secretary and the ex-Secretary. Mr. Chairman, I think that the committee had better rise at this time. Of course, the gentleman from Illinois [Mr. PRINCE] would be entitled to the floor. I do not want to do anything which would deprive him of the right to continue.

Mr. PRINCE. I desire to reserve my right to the floor.

The CHAIRMAN. No one can take the gentleman off the floor without his consent. I understand he yields with the understanding that he continue.

Mr. PRINCE. I yield with the understanding that I shall retain the floor for the balance of my time.

Mr. FOWLER. I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose, and the Speaker pro tempore having resumed the chair, Mr. LAWRENCE, Chairman of the Committee of the Whole House on the state of the Union, reported that the committee had had under consideration the bill (H. R. 16228) providing for the issue and circulation of national-bank notes, and had come to no resolution thereon.

MESSAGE FROM THE PRESIDENT.

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was ordered to be printed, and referred to the Committee on Printing:

To the Senate and House of Representatives:

I transmit herewith a communication from the Anthracite Coal Strike Commission, with an accompanying draft of a joint resolution providing for the printing of the report of said Commission, and approve of the suggestion therein contained.

THEODORE ROOSEVELT.

WHITE HOUSE, *February 21, 1903.*

ADAM STUBER.

Mr. DARRAGH. Mr. Speaker, I submit a conference report on the bill (S. 5118) granting an increase of pension to Adam Stuber.

The SPEAKER pro tempore. This will be printed, under the rule.

The conference report is as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 5118) granting an increase of pension to Adam Stuber, having met, after full and free conference have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its amendment.

A. B. DARRAGH,
HENRY R. GIBSON,
JOS. B. CROWLEY,
Managers on the part of the House.

J. H. GALLINGER,
J. R. BURTON,
GEO. TURNER,
Managers on the part of the Senate.

The statement of the conferees is as follows:

This bill (S. 5118) passed the Senate at $30 per month, but was amended in the House to $24 per month. Your conferees recommend that the House recede from its amendment. The result of this action will be to restore the rate of the bill, viz, $30 per month, as it originally passed the Senate.

A. B. DARRAGH,
HENRY R. GIBSON,
JOS. B. CROWLEY,
Managers on the part of the House.

ENROLLED BILLS PRESENTED TO THE PRESIDENT OF THE UNITED STATES.

Mr. WACHTER, from the Committee on Enrolled Bills, reported that they had presented this day to the President of the United States for his approval bills of the following titles:

H. R. 17052. An act to authorize the building of a railroad bridge across the Tennessee River at a point between Lewis Bluff, in Morgan County, Ala., and Guntersville, in Marshall County, Ala.;

H. R. 7648. An act to authorize the construction of a bridge across the Missouri River and to establish it as a post-road;

H. R. 17192. An act authorizing the Secretary of the Interior to issue a patent to the city of Buffalo, Wyo., for certain tracts of land;

H. R. 5070. An act for the relief of Hamilton M. Sailors;

H. R. 6516. An act for the relief of Henry P. Montgomery, surviving executor of Granville Garnett, deceased;

H. R. 2557. An act for the relief of Henry L. McCalla;

H. R. 1605. An act granting a pension to John S. Whitlege;

H. R. 15659. An act granting a pension to Elise Sigel;

H. R. 9063. An act to refund certain taxes paid by the Anheuser-Busch Brewing Association, St. Louis, Mo.;

H. R. 13257. An act to refund penalty to the Bank of Colfax, Iowa;

H. R. 12141. An act to amend an act entitled "An act amending section 4708 of the Revised Statutes of the United States, in relation to pensions to remarried widows," approved March 3, 1901; and

H. R. 9632. An act for the allowance of claims of certain citizens of Virginia for damages to their property incident to the encampment at Manassas and march from Camp Alger to Thoroughfare Gap, Virginia, as recommended by a board of officers appointed for the consideration of claims for damages to property by volunteer soldiers during the war with Spain.

