## ADVOCATES NATIONAL CONTROL OF RESERVE

Annual Report of Comptroller of Currency Ridgely Contains Suggestion for Maintenance of United States Bank-Financial Situation Reviewed.

financial problem with which the country is confronted. William R. Ridgely, United States competration of a national central bank of reserve and issue. In his annual report, transmitted to contract the contract of the curve and written and talked about for man and attringency every autumn for the curve and contract of the curve and the contract of the curve and the curve gress this week, the comptroller dissusses at length the causes of the reont paner and outlines his plan for reef. The report is in part as follows.
The vonditions which led to the paner.
October and November, 190, were banks. They were not due to the directions of curfidence of the people in the The people of all the world have been be but more to a lack of confidence overtrading for exercises.

without depleting the supply of re-serve money. These two most desirable changes can

be best accomplished—in fact, they can as it is today, sonly be satisfactorily accomplished—in their customers This is the system which has satisfactorily in the great commercial countries of Europe and is the one that gives the surest promise of satisfactory

operation in this country.
Such a bank would not only solve the
two great problems of our banking systern, but it would also provide the machinery for conducting the treasury operations in their relations to the banks with the least disturbance.

banks with the least disturbance.

The chief weakness of our present national banking system is the provision in regard to reserve deposits, which piles reserve on reserve, in reserve cities and central reserve cities, without requiring a sufficient amount of actual cash reserve on hand. As we have seen in the present crisis, when a real emergency wises these reserves are not emergency arises these reserves are not reserves at all, because they may in a day become unavailable.

Central Bank of Reserve.

its to be kept with a central bank or-manized for that purpose. The increase in cash reserves from 6 to 10 or even 15 or other good security. bank need ever have any lability to meet all demands.

present banking law prescribes a minimum reserve on deposits in cen-tral reserve cities—New York, Chicago and St. Louis—of 25 per cent, all of which must be in the vaults of the bank, in lawful money. The reserve cities are required to keep 25 per cent reserve, one half of which may be on deposit in the central reserve cities. Banks in all other cities are required to keep 15 per cent of reserve, of which three fifths may be on deposit with reserve or central reserve cities, all three classes of banks being given credit for their 5 per cent redemption fund as re-serve. Whenever there is a disturbance among the banks and any impairment of confidence this system is always a source of weakness instead of strength. This is what may make a punic among the banks before there is even any the banks before there is even any decided uneasiness among their depositors. The banks realize upon what a small margin they depend, and each one, in self-defense, is compelled not only to collect its loans, b t withdraw its sensely reserves. deposit reserves.

### Weakness of Present System.

Under this reserve system, deposits of \$10,000,000 in country or non-reserve city banks would call for a cash reserve to be kept in their vaults of hut \$600,000. They could carry and count as reserve \$300,000 on deposit with reserve city banks. These reserve city banks would be required to have at present. They would be no expansion possible to offer relief in any cash notes, which will be responsive to the demands of business and as reactive to the demands of business and as reactive countries. What is needed in such a case is note circulation, when no change quickly and automatically in response to the demand, and contractibility is quite as necessary as expansibility.

The issue of the so-called emergency credit notes, which some elasticity may be introduced into our national bank note currency. All of them have more or less ments of them when not needed to contract when not needed to an disaster. The thing absolutely escentian we have at present. They would be sential for banking is a system of the oughly safe bank notes, which will be responsive to the demands and as readily contract as expand; and, in addition to this, a system of business and as readily contract as expand; and, in addition to this, a system of them as expansive to the demands and as readily contract as expand; and, in addition to this, a system of business and as readily contract as expand; and, in addition to this, a system of business and as readily contract as expand; and as readily contract as expand; and, in addition to this, a system of business and as readily contract as expand; and, in addition to this, a system of business and as readily contract as expand; and, in addition to this, a system of business and as readily contract as expand; and, in addition to this, a system of business and as readily contract as expand; and, in addition to this, a system of business and as readily contract as expand; and, in addition to this, a system of business. Under this reserve system, deposits

It is directly and immediately due to this that the crisis of October, 1907, assumed the phase of a bank paric and spread all over the country, instead of being confined to the comparatively few people and concerns who were first in-volved, and it undoubtedly added to

the banks in themselves are the banks in themselves. Earlies have been down at in consequence it has broken down, at in consequence it has broken down, at in consequence it has broken down, at and should not have had its greatest at the reserve exposits have been only iritially available. They were also sarful that not sufficient currency and the supplied to meet the demand, at more, there has not been sufficient currency. The result has been a currency famine.

