The Economic Club of New York

106th Meeting

Our Country's Economic Strength
And
How to Preserve It

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Introduction

Mr. Robert Erskine Ely

I have asked the President of our Club, Mr. Thomas J. Watson, one of the best-natured men I know, to permit me to say a half dozen words in advance of the program.

This is the One Hundred and Sixth Dinner of the Economic Club, and I have enjoyed them all–even when the speakers were in danger of needing to have their coattails pulled because time was up.

It is a great pleasure to look into the faces tonight, of men, alas, that there are not more, but are a goodly number who are members of this Club since the beginning and have kept their membership ever since! May they be with us many, many years to come. And there are others, I believe a hundred, tonight, who thus far, however fortunate in other respects, have not yet been so fortunate as to be included in the membership. May I extend to them a cordial invitation to become members with us, and join our godly fellowship, if, having a good time, they are disposed to come again.

It may interest you to know this dinner tonight is the most largely attended dinner of the Economic Club in recent years. Let's hope it means something; something good and full of good cheer, with a promise for the Future...and, now, our good President, Mr. Watson.

CHAIR: Mr. Thomas J. Watson, President

"Distinguished guests, ladies and gentlemen, and friends in the balcony–this is the first time in years the Economic Club has had the opportunity to propose an old-fashioned toast – a Toast to the President of the United States. (They Toast the President)....

In these days through which we are passing–days in which we are witnessing great fundamental changes in our social and economic institutions–there is grave danger of people's judgment being swayed by emotion instead of logical facts.

Many people are today discussing the most vital questions in an emotional way, many times engaging in destructive criticism, many times forgetting to accompany their criticism with constructive suggestions.

The Economic Club of New York has always tried to present both sides of important questions, and to that end it has maintained an open forum for the discussion of the vital problems confronting us.

We are fortunate in having as our speakers tonight men who are not swayed by emotion and prejudice, but men who will present their views, based on their honest convictions of our country's needs.

(INTRODUCING SPEAKER H. T. RAINEY)

Our first speaker is a man who for almost 30 years has been a close student of those social and economic problems which abound in the course of democracies and the self-government of peoples.

During this period, with the exception of the 67th Congress, he has represented his native state in Congress, and on March 9, 1933 his knowledge of the special problems which confront us today was recognized by his election to the Speakership of the House of Representatives of the United States.

It is my great privilege to present to you the Honorable Henry T. Rainey, Speaker of the House of Representatives, who will discuss some phases of how economic strength in our country may be preserved.

Honorable Henry T. Rainey
Speaker of the House of Representatives

Mr. Toastmaster, gentleman of the Economic Club of New York, ladies and gentlemen, and visitors in the galleries:

I occupy an unfortunate position of the program—I am the first speaker; to be followed by the distinguished senator of Oklahoma, and after that, but the ex-president of the National City Bank.

Then, after that, by the financial advisor to the American Delegation at the Monetary and Economic Conference.

It is hardly possible that any of these men will agree with me, and from what I know of their positions I don't agree with them; but, I am allowed no time in rebuttal—it is an unusual sort of situation.

We are wondering, all of us, what is the matter with this country and what is the trouble with the world. As Speaker of the House of Representatives, it is part of my business to examine the resolutions which are prepared, to determine which shall be referred to committees; and which shall be lost in the files of the Archive Room of the Capitol.

Early in the last session of Congress, I received, however, a resolution which I didn't refer to any committee and so far haven't done anything with it. This assembly comes as near being a deliberative body as any I am likely to address in the near future, and I am going to read it—
"Hear ye, hear ye, Members of Congress, the following resolution:

Whereas, the States show over ten millions of Citizenry out of employment, causing suffering, and nothing can be done except depend on the heart of the Nation for aid, and

Whereas, Industry is struggling in swaddling clothes, unable to compete with foreign trade, and

Whereas, it has been demonstrated that the United States can't make a living out of the accumulations taken from industry;

Therefore, let it be resolved to get all the remaining Industries to tell us 'how in Hell they did it before we came.'"