ENROLLED BILLS SIGNED.

Mr. WACHTER also, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bill of the following title; when the Speaker signed the same:

H. R. 16021. An act making appropriations for the legislative, executive, and judicial expenses of the Government for the fiscal year ending June 30, 1904, and for other purposes.

The SPEAKER announced his signature to enrolled bill and joint resolution of the following titles:

S. 7363. An act to permit the Secretary of State to cause the destruction of invoices of merchandise exported to the United States which have been on file in the consular offices more than five years: and

S. R. 148. Joint resolution to provide for the printing of a digest of the laws, decisions, and opinions relating to pardons and other acts of executive clemency under the United States and the several States.

SENATE CONCURRENT RESOLUTION REFERRED.

Under clause 2 of Rule XXIV, the following resolution was taken from the Speaker's table and referred to its appropriate committee as indicated below:

Senate concurrent resolution 71:

Resolved by the Senate (the House of Representatives concurring), That the Secretary of War be, and he hereby is, authorized and directed to cause an examination and survey to be made of Penobscot River, Maine, with a view to widening the channel from Crosby Narrows to the Bangor and Brewer bridge, and also near Stearns's Mill—

to the Committee on Rivers and Harbors.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted to Mr. LIVINGSTON, for to-day, on account of sickness.

Then, on motion of Mr. FOWLER (at 5 o'clock and 3 minutes p. m.), the House adjourned until to-morrow, Sunday, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS.

Under clause 2 of Rule XXIV, the following executive communications were taken from the Speaker's table and referred as follows:

A letter from the Secretary of the Treasury, transmitting a copy of a communication from the Assistant Secretary of War submitting an estimate of appropriation for ordnance and ordnance stores—to the Committee on Appropriations, and ordered to be printed.

A letter from the Acting Secretary of the Treasury, submitting an estimate of appropriation to pay the expense of investigating the claim of William M. Bird, James F. Redding, Henry F. Welsh, and others—to the Committee on Appropriations, and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions of the following titles were severally reported from committees, delivered to the Clerk, and referred to the several Calendars therein named, as follows:

Mr. BABCOCK, from the Committtee on the District of Columbia, to which was referred the bill of the Senate (S. 7223) providing for the interment of the remains of Marie Irene Donaldson and her daughter, Marie Irene Donaldson, reported the same without amendment, accompanied by a report (No. 3837); which said bill and report were referred to the House Calendar.

Mr. MOODY, from the Committee on Indian Affairs, to which was referred the bill of the House (H. R. 17400) to ratify an agreement with the Indians of the Klamath Indian Reservation, in Oregon, and making appropriation to carry the same into effect, reported the same without amendment, accompanied by a report, (No. 3838); which said bill and report were referred the Committee of the Whole House on the state of the Union.

Mr. BURKE of South Dakota, from the Committee on Indian Affairs, to which was referred the bill of the House (H. R. 17467) to ratify and amend an agreement with the Sioux tribe of Indians of the Rosebud Reservation, in South Dakota, and making appropriation and provision to carry the same into effect, reported the same with amendments, accompanied by a report (No. 3839); which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. STEPHENS of Texas, from the Committee on Indian Affairs, to which was referred the bill of the House (H. R. 17470) to open for settlement 505,000 acres of land in the Kiowa, Comanche, and Apache Indian reservations, in Oklahoma Territory, reported the same with amendments, accompanied by a report (No. 3840); which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. GILLET of New York, from the Committee on Public Buildings and Grounds, to which was referred the joint resolution of the House (H. J. Res. 276) granting to the New York and Jersey Railroad Company the right to construct and operate an underground railway under land owned by the United States in the city of New York, reported the same without amendment, accompanied by a report (No. 3841); which said bill and report were referred to the House Calendar.