The remedy for this state of affairs is to improve the isserve system so that the reserve deposits of the banks can be kept in a bank where they are surely and certainly available. We must impart to our currency system some element of elesticity, so that when there comes a sudden demand for currency it can be supplied in bank notes the supply of renot only their business, but that of at their customers, have been so disturbed as it is today. All that is needed to have prevented this is a proper system of credit bank-note currency and bank reserves, both of which could have been supplied by the central bank of issue

If the banks had known that there were facilities for exchanging any reasonable amount of deposit credits to note credits without depleting cash penerves, and, further, that the reserves that they had were on deposit where that they had were on deposit where they would be immediately and surely available in currency, there need have been no alarm among them. There would have been no scarcity of cur-rency; no derangement of the domestic exchange; and there would have been no panic among the banks, nor among no panic among the banks nor among the people.

The only way in which bank deposit credits can be properly protected from sudden and unexpected calls, when all may be involved at the same time, is by a system of note credits which can be at any time immediately exchanged for It will be an improvement to add to the proportion of reserve to be held in cash by the country tanks and the reserve city banks, but the proper solution of the difficulty is to increase the amount to be held in cash by all the banks and require all the reserve deposits to be kept with a central bank organized for that purpose. The increase in cash reserves from 6 to 16 or even 15 per cent in the country banks would not help a bank very much when it had any large demand for its derosits. What such a bank needs is a safe reserve in cash and a further reserve with a bank where it is surely available, at any and it makes no difference to the bank or anyone else but the customer, who uses either, at his own option, whether the deposit remains in the bank as a credit to be checked against or is taken away in the shape of a circulating note.

The only thing is to make the note from
the circumstances and conditions of its
issue, perfectly secure to the holder,
which can be done with absolute safety

ciple. When issued they stay out indefinitely, without redemption, merely being renewed on the average once in two years because they are worn out. They can not be issued or retired quickly, and the purchase of bonds for their security requires as much money as they furnish when issued. It is only when the bonds for security can be borrowed or there is some government deposit obtained that they are of any value in meeting an emergency calling for deposits. Nor will it help toe situation any to increase the volume of bonds obtainable as security for notes or to accept as security for them other than United States government bonds. That would only add to the volume of the rigid, inclustic notes, such as we now have, and they would be no more responsive to the remands of business. There would be some power of expansion until they were all issued, then they would stay out with no more tendency to contract when not needed that we have at present. They would tend to inflation but have been they would tend to inflation but have been as they would tend to inflation but have been as they would tend to inflation but have been as they would tend to inflation but having a second and they would tend to inflation but having a second and they would tend to inflation but having a second and they would tend to inflation but having a second and they would tend to inflation but having a second and they would tend to inflation but having a second and they would tend to inflation but having a second and they would tend to inflation but her they would tend to inflation but her they would tend to inflation but have a second and they would tend to inflation but her they would tend to inflation but her they would tend to inflation but her they would they are a present.