That is the interesting question, of course. It isn't easy to diagnose the situation before an audience of economists and to call attention to what elements drove us into the position we now occupy, and of course, I must do it briefly, because I have a newspaper speech here I have got to read. In the first plan, the land-vent is gone, and for a hundred years' time, and more, we had the most magnificent land-vent any country ever had. The adventures, the sad, the courageous of our citizenry, if they wanted to better conditions and if unhappy, they simply journeyed down the rivers in flat-boats; down the long forest avenues in ox-carts until they reached the middle west and the government gave them a farm; and about the time they had settled up for Mississippi Valley, the railroads came and they followed, then, the westward tides of immigration—followed it along with parallel lines of steel and quickly settled up valleys of our great lonely rivers until, finally, within the memory of nearly all of us, one day in September, in early September, a cavalry line stretched out—a line of cavalry, holding back a longer line of settlers—and just as the sun rose on the next day—Oklahoma was settled up, and the land-vent was gone. And then, we commenced revising tariff upward, and they of our competing commercial nations quickly followed our example and established retaliatory tariffs, until finally they found out they liked them, because in that way they could compel our industries to go over their and manufacture the goods. We wanted to sell them, using their labor and their raw material, and so, with their tariff commissions operation quickly, they can compel us to come over their and manufacture—and so, the flight of American capital still continues until nearly 3,000 American branch plants are operation abroad, and our commerce is rapidly fading from the seas.

Then followed, of course, the moratoriums, that necessarily followed; if they couldn't pay us in goods and didn't have the gold, how could they pay us at all? So, we have the moratoriums of today and the depression continues, and the question is—just how are we ever going to get out of it all—and these are the problems we are wrestling with now.

Of course, I am Internationalist in belonging to the party essentially Internationalistic in methods of thinking, but we are compelled to abandon it now—we have got to manufacture and produce for ourselves, alone, and that means a smaller America, and we have got to be content with being a smaller American for an indefinite number of years in the future.
Five or six years ago, we were collecting from debtor nations over $700,000,000 a year in interest-payment alone, and the balance of trade was only $500,000,000—in other words, we were getting $200,000,000 more for the money we sold abroad than for the goods we sold abroad—and those conditions couldn't last, and so we are in the present period of depression.

A great many methods are suggested for getting out. One: to print money and distribute it—start the printing-presses and just make some. Anyone who advocates that take the position that he is in favor of controlled inflation. I have never seen a controlled inflation—it can't be—couldn't be.

Then, that we ought issue bonds and deposit them in the Treasury—I can't see any difference in that kind of inflation except that it takes more paper.

Then, there are some who advocate the astounding proposition that the thing to do, in order to get quickly out of the depression, make everybody happy, give everybody plenty of money to pay debts; is just to issue greenbacks—promises to pay, and to take up the bonds with these promises to pay. I wonder if that can be done under the Constitution of the United States! So, I am going to ask Senator Thomas to tell you how it can be done and still come within the lines of the United States' Constitution. We had wise men who framed it, and we are apt to forget what was in it. So, I wanted to read you all the powers the Congress of the United States has in the matter of coining money of any kind.
"Congress shall have the power to coin money, regulate the value thereof, and of foreign coin, and fix the standard of weights and measures--"

"No state shall…make anything but gold and silver coin a tender in payment of debts..."

That is all' nothing about printing money—paper money—and handing it out. Isn't it time we pay some attention to the inhibitions of the Constitution of the United States?

In the extra session of Congress, we authorized the President of the United States to issue three billion dollars in paper money of some kind, but we violated the Constitution when we did it. Fortunately, he doesn't seem disposed to exercise the powers we have given him, and if he does, he runs against the Constitution of the United States.