Mr. LACEY, from the Committee on Indian Affairs, to which was referred the bill of the House (H. R. 17486) to ratify an agreement with the Indians of the Crow Reservation, in Montana, and making appropriation to carry the same into effect, reported the same with amendments, accompanied by a report (No. 3843); which said bill and report were referred to the Committee of the Whole House on the state of the Union.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, private bills and resolutions of the following titles were severally reported from committees, delivered to the Clerk, and referred to the Committee of the Whole House, as follows:

Mr. ADAMS, from the Committee on Military Affairs, to which was referred the bill of the Senate (S. 5219) to grant an honorable discharge from the military service to Robert C. Gregg, reported the same without amendment, accompanied by a report (No. 3836); which said bill and report were referred to the Private Calendar.

Mr. GRAFF, from the Committee on Claims, to which was referred the bill of the House (H. R. 14283) for the relief of the First National Bank of Navasota, Tex., reported the same without amendment, accompanied by a report (No. 3844); which said bill and report were referred to the Private Calendar.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS INTRODUCED.

Under clause 3 of Rule XXII, bills, resolutions, and memorials of the following titles were introduced and severally referred, as follows:

By Mr. GOLDFOGLE: A bill (H. R. 17492) prohibiting the use or keeping of explosive matches, commonly called "parlor matches," in any building used or occupied by the Government—to the Committee on Public Buildings and Grounds.

By Mr. CANNON, from the Committee on Appropriations: A bill (H. R. 17493) making appropriations to supply deficiencies in the appropriations for the fiscal year ending June 30, 1903, and for prior years, and for other purposes—to the Union Calendar.

By Mr. CLAYTON: A bill (H. R. 17494) to provide an emergency circulation fund, and for other purposes—to the Committee on Banking and Currency.

By Mr. GAINES of Tennessee: A resolution (H. Res. 456) providing for an inventory of all property in or belonging to the White House—to the Committee on Public Buildings and Grounds.

Also, a resolution (H. Res. 458) requesting a detailed statement from the President of the cost of repairing, remodeling, and adding to the White House—to the Committee on Public Buildings and Grounds.

Also, a resolution (H. Res. 459) requesting information from the Secretary of the Navy relative to architects employed in connection with the Naval Academy buildings—to the Committee on Naval Affairs.

By Mr. KNOX: A resolution of the Commonwealth of Massachusetts, favoring pensions for life savers—to the Committee on Interstate and Foreign Commerce.

By Mr. CLARK: A resolution of the legislature of Missouri, relating to the Interstate Commerce Commission—to the Committee on Interstate and Foreign Commerce.

By the SPEAKER: A resolution of the Commonwealth of Massachusetts, favoring pensions for life savers—to the Committee on Interstate and Foreign Commerce.

By Mr. MOODY: A resolution of the legislature of Oregon, favoring the election of United States Senators by direct vote of the people—to the Committee on Election of President, Vice-President, and Representatives in Congress.

PRIVATE BILLS AND RESOLUTIONS INTRODUCED.

Under clause 1 of Rule XXII, private bills and resolutions of the following titles were introduced and severally referred as follows:

By Mr. FEELY: A bill (H. R. 17495) granting a pension to Matilda Emrick—to the Committee on Invalid Pensions.

By Mr. YOUNG: A bill (H. R. 17496) granting an increase of pension to Anna G. McMurray—to the Committee on Invalid Pensions.

PETITIONS, ETC.

Under clause 1 of Rule XXII, the following petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. CLARK: Petition of A. C. Sox and other citizens of Missouri, asking that the Missouri militia serving in the civil war be placed on a pensionable status—to the Committee on Invalid Pensions.

By Mr. CLAYTON: Petition of W. C. O'Neal, asking impeachment proceedings against Charles Swayne, a United States district judge of Florida—to the Committee on the Judiciary.

By Mr. CORLISS: Petition of James Linskey and others, of Michigan, for reduction of tax on distilled spirits—to the Committee on Ways and Means.

By Mr. CURTIS: Protests of numerous citizens of the State of Kansas against the parcels-post law—to the Committee on the Post-Office and Post-Roads.

