

ATHENA PRESS

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By J. W. SMITH.

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Athena, Oregon, July 21st, 1893.

THE CURRENCY QUESTION.

By C. S. Hiebborn, cashier First National Bank, Augusta, Me., in American Banker.

In these days, when so many people are demanding more money and claiming that an increase in the circulating medium will serve to lessen the burdens of trade and commerce, restore confidence and vivify our lagging industries, it is well that we consider the means suggested to bring about that result and the character of the currency to be supplied. I assume for the purpose of this discussion (although it is a much debated question) that an increase in the circulating medium would prove advantageous provided, however, quality be not sacrificed to quantity. How, then, shall it be furnished?

There are to-day ten different kinds of money in circulation in this country, scarcely any two of which are of the same quality or subject to the same law as to redemption. It is not necessary that I discuss them in detail; the important issue is gold, silver, the certificates based on the coinage thereof, United States notes, commonly called greenbacks, and National bank notes.

It is not my purpose, in this article, to enter into a discussion of the merits and demerits of all these varieties of money. I merely stop, in passing, to express my uncompromising and emphatic opposition to the unlimited coinage of silver, with its fluctuating value, and the issue of the certificates based on such coinage. I cannot regard as wise or as excusable, the use of silver as a circulating medium upon any other than a fixed international basis. Of greater concern than the lack of confidence, and confidence varies inversely and in compound ratio, as the volume of unstable currency increases. I come, then, to the consideration of the question which I desire to present. To wit; the National bank notes.

Excepting, of course, gold and gold certificates and the greenbacks (which latter were issued only under pressure of a great civil war and whose further use or issue is not in accord with settled principles of finance) I believe the National bank bills to be the best circulating medium this country has ever had. They combine convenience and elasticity with absolute and unquestioned security and their issue costs neither the Government or "the people" one dollar of expense.

Why not, then, expunge from the bank act some of its, under existing conditions, unwise and unjust restrictions, and encourage the issue of more bills? It is a fact that to-day nearly all of the banks are holding the minimum of bonds required by law and hence issuing a very limited amount of circulation; indeed many of them issue none at all. Why is this? Simply because there is practically no profit in doing so, for these reasons: The law provides that upon a deposit of Government bonds with the Treasurer of the United States, to be held by him in trust as security for the bills, a bank may issue bills—that is, its own notes—to an amount equalling 90 per cent. of the par value of the bonds so deposited. But, in order to redeem the mutilated bills, it is provided that they may be presented to the Treasurer for that purpose, and as a redemption fund, he retains 5 per cent. of the amount issued, equal to 4 1/2 per cent. of the par value of the bonds; so that the banks really issue but 85 1/2 per cent. Upon this circulation the government imposes a tax of 1 per cent. annually, making a trifle better than 1 per cent. annually; there is the expense of assorting and redeeming

mutilated bills as well as engraving plates for new bills, express charges, agent's fees, etc., all of which the bank must pay and which combine, as I have said, to reduce the profit to almost nothing. Banks have been misunderstood and misjudged; they have been called shylocks and usurers; they have been accused of reaping a double profit at the expense of the people. Let us see.

Taking for example, the 2 per cent. bonds at par as a basis for circulation and charging against the profit account the average expense, the net profit per year per \$100,000 amounts to the enormous sum of \$31.25 over same amount loaned at 6 per cent. In other words, the bank would get \$31.25 per year for the labor of signing and caring and accounting for \$100,000 in bills. Surely that is not robber-like. With bonds bearing 4 per cent. interest there is a larger profit, but still not enough to make it any object for the banks to issue circulation, the premium on such bonds nearly eating up the additional income. In states where the rate of interest would average higher than 6 per cent. it would be done only at a considerable loss. I submit that if banks can issue but 85 1/2 per cent. of the par of bonds worth in the open market a premium of 10, 12, 15, 20, or no matter how much per cent. (or par, with the low rate which that implies) and then have to pay a tax of 1 per cent. on that issue, together with all the other expenses and all the care and labor it involves, it cannot be expected that they will issue a great amount.