I can't debate this question at length—I have got to make good on the Newspaper Speech. The two things I don't like are these new-fangled things; devices you have to talk to. You don't get the personal touch—it's like courting a girl through a hedge-fence. Then, these newspaper articles.

So, I'll read it and I'm going to discuss the Constitution of the United States and what we are going to do under it—and we can only regulate the value thereof.

(HON. MR. RAINEY READS ON THE "IMPORTANCE OF SILVER IN THE SCHEME OF PRESERVING ECONOMIC STRENGTH.")

IMPORTANCE OF SILVER IN THE SCHEME OF PRESERVING ECONOMIC STRENGTH

(MR. RAINEY SAID IN PART:)

Until recently silver occupied a well defined position in the monetary standards of every commercial nation in the world, from the time Abraham bought a cave for four hundred shekels of silver down until a comparatively recent period. Until 1696, the world got along very well on a double monetary standard without any fixed ratio between silver and gold of 16 to 1. This was really the beginning of the world's financial economic difficulties. We were better off without a fixed ratio.

In 1816, England deliberatively commenced a world demonetization of silver. She led the procession off the double standard to the single gold standard. Her position was that England was "naturally a gold country" and there never was any other explanation for her abandonment of the double standard. This action of England did not matter much for the reason that the remainder of the commercial nations of the world, including the United States, remained on a double standard, the ration commonly adopted being a ration of 15 1/2 to 1.

In 1873 Germany began the demonetization of silver and joined the procession of commercial nations away from the double standard. Her reasons for abandoning silver were perfectly plain. She had just been paid a large gold indemnity by France.

The United States quickly followed suit and then the mints of India were closed to the free coinage of silver and the scramble for gold commenced.

ENGLAND'S INFLUENCE OVER MONETARY POLICIES IN THE UNITED STATES:

It is interesting to note that the interference of England in our monetary standards, not apparent, has been in evidence before at a critical period, and in this connection I want to call attention to an interview which occurred quite recently between Dr. D. M. W. Sprague of the Treasury and Mr. Blagden and Mr. John Janney. Fortunately this interview was taken down by a competent stenographer and I have a copy of it never made public before tonight. Recently Professor Sprague resigned his position as an advisor in the Treasury Department, assigning as his reason for resigning the fact that he had not been consulted in the President's monetary program, and he also announced that he proposed to remain in the United States and contribute syndicated articles for newspapers attacking the President's monetary program.

In order that we may definitely understand just who Professor Sprague is and why he was not consulted, I quote from this interview the following statement of Professor Sprague: "I was an officer of the Bank of England until I resigned to take this post, and I had as much voice in the determining of policy regarding sterling during that period as any other person in the world."

We may, therefore, assume that Professor Sprague was largely responsible for England's departure from the gold standard and for the present economic position of that country. I am wondering why Professor Sprague does not return to his connection with the Bank of England. The conclusion is inevitable that he has not yet completely accomplished the purpose for which he returned to the United States. He expects to remain here and lead the fight against the President's policies and back of him the gold standard forced and the representatives of the financial ideas of Wall Street—if anybody knows what Wall Street is—are rapidly assembling.

While I have available the complete interview with Professor Sprague, the time assigned to me does not permit me to quote many of the statements made by Dr. Sprague in this particular interview. He was, however, asked the following question, “Do you think it would be better for the whole world and the United States if England has control of the value of gold, and, therefore, of commodities, or would it be better for the United States to have control?” In reply to this question, Professor Sprague said, “If anybody had the control, as I say I do not think it could happen, I think it had better be at London at the moment.”

I have quoted enough from this interview to show exactly where Professor Sprague stands. Fortunately, the Administration has so far indicated not the slightest intention of yielding in hits monetary policies to the dictatorship of the Bank of England or of its representative here.

The Crime of ‘73
Ernest Seyd, the Luckenbach Affidavit and the Demonetization of Silver

We ended the double standard and demonetized silver in 1873.

