

## A TRUST OF BANKERS AND FOR BANKERS.

In our editorial dissection of the Aldrich bill for a central reserve association, we undertook to show that Senator Aldrich was right when in his Chicago speech he called this proposed association an organization "*of bankers and for bankers.*"

At any rate, extended consideration in advance of the publication of that editorial,\* careful reflection since its publication, and the silence of critics on this point, confirm the conclusion, that "whatever else it may be, for good or bad, the pending bill to incorporate the National Reserve Association and to give it for fifty years vested rights in law to all the privileges directly or indirectly conferred by its charter, whatever those privileges may turn out to be, is to make of that association an association of bankers."

From this viewpoint, then, let the Aldrich bill be scrutinized.



If that association of bankers is to be merely for the personal enjoyment of its members, if it is to have no coercive influence upon others, if it is to get no governmental powers or privileges, if in a word it is to be a social club of bankers without authority or prerogative,—if all this be true, then there is no reason why anyone not a banker should be heard to object.

But if the National Reserve Association is to get from government coercive prerogatives or financial privileges, if it is to have vested rights affecting the rest of us, then the fact that it is to be an association of bankers raises a host of questions regarding the extent and character of its privileges as an association for bankers.

We may have occasion to direct attention, one after another, to several dangerous powers and perquisites which the Aldrich charter would vest in this self-styled "*co-operative union of all the banks of the country.*" For the present, however, we shall deal with only one.



By that charter this union of bankers would have the privilege of profitably money-mongering the treasury balances of the Federal government for fifty years.

That there may be no uncertainty or mistake, we quote the appropriate clauses of the Aldrich bill from sections 1, 23 and 25:

That the National Reserve Association of the United States be and it is hereby created and estab-

\*See The Public of February 2, 1912, current volume, pages 100 to 104.

lished for a term of fifty years. . . . The government of the United States shall, upon the organization of the National Reserve Association, deposit its general funds with said Association and its branches, and thereafter all receipts of the Government, exclusive of trust funds, shall be deposited with said Association and its branches, and all disbursements by the Government shall be made through said Association and its branches. . . . The National Reserve Association shall pay no interest on deposits.

Now, what reason is there for this making of the public treasury a proprietary appendage to an association of private-profit makers? Good men, no doubt, and a useful business theirs, the business of banking; but that is surely no good reason for turning the deposits of the United States government into the treasury of their trade union.

For any good reason for this extraordinary privilege from the government to the bankers' guild, one may look in vain in the report of the Monetary Commission transmitting the bill to Congress. None is given that will stand scrutiny. And if you ask whomsoever you will why the government should *bind itself* to keep its balances with a bankers' trust, you must go without an explanation that explains.

The substance of all the explanations is that government treasury balances rise and fall from time to time so as to make seasons of money-famine alternate irregularly with seasons of money-plenty, and that the attempt to correct the consequent confusions in business by depositing treasury funds in selected banks, makes for favoritism.

But is that the best that can be said in behalf of this plan for creating proprietary interests in the national treasury? We suspect it is. Yet it sounds very like the plea of the beggar who, more frankly than the bankers' trust, supplemented several high sounding reasons for his modest request with the comprehensive one that "besides every other consideration he needed the money."



Much has been said by advocates of this Aldrich measure to minimize traditional objections to anything like the old United States Bank of "Nick" Biddle's day, which Andrew Jackson put an end to. That institution was such a parasite that its memory admits of no defense on civic grounds.

It may indeed be that in some respects the proposed National Reserve Association is not a resurrection of Biddle's parasitical bank in a new guise and with a new name. In one respect, though, the Reserve Association would be worse than the Bank was. The charter of "Nick" Biddle's bank, like the proposed Aldrich charter, created a vested

right in treasury balances. For twenty years the Bank had, like the proposed Reserve Association for fifty years, the privilege of holding treasury balances on deposit without interest. But in the Bank charter there was a clause enabling the Secretary of the Treasury to discontinue using the Bank for government deposits, upon reporting his reasons to Congress. The Reserve Association's proposed charter has no such saving clause.