Since 1874, while the capital of National banks has increased from about 500 millions then to about 700 millions now, the circulation has steadily decreased until from near 350 millions then it has become reduced to about 172 millions now. Taking from this amount the 20 millions, more or less, which the Treasurer has absorbed into its cash from the fund deposited to retire circulation, there are left, in round numbers, about 150 millions actually in circulation. The banks of this state with over 11 millions of capital, have a circulation of less than 3 1/2 millions. Now, upon a basis of 700 millions capital, under the present law the banks can issue 630 millions (less the 5 per cent. redemption fund, a net of 598 1/2 millions) instead of which they have issued only about 172 millions—a deficit, mark you, from what it might be, of nearly 460 millions of dollars. I am of the opinion that the framers of the law never meant that the banks should actually be allowed to employ but 82 1/2 per cent. of their bonds, but rather the full 90 per cent.; yet that is the effect of the law. So palpable an injustice as this should be corrected by an act enabling them to issue 90 per cent. exclusive of the redemption fund, even if nothing better is done.

In my humble judgment, however that would be stopping far short of the needs of the times and of what, in reason and in fairness to all concerned, ought to be done. It seems to me that the reasonable, the fair, the business-like thing to do is to amend the law so as to allow the banks to issue bills to the full amount of par of their bonds; for who wants better security for his money than an equal amount in United States bonds?

Adopt this course, remove the war tax on circulation, and the banks of this country will speedily issue up to the full amount of their bonds. Allow them, for the sake of the common good, to get a reasonable compensation for their services and in place of 172 millions they will put 700 millions of every life-blood into the channels of trade, the stringency in the markets will be relieved and men of wealth and of energy will not be forced to the wall, as of late, because of their inability to borrow to meet present demands. I cannot conceive of any valid objection to this proposition. I know of no other wise way to increase our supply of money. The Government cannot push money into circulation; it can only pay out such an amount as its legitimate expenses and appropriations require. But here is a method by which more than 525 millions can be added, every dollar backed by a United States bond, good at its face in every state in the Union, and

without cost to the people of one single cent, save the abatement of the tax, which on present amount of circulation is of insignificant proportions. In all candor I ask, can any unprejudiced man object to this plan? It is no new idea; it is no coinage of my brain; it bears the indorsement of every unbiassed financier in this country to-day it is emphatically approved by men who occupy exalted stations in the financial world; it appeals to the judgment and patriotism of every citizen. For it certainly is unbusiness-like and unpatriotic to discredit our own bonds by virtually claiming them to be worth, as security, only 85 1/2 cents on the dollar. This done and the call for state banks of issue will die away. Bills based upon such security as the various states should select—a different basis of every state—will no longer be discussed or thought of. Complete the good work by suspending the purchase of silver and the issuing of silver certificates and the day of prosperity is at hand, prosperity based upon the integrity of our people and the integrity of dollars.

A national charter is, for reasons which I have shown, of no practical value to a bank. Except for the purpose of issuing circulation, the banks might as well surrender their charter and organize under state laws. Unless something as herein indicated be done, I fear there will result, in that course of time the prohibition tax on state issues will be abolished and the day of "wildcat" currency be ushered in.

We publish in this issue an article on the currency question. We do this at the request of some of our Alliance friends who are earnestly studying the question and want to know what plan the bankers have for increasing the circulating medium.

It seems to us that this plan contains, to some extent, the very same thing that is charged against the Sherman law, the ability of the monied class to rob the United States treasury of its gold reserve.

The United States tries to maintain its gold reserve at not less than 100 millions. This together with the proposed 700 millions of bonds must back up the 320 millions of United States notes, or greenbacks. If, on account of war or some such calamity, the United States bonds should at any time decline below par, it would not have adequate collateral security from the banks to protect itself.