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try banks)	900,000	112,500	112,500	675,800				- 111
(amount as above deposited by reserve city banks)	112,500	28,125	i	84.375	very much the same all over the world	the stand mobility of their reserves and	burg council last night, at its first sex-	
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THE PARTY OF THE P	DESCRIPTION TAXABLE FROM	ACTORS SECTION	flynd flynds	were to be to be an	of the country every day of the year. In its relations with the banks	District of the transfer on the second	to cure a cold in one day. E. W. Grove's signature on box-25c.	
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slearing house certificates and	4 various   hetw	the similar	rity which is	necessary	in excess of expenditures, and there has	They must depend on the government	have been declared off 12 divorce cases	ll s
other expedients to furnish cu	frency to its.	These notes	can be mud	posit cred-	been a constant problem presented to	of the United States. For this reason	have been filed and more are in pros-	-
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the state of the state of the state of	the state of the	amount of	money requi	rod to we	the money which the govern-	AACTORIA!	normal conditions. Judge Barnett will convene a special session of both de-	1
not as well as it has sre	eaks vol- on t	he experience	of failed ba	nks, based	circulation the money which the govern- ment is forced to collect. The method of replacing it by deposit with the banks is probably the only one available		partments of the circuit court in thel.	
AND THE RESIDENCE OF THE PARTY	free cause   without	AU OC B ETA	duated rate	of townships	is products the only one available	For Infants and Children.	latter part of January.	•
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he wisdom, patience, forbears	ance and prove	e it, but stil	l it is not be	lieved toat	satisfactory, unsystematic, and ineffi- cient. It always is a matter which provokes criticism and complaint. It could be handled with far better results		he city last evening looking into the	
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is very often acquired, though generally inherited. Bad hygiene, foul air, impure water, are among its causes. it is called "the soil for tubercles," and where it is allowed to remain tuberculosis or consumption is pretty sure to take root.

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ficient means for their defense, and has, at should be recognized by law and au-thorized, under certain conditions, to issue clearing house certificates for use as emergency circulation. The adoption of this idea might make a great lor improvement in our banking system, probut this is only a half-way measure ed. The full development of the national. To clearing house idea in the adoption of this principle should carry us farther its and to the invitable and the invitab and to the inevitable and logical con-clusion and lesson to be drawn from it, which is that we should have a national central bank of issue and reserve:

Instead of stopping at the issue of clearing house certificates, which are really credit notes on a large scale, it would be far better to have these notes national lanks, and would need to be seen that the present bond secure national lanks, and would need to be determined to the present value ment authority and under proper laws and regulations. This could be done maind for United States. and regulations. This could be done far more systematically and efficiently, it would have none of the disadvantages of the other system, and would have all its advantages, and more besides.

It is useless to try to evade this question or dodge the issue. The need is far more for something that will prevent emergencies and panies than for devices to be used in stopping one after it has occurred. The only way to make our system what it should be is through the agency of a national government for the formal savings.

And to Postal Savings.

One of the hardest problems in connection with the postal savings bank is to determine how the deposits should be usually and invested, or how deposited the agency of a national governmental bonk. The experience of all other coun-tries has demonstrated this. Every imtries has demonstrated this. Every important commercial country in Europe has adopted this general plan. If we had had such a bank in operation in 1907, no such bank panie as we have had would have been possible. Unless we do something of this kind we shall always be in danger of a recurrence of the same thing, and we shall have panie after panic until we learn the plain lesson from experience and adopt the only efficient, scientific and proper means to protect our people in business from such disaster. This is a mistier that is of even greater interest and importance to business men, and the people gen-

erally, then it is to the banks them-

to business men, and the people

Where Panic Strikes. When a panic occurs the banks are able, as they have been in the last few weeks, to stand together and, through their clearing house associations and other means, cooperate for their own protection. They issue clearing house certificates and other temporary currency, and by partial or more or less complete suspension of payments tide things over and avoid failure. They call for and very properly receive all the aid that can be given them by the treasury department and the national treasury department and the government, and the net result while a few banks that are ba

Our bond-secured bank notes offer no help to a bank in any sudden call for deposits. From their very nature they are fixed currency, issued on the secured-currency principle, as distinguished from the credit or banking principle. When issued they stay out indefinitely, without redemption, merely are forced to suspend; workmen are thrown out of employment; business men are forced to fall, through no fault of their own, but simply for the rea-son that suddenly and without warning to them, all the banking machinery and facilities of the country break down and cease to perform their proper functions. There is no citizen of the United States who is free from the dangers, losses and embarrassments produced by such situation, and probably the worst feat-ure about it all is that after such a panic there is siways a long period of depression, bringing suffering and priation to those who are the least