Twenty years later, the affidavit of Frederick A. Luckenbach made its appearance. His statement was subscribed and sworn in to Denver, Colorado, on the 9th day May of that year. It details an alleged conversation he had in London with Ernest Seyd, a representative of the Bank of

England, in February, 1874. He was well acquainted with Mr. Seyd, and during his many visits to London, he was frequently his house guest.

The affidavit relates that in 1874, while on one of his visits, when the subject of Parliamentary corruption was being discussed, Mr. Seyd told him that he "could relate facts about the corruption of the American Congress that would place it far ahead of the English Parliament in the Line." Mr. Luckenbach's statement continues to the effect that after dinner ended Mr. Ernest Seyd invited him into another room and extracted from him a pledge that as long as he, Seyd, lived, he would not divulge the statement he proposed to make to him as to corruption in the American Congress, and the promise was made. Mr. Seyd then advised him that he came to America "in the year or winter of 72-3, authorized to secure, if he could, the passage of a bill demonetizing silver. It was to the interest of those I represented—the Governors of the Bank of England—to have it done. I took with me 100,000 pounds, or as much as was necessary."

The affidavit proceeds to say, "He told me German bankers were also interested in having it accomplished. He said he was the financial advisor of the Bank. He said, 'I saw the committee of the House and Senate and paid the money and stayed in America until I knew the measure was safe.' Mr. Seyd declined to say to whom he paid the money, but he said, 'You will not now comprehend the far-reaching extent of that measure, but they will in after years. Whatever you may think of corruption in our English Parliament, I assure you, I would not have dared to make such an attempt here as I did in your country.'"

The only answer ever made to this affidavit was that Ernest Seyd was not in America in the winter of 1872-3, and this is probably true, but it must be remembered that this affidavit of Mr. Luckenbach was made twenty years after his conversation with Mr. Seyd. It can be safely assumed that, in referring to the visit of Mr. Seyd, Mr. Luckenbach erroneously placed it in the winter of '72 and '73.

As a matter of fact, Mr. Seyd's visit to the United States in connection with the demonetization of silver was made in 1870. I quote from the speech of Congressman Hooper of Massachusetts, who seems to have had charge of the bill, explaining the bill in the House on the 9th day of April, 1872. His speech can be found in the Congressional Globe of the Second Session of the Forty-Second Congress, on page 2304. Mr. Hooper on the Floor said at that time:

"The bill (referring to the bill revising and amending the laws relative to the mints, etc.) was prepared two years ago, and has been submitted to careful and deliberate examination. It has the approval of nearly all the mint experts of the country, and the sanction of the Secretary of the Treasury.

Mr. Ernest Seyd of London, a distinguished writer, who has given great attention to the subject of mints and coinage, after examining the first draft of the bill, furnished many valuable suggestions which have been incorporated in this bill.

While the committee takes no credit to themselves for the original preparation of this bill, they have given to it the most careful consideration, and have no hesitation in unanimously recommending its passage as necessary and expedient.”

I am wondering what suggestions Ernest Seyd, the financial advisor of the Bank of England, could have made in this connection, except that silver coinage be omitted, in the dollars or units provided for in the bill, and this was what was done.

I have served in the Congress of the United States for nearly thirty years of time. During that period of time, I have never served with a man whom I thought could be influenced improperly in any way. There has been no corruption in the Congress of the United States since I have been a member of that body. It would be impossible now, or during any part of the time I have been connected with that body, to have corrupted a single Member of the American Congress.

It has not, prior to that time, been impossible always, and it may not have been impossible in 1870. It evidently was not impossible at that time. No other explanation can be found for the demonetization of silver. England knew then how important to her it was for the United States to take the action it did, and her financial advisor was here on the ground when the bill was prepared, and the Member of Congress in charge of the bill admits that the committee did not prepare the bill, but in a most impressive way states that Mr. Ernest Seyd of London examined the first draft of the bill two years before the passage of the bill and furnished valuable suggestions which were incorporated in the bill.