While at present it retains 10 per cent. of the par value of the bonds as a protection against such an emergency.

Miss Maud Waid will go over to Weston Saturday night as one of the judges in the Demorest Contest.

BORN.
Kee—To the wife of Sam Kee, July 17, on Dry Hollow, a boy.
EDDY—In Pendleton, Saturday, July 15, to Mr. and Mrs. J. E. Eddy, a daughter.
SIEBERT—In Pendleton, Sunday evening, July 16, to Mr. and Mrs. John Siebert, a daughter.

DIED.
HYATT—In Pendleton, July 18 1893, Abraham Hyatt, aged 75 years.

REPORT OF THE CONDITION

—OF THE—

FIRST NATIONAL BANK OF ATHENA

—AT—
Athena, in the State of Oregon,
—AT THE—

Close of Business July 12th, 1893

RESOURCES,	
Loans and Discounts,	\$ 145,597.46
Overdrafts secured and unsecured	2,975.15
U. S. bonds to secure circulation,	12,500.00
Due from approved reserve agents,	7,586.04
Due from other Nat'l banks,	5,578.73
Due from State banks and bankers	2.96
Banking houses, furniture and fixtures	1,541.22
Current expenses and taxes paid,	2,244.36
Premiums on U. S. Bonds	1,500.00
Checks and other cash items	31.96
Fract' paper cue's' nickles and cts'	2.00
Specie	11,973.00
Legal-tender notes	220.00
Red'm'n fund with U S Treasurer	562.50
(5 per cent of circulation)	
Total,	\$ 191,881.00

LIABILITIES,	
Capital stock paid in,	\$ 50,000.00
Surplus fund,	18,000.00
Undivided profits,	3,200.11
National bank notes outstanding,	11,500.00
Individual deposits subject to check,	32,540.11
Demanded certificates of deposit,	37,500.55
Time certificates of deposit,	48,700.05
Due to other National banks,	415.22
Due to State Banks and bankers	68.16
Total,	\$ 191,881.00

State of Oregon,)
County of Washtenaw,)
I, L. D. Lively, cashier of the above-named bank, do solemnly swear that the above statement is true to the best of my knowledge and belief.
L. D. LIVELY, Cashier
Subscribed and sworn to before me this 20th day of July, 1893. E. De Paul,
Notary public for Oregon.
Correct—Attest
F. E. Colburn,
C. A. Barrett, Directors.
H. C. Adams,

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IS A
NEWSPAPER!

1.50 - Subscribe - 1.50

THE GRANGE STORE

Ladies

Our new stock of Dress Goods has arrived from New York, and we will be pleased to show them. Among the dress goods will be the latest patterns in Pointelles, Grendines, Sateens, Chambrays, Cashmeres, Sublime, Summer Suitings, etc. etc.

LATEST NOVELTIES IN TRIMMINGS TO MATCH

Chiffon and Oriental laces, embroideries, Hamburg edgings, fancy Ties, Gloves mitts, Handkerchiefs, etc. Entirely new and complete line of Ribbons, unique in design and very pretty, Underwear and Hosiery in all grades, and remember that we

HAVE JUST RECEIVED THE LARGEST INVOICE

of Ladies, Gents, Misses, Boy's and Children's Shoes ever brought to the city. They comprise the latest styles and for neatness and elegance cannot be beat, and will be sold at hard times.

Prices.

We would respectfully ask your inspection of these goods, knowing you will be pleased, and it will be a pleasure for us to show them to you.

BERGEVIN BROS.,

Athena Oregon



Bad Roads

Makes trade slow, but we offer such RARE INDUCEMENTS to Customers who venture forth, that they come to town in spite of

A Foot Pace.

Whenever they are in town they find just what they want and are able to make

Deals That Pay.

Do not neglect the CHANCE, but take ADVANTAGE of our OFFER.

C. W. Hollis,

ATHENA, OREGON.