There can be no higher duty of government than the passing of the ne-essary laws and the adoption of a sys-tem to prevent occurrences which produce such widespread financial injury and disaster. The thing absolutely es-

currency. All of them have more or less merit, and all of them have some sorious objection. The best way, and in fact the only thoroughly efficient and good way, to issue these notes is through a central government bank. That is the way it is done in France, where they have had, for more than a century, a central bank which is the admiration of the world. It is the method adopted after several experiment in the many and it has worked.

better for the government and would result in far better service to the people Many plans have been suggested for the organization and control of a cen-ral government bank. An essential enture of it should be that it must be

feature of it should be that it must be under goverhment control, so that it could never be monopolized or used by any man or set of men. It should be kept out of politics. The men chosen for its managers and directors should be men of the highest character and ability, whose duties and interest would be for the undivided advantage and interest of the bank. It would not be difficult to accomplish this end by having the control divided between certain the control divided between certain tors elected by the shareholders a certain number chosen by the

government.

The bank should not be allowed to do a general or commercial business, but should be confined to the transactions of the government business, the issue of credit notes, receiving reserve deposits from other banks, the discount of their paper on approved security, or rediscounting notes of their customers for other banks. It should also have the right to deal in United States government bonds, and probably the bonds of states and municipalities, but not in of states and municipalities, but not in stocks. It should have such authority for dealing in foreign exchange as will enable it to accumulate gold credits abroad and import gold and bullion

lished, would be a very great aid in the

right to veto certain transactions and the interests of the government, and of the people generally, rould be protected in this way. The profits of the bank conducted for the general welfare, not with a view of making profits. After providing for the accumulation of a moderate surplus there should be a return to the shareholders of, say, 3 or 4 per cent, and the remainder of the profits should be divided as in Germany—a small proportion to the shareholders and the halance to the United States government.

A national central bank organized in A national central bank organized in

this way, with its profits limited and its ownership widely distributed, main-ly among the banks who were to be its stomers, which would not be permit-d to do a commercial business, but be alted to fransaction of business with rould not be open to the objection ryed against the former United States onks that they were really private Hutlons engaged in a general bankusiness

s histness.

Such a bank would be little more on a department of the government, would greatly improve the efficiency divalue of the treasury department, di make it a mark of sectors. and value of the treasury denartment, and make it a means of assistance and henefit to business, instead of a menace and a danger and would make our currency and banking system a source of impregnable strength in times of its great powers and facilities it would be able to absolutely prevent the resurrence in the United States of a wide-spread bank panic. It would add to the stellity of our business in every line and give us a banking and a financial system equal to any in the world.

In People's Interest.

In People's Interest.



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this question is submitted for your con-

The solution of such a vast problem as this presents is not to be hoped for such agreement as is necessary to ac-complish a definite and final result. In the meantime we have a real emer-gency to face. Confidence is only in a measure restored, and while there is real progress being made, it is from necessity very slow. The banks are re-suming as fast as they dare, and this is increasing daily, but it could be done more quickly and with much greater benefit to business if some aid could be

given by legislation. If a bill should be passed by congress providing for some emergency issue of currency through the clearing house associations or other machinery now organized and existing, so that the action might promise to be very prompt and effective, it would doubtless be very

If the action taken should meet with such approval and indorsement as to convince bankers and business men that it would meet the emergency, it might operate as the suspension of the bank act has done in England on several occa-sions, and give the relief needed before the provisions of the act ever were real ly in operation Any measure of this kind, however, to be of any assistance in this emer-gency must be adopted very promptly.

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fantry will be detailed to take the today. No statement of the condition command. Thirty new names have been of the institution has been made pubof the institution has been made pub-

Constipation causes headache, nausea, condition of Company G and plans were perfected for reorganization. The company has been without officers for some time. It is probable that Captain C. B. Winn of the staff of the third in-