This administration does not propose to longer surrender its monetary policies to the dictation and the control of the Bank of England, and Professor Sprague can continue his syndicated articles, and men who have heretofore been prominent in the councils of the Democratic Party can continue denouncing these policies in the language of the Bowery without influencing in the slightest degree the policies of this Administration. (APPLAUSE)

Throughout the ages the production of silver in its relation to gold had remained comparatively steady at the ratio of fourteen ounces of silver produce to once ounce of gold. The tables prepared by Professor Warren and Professor Pearson show that from 1910 to 1922, the variation in the purchasing power of silver in terms of commodities has been slight as compared with gold. It is perfectly clear that the abandonment of the gold standard by England has made impossible the retention of the single gold standard in the United States. Its retention by us would mean immediately the loss of American markets in silver using countries. We are really now by Presidential decree in fact on a bi-metallic basis, but a Presidential decree has not the force of law.

The difficulty is, that the price of gold and the value of gold are so often considered together, price and value being usually considered in synonymous terms. Of course, the price of gold has heretofore always been constant—always. $20.87 per ounce—its coinage price, but its value varies, dependent on the price of other commodities. In one year a gold dollar may buy one bushel of wheat. It another year it may buy two bushels of wheat. The laws of supply and demand heretofore could not affect the price of gold, but they do affect its value.

The function of money, and how it discharges its function, has been well understood for hundreds of years. Even Professor Sprague, after so many centuries, could not give a better definition of the functions of money than can be found in the "Pandects of Justinian" and the "Pandects of Justinian" simply incorporated the definition of an economist who lived three hundred years prior to this time these Pandects made their appearance.
Whenever the nations of Europe have thrown out silver, it has always resulted in increasing the buying power of gold. To remedy this situation, the United States must take the opposite action. It must bring silver into the monetary picture. If the United States can restore the use of silver as other nations destroy it, the equilibrium of value can be maintained of both gold and silver.

I am in entire harmony with the gold-buying program of the Administration. I hope it will continue and that the prices we pay for gold will increase until it amounts to twice the coinage price of gold. The gold standard, as we knew it a few weeks ago, has disappeared, never to return again, but this does not mean that a time is not approaching when gold will again be a measure, this time, not of price, but of value, and in my judgment this can be only completely accomplished by bringing silver back into the picture. I sincerely hope that in the future we will continue our gold-buying program, and that in the future we will offer for all gold, delivered to us here in the United States and produced abroad, the price we pay for gold newly mined in this country, abandoning our position of buying gold abroad. England cannot afford to permit gold to come here. Our gold-buying programs leads inevitably to a restoration of a double standard, not at any definitely fixed ratio.

We cannot undertake to maintain a ratio between gold and silver, but we can buy silver redeemable in gold. We can return to the old policies. In ancient Greece, their circulation medium was a coin composed of electrum which was obtained by fusing gold and silver with an alloy, and the world never attempted to fix a ration until England first fixed the ration of 16 to 1 in 1696. There are more ways than one of bringing about the circulation of these two metals as money without giving either of them a fixed value in terms of the other.

Restoration of 1926 Prices

We have started out to restore 1926 prices. Whenever we are through with our gold-buying program, we can accomplish at once this desired position by simply imitating past experience. We could simply imitate the gold certificate and not interfere with its circulation. It circulates now all over the world. We could simply buy silver and store it as bullion in any quantity which may be considered necessary, and we can continue buying it until we restore 1926 prices, and then through the future we can continue our purchases of silver, in order to maintain those prices and to maintain the proper amount of circulating medium.

We can accomplish this result by simply using silver certificates against the silver bullion we buy and store which might read as follows, and perhaps this might best explain what I mean. The certificates of deposit against silver might read, “This is to certify that there has been deposited in the Treasury of the United States One Thousand Dollars in silver (bullion) payable to bearer on demand."