By Mr. DOVENER: Petition of the board of trade and 139 citizens of Moundsville, W. Va., for the improvement of the Ohio River—to the Committee on Rivers and Harbors.

By Mr. HAMILTON: Petition of Broadhead Post, of Paw Paw, and William Goodman Post, No. 412, Department of Michigan, Grand Army of the Republic, in support of House bill 17103, permitting the payment of the value of public lands to persons entitled to make entry upon such lands in certain cases—to the Committee on the Public Lands.

By Mr. HAUGEN: Petition of J. E. Smith and other citizens of Oelwein, Iowa, favoring the passage of House bill 15331—to the Committee on the Judiciary.

By Mr. KAHN: Resolutions of City Front Federation and Shipwrights and Caulkers' Union No. 9162, of San Francisco, Cal., for the repeal of the desert-land law—to the Committee on the Public Lands.

By Mr. KERN: Petition of retail druggists and other citizens of Smithton, Ill., urging the passage of House bill 178, for the reduction of the tax on alcohol—to the Committee on Ways and Means.

By Mr. KNOX: Resolutions of the Department of Massachusetts, Grand Army of the Republic, urging the passage of House bill 14105, giving preference to honorably discharged war veterans in appointments—to the Committee on Reform in the Civil Service.

By Mr. LACEY: Resolutions of Phil Kearney Post, of Oskaloosa, and Cloutman Post, No. 69, of Ottumwa, Iowa, Grand Army of the Republic, against placing the statue of Gen. R. E. Lee, of the Confederate army, in the Statuary Hall of the United States Capitol—to the Committee on the Library.

By Mr. LONG: Protest of citizens of the Seventh Congressional district of Kansas against the enactment of the parcels-post bill—to the Committee on the Post-Office and Post-Roads.

By Mr. McCLEARY: Resolutions of Cigar Makers' Union No. 294, of Duluth, Minn., favoring House bill 16457, relating to gifts in connection with the sale of tobacco and cigars—to the Committee on Ways and Means.

By Mr. SHOWALTER: Petition of 42 citizens of Beaver, Pa., for the improvement of the Ohio River—to the Committee on Rivers and Harbors.

By Mr. THOMAS of North Carolina: Petition of citizens of Craven County, N. C., for the improvement of Cone Creek—to the Committee on Rivers and Harbors.

By Mr. WOODS: Resolutions of the Chamber of Commerce of San Francisco, Cal., favoring encouragement of American merchant marine—to the Committee on the Merchant Marine and Fisheries.

Also, resolutions of the same in favor of increasing the Navy—to the Committee on Naval Affairs.

By Mr. YOUNG: Resolutions of the Trades League of Philadelphia and the Maritime Association of the port of New York favoring the passage of a ship-subsidy bill—to the Committee on the Merchant Marine and Fisheries.

Also, petition of Anna G. McMurray for increase of pension—to the Committee on Invalid Pensions.

HOUSE OF REPRESENTATIVES.

SUNDAY, *February 22, 1903.*

The House met at 12 o'clock m., and was called to order by Mr. MOODY, as Speaker pro tempore.

The Chaplain of the House, Rev. HENRY N. COUDEN, D. D., offered the following prayer:

Eternal, ever living God, our Heavenly Father, we bless Thee for that spirit of patriotism and profound gratitude which moves the people throughout our nation to meet in commemoration of the birth of him whom we delight to call the Father of our Country. We thank Thee for that mentality which enabled him to grasp and solve great problems; for that divination which enabled him to penetrate the future and predict results; for that personality which enabled him to command men; for the fervor of his religious nature which enabled him to rely upon Thee for strength and support, and which brought him to his knees at Valley Forge, the darkest hour in that struggle for liberty, right, and justice, where he received consolation and light. Long may his memory live in the hearts of his countrymen, and longer yet his deeds inspire men to truer, nobler life.