The nearest approach to such a clause is a general provision reserving to Congress the right to alter or amend any of the provisions of the law. But such alterations or amendments can take effect only at the end of decennial periods.



Two points, then, apply quite manifestly to the proposed National Reserve Association: First, it is to be an Association of bankers, a co-operative union of bankers completely under the control of bankers, as may be seen in detail by reference to our editorial on the subject in The Public of February 2, 1912; and, Second, it is to be an association for bankers with reference at least to the treasury balances of the United States government.

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## EDITORIAL CORRESPONDENCE

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### THE SEATTLE AWAKENING.

Seattle, March 19.

Our first campaign for a Singletax charter amendment in Seattle is past and we are now able to look at it somewhat in perspective. Before and during the campaign, there was absolutely nothing but our hopes upon which to base an estimate of the vote we might get. Four thousand signatures had been secured on a petition, but many of the signers had little or no interest in the question except a willingness to have it submitted to a vote. As signatures came without much effort, it was easy to conclude the amendment might carry. The examples of Vancouver and Victoria were close at hand and it was hard to believe that the voters of Seattle were not as progressive as in British Columbia.

Our amendment received 12,000 votes with 28,000 against it. The Griffiths amendment, which proposed to exempt buildings in the course of five years, had 8,000 votes for and 31,000 against. As many of our friends voted for the Griffiths amendment also, it is clear that the number who voted for that measure only was small and that nothing is to be gained by submitting timid or half-way legislation. It is also clear that all who intelligently voted against our measure, voted also against the other and would oppose any step whatever in our direction. From the results of our first effort, it appears to me we shall require two more campaigns to carry a Singletax amendment in this city.

At a dinner given by the Chamber of Commerce last week, the toastmaster reported, with great gusto, that the vote of the people on charter amendments harmonized with a straw ballot taken by that body before election. In the Chamber's vote on amendments, he said that only two per cent favored our Singletax amendment. But when our amendment was beaten in the city election thirty per cent of the people voting on it were for it, from which it must be inferred that the sentiment of the voters generally does not harmonize with the Chamber of Commerce by 1500 per cent. The vote our amendment received in this organization is about the same the Chamber has given in times past to our city water system, light plant and city car line.



The most gratifying part of our campaign was the devotion and enthusiasm of the committee having it in charge and the little army of volunteers who helped them. G. E. Tilton, chairman, and Thorwald Siegfried, secretary, abandoned their own affairs and worked night and day. Other members of the committee gave every moment they could spare. To record the names and efforts of all who helped the committee would require a book.

But I am sure those who were in the thickest of the fight would pardon no one who, in writing about our campaign, failed to mention friends that came to our aid from the outside—the Fels Fund Commission, Margaret Haley of Chicago and Alfred Cridge and E. S. J. McAllister of Portland. The speakers were all star performers, and Miss Haley is not only a star at speaking, but she can do as much campaign work as two men. There are two others who deserve honorable mention, namely, Frank and Robert Moran. Upon several occasions, when work was about to drag for want of funds, they "came across" with the sinews of war and kept our battle axes in motion.



As near as one can estimate from the vote on the Griffiths and our amendment, there were 16,000 Singletax votes, including radical and conservative, out of a total of approximately 43,000.

Now that the smoke of battle has cleared away and we analyze the forces against us, coupled with the distractions of a bitter mayoralty campaign, it seems to me that 16,000 votes, or 37 per cent of all cast on these amendments, was no defeat but a glorious victory.

The land speculators of the city, great and small, were thoroughly aroused and flooded the city with opposition literature. They also secured anti-Singletax resolutions in every organization they could influence, and exploited them. In addition, they were able to array the press of the city almost solidly against us, the Post-Intelligencer and Times, large dailies, pouring broadsides of hostile editorial and other matter against our amendment. The Seattle Daily Star was an exception—too much cannot be said in praise of its services. It stood with us like a rock, and gave constantly of its valuable space though it was at the same time bearing the brunt of Cotterill's campaign for mayor.