The gold certificate of the United States has circulated all over the world at its face value when currency issues of the United States were not so accepted. In this way, the United States can wisely increase the part of the monetary base of the world represented by silver and thereby so decrease the part of the monetary represented by gold as to control the purchasing price of gold. The ratio of the supply to the demand is the basic principle involved. The United States of America by determining how much silver will be placed upon deposit in its reserves against these certificates can determine to what extent gold can be lowered in its purchasing power and can stop at the 1926 price level which is the announced policy of President Roosevelt.

This does not give any group of bankers or any group of Treasury officials the authority to control price levels. The 1926 price level will be, therefore, fixed in the law as a benchmark of values, and we will have at one stroke eliminated the cause of the greatest economic disturbances in the world in the last hundred years because for the first time governments will have taken from private individuals the power to control price levels.

There is pending in the House of Representatives a bill—the Fiessinger bill—carefully studied, which, if written into the law, would accomplish the result I have been discussing.

We are no longer tied to the back of a golden calf. We no longer propose to permit the Bank of England to dictate to us and to the rest of the world in the interest of England a monetary policy,

no matter how plausible its representatives may be in this country, and it does not matter how much support the Bank of England gets from the capitalistic press or from men prominent in party leadership who follow along, blindly advocating the gold policies of England.
The silver of the world is produced here on the American continent, in Mexico, Canada, and the United States. To the south of us, there are the great republics of Central America, all of them silver using countries. Across the Pacific are the great silver using countries of the Orient. If we place ourselves in the position of being able to trade with them, if we re-establish without ratio a double standard in this country, England will be compelled to follow us and the thirty-one pound sterling nations of the world which now are following the dictates of England and have gone off the gold standard will be compelled to come alone with us and adopt our monetary policies. Tariff adjustments will not be difficult after that. After we have established a double standard for the entire world, economic differences will quickly remove tariff barriers and permit again a resumption of international trade.

The adoption of a double standard along the lines I have attempted to indicate will permit us, with our incomparable economic strength, to assume the position we ought to assume in world trade.

And now my time is up and I have so many more things to say for these gentleman to answer, but I am compelled to yield the floor to those following me. I thank you for your attention."

(CONCLUSION OF SPEAKER RAINEY'S ADDRESS)

CHAIR: Speaker Rainey referred to time for rebuttal, we have never conducted a program along that line but have extended to the audience the privilege of asking questions, and that privilege is extended to the speakers as well, so, if speaker Rainey would care to ask questions, we will be glad to extend that privilege at the close of the program.

The next Senator on the program will be Senator Elmer Thomas.

Mr. Thomas has served with distinction in both house of Congress. He is a present member and a dynamic force in the United States Senate. His career in many respects is typical of this country's great pioneers.

Born on a farm in Indiana he taught school to pay his way through school and university. Following his admission to the bar in Indiana he moved to Oklahoma where he distinguished himself by service to his adopted state.

He was elected to the Oklahoma Senate a Statehood and was President pro tempore of the state Senate from 1910 to 1913.

Today, he is an active leader of a school of financial thought which is receiving both praise and condemnation in practically every section of the country. In fact of all the problems which confront our nation today, none has caused a greater diversity of opinion among outstanding political and industrial leaders than those of currency and finance.

It is my pleasure to present to you, Senator Elmer Thomas of Oklahoma:

SENATOR ELMER THOMAS

Mr. Toastmaster, members of the Economic Club, ladies and gentleman:

I did not come here tonight to enter into a debate. In former years I had the privilege of serving in the House of Representatives with the now present, distinguished speaker. In that body, when a member desired to make a speech, it was not only customary, but obligatory, to go and say, ‘May I make a speech’, and in early years he’d say, ‘What do you want to say?’ If the member could convince the speaker he had something to say perchance, he was given the chance to make a speech in the House. Naturally, I did not like that system, and I abdicated from that body. In the body that I now have the honor to belong to I don’t have to ask the presiding officer, if I can get the floor I can keep it as long as I have something to be said, and sometimes conditions arise that make that necessary.

I am glad to be in New York—it is the ‘cash-register’ of America. In this audience, every state is represented, I take that for granted—my own state is represented—out in front of me is your former distinguished Secretary of War, Pat Hurley, my friend.

New York City does not live upon this town-site; how long could you live here if a wall should be erected around Manhattan? In a week or ten day's time you would be suffering, and in a few more days the population, for want of food, would be in revolution. New York City lives upon New York State…It lives upon the other States of the Union—upon North America…upon the world. When the States are prosperous, New York City is prosperous; when the States are impoverished, New York City feels the pain of depression. Therefore, tonight, with this relationship existing, New York being the representative of the nation and the world, I speak to you:

SENATOR THOMAS READS (Next page following)

SENATOR READS THE FOLLOWING:

The name of your organization indicates that you are interested in the affairs of the government.

I am delighted to say that, under the leadership of President Roosevelt, the affairs of government are improving.

The subject chosen for discussion "OUR COUNTRY'S ECONOMIC STRENGTH AND HOW TO PRESERVE IT" indicates further that you realize that "our country" has been in a depression and that you want to help work out of it.

Coming as I do from the Nation's Capital, I want to make it perfectly plain and clear that I speak for no organization, no group, and no individual, other than myself.

I do not appear before you as an economist, as an economist is sometimes defined as a housekeeper.

Neither do I appear before you as an inflationist, as an inflationist is one who favors an expansion of our currency through an improper, excessive and over-issue of paper money.

I am no more in favor of inflation—as defined—than is Dr. Sprague, Jimmy Warburg or the famous ex-governor of your great state.

Neither am I in favor of "Bologna" money. In some sections "Bologna" means a stuffed sausage and, let me remind you, we now have a stuffed dollar. I am against this overgrown timid and lazy dollar of nineteen hundred thirty-two and thirty-three.

The administration at Washington stands for an adequate and sound currency; but dollars are not adequate if they are so scarce that millions never even see them; dollars are not sound if they are so valuable that the people cannot acquire them, and a monetary system that is either unable or unwilling to do its part in rehabilitation America and the world is neither adequate nor sound.

But back to our subject—our Country's economic strength is next to unlimited, and by one hundred twenty million patient and patriotic people this strength will be preserved.

Only incidentally will I discuss our economic strength. But in passing let me say that our country, with inexhaustible resources and through an indomitable people, has come to be the strongest, the richest and the most influential nation of the earth. Upon the shoulders of the industrial, educational, religious and political leaders rests the responsibility of preserving this greatness for the generations yet to come.

Of all of questions confronting our government the regulation and management of money is paramount. Other issues may be important to individuals, groups and sections, but money, its management and regulation, affects directly the activities, success and prosperity of every man, woman, and child; every firm, partnership and corporation, and every city, county and state, not only in our own country, but throughout the world.

Money, its control, management and regulation is a domestic problem. Under the Constitution the Congress has power to coin money and to regulate its value.

The coming session of the Congress will have to deal with the money question. Our country is now suffering from a famine of money and credit. Gold is out of circulation, silver has been demonetized, currency has been contracted and credit is frozen in the banks.

Since 1929 we have lost some twenty billions of bank deposit money and much of the remaining forty billions is frozen and cannot be used, and since March 4th, this year, we have lost all our gold from circulation.

Formerly one with either gold or silver bullion could have such metal coined into money, at the mint; and also, until recently, one with property, collateral and a good reputation could have such value coined into credit or deposit money at the banks. Now all our mints for the coinage and creation of all forms of money are closed, and, unless some plan is devised and some relief is afforded for securing money, we face chaos.

The trouble is the scarcity of available money. Because money is too scarce the value of the dollar is too high. Although recently reduced somewhat in buying power the dollar still contains an excess of value. On December 1st the dollar bought goods, on the average, to the value of $1.40. We are demanding that this excess value be removed from the dollar. In February of this year the dollar was worth almost two hundred cents. Because of this excess value our dollars were too fat to fight, too lazy to work, and too timid to circulate.

No one demands a cheap dollar—not even the dollar value of 1920. At that time the dollar was worth but fifty cents. The 1920 dollar was too cheap and the 1933 dollar of 1926 which was one hundred cents.

No one favors the French, Austrian, Russian, or German systems of inflation. No responsible official, so far as I know, favors inflation which means an excessive, unwarranted and unjustifiable issue of paper money, but we do demand an adequate number of sound dollars with which to transact the business of the country.

The longer the adjustment of our monetary system is delayed, the cheaper the dollar must be made and the greater the danger of real inflation.
If confidence is to be restored, if business is to be revived, and if taxes, interest and debts are to be paid, the people must be able to secure both money and credit; hence, to dispel the money famine is the paramount issue before the Congress and the country.

It may be that some of you wonder why I am interested in the money question. If you will reflect for a moment you may find yourself as greatly interested as myself.

As a Senator from Oklahoma, I represent some two and one half million people, and as a Senator of the United States, I am trying to represent what I conceive to be the best interests of our one hundred twenty-five millions patient and patriotic American citizens.

Let me remind you that these citizens, who fight in times of war and pay all taxes in war and peace, are powerless to act, save through their chosen representatives.

Occupying the position which I hold, with such knowledge as I possess, to fail to act would constitute infidelity to the people I represent, and treason to the government I have sworn to uphold and defend.

We have a millstone chained to our necks and such millstone is in the form of a vast mass of indebtedness bearing us down. By debts, I mean public and private long and short time bonds, notes, mortgages, bills, and accounts, taxes and interest together making the staggering total of some two hundred fifty billions of dollars.

How much is two hundred fifty billions of dollars?

It is twenty-one times all the monetary gold in the world. It is forty-five times all the money in circulation.

This debt is so large that much of the interest is not being paid, save in cases where funds can be borrowed with which to meet maturing coupons.

Already, the Federal Government, itself a borrower, has appropriated and loaned or allocated some thirteen billion dollars as direct relief for the people, or for loans to corporations and the several units of government.

When the Federal Government either spends or loans, it has to either tax or borrow. For four years, we have taxed and then increased our taxes. We have borrowed and each year our borrowings increase. This year the Federal debt will be increased approximately four billion dollars. Other public and private debts will be increased some six billion dollars; hence, at the end of this fiscal year, our massed debts will have been increased some ten billion dollars.

At Washington, the 1934 budget has been prepared. The Appropriations Committee are now in session. The expenses, next year, will probably be in excess of six billions of dollars, while the Federal income may not exceed one half that gigantic sum.

For three years, we have financed the government by a system of "kiting" checks through the Federal Reserve Banks of the Nation. How much longer can such a policy be practiced?

In some sections, we hear much about "printing press" money. In the current issue of a once reputable weekly publication, we find on the editorial page the following:

> "The forces led by Senator Thomas are out-and-out inflationists. Frankly, Senator Thomas wants to issue worthless printing-press money for the purpose of repudiating debts."

So says the poor, weak and helpless editor who evidently has manacles on his limbs, a ring in his nose, and a mortgage upon his mind. Debts, bankruptcy, repudiation—Remember those three words.

In another New York financial publication, printed on last Saturday, we find the following:

I quote the headlines as follows:

> "BANKRUPT CITIES TO MAKE DETERMINED FIGHT FOR FINANCIAL AID FROM INCOMING CONGRESS."

From the body of the article, I read as follows:

> "Congressman Wilcox declares that with 1,105 cities, or public subdivisions in default of bonds at the end of February and an even larger number hovering on the verge of bankruptcy, something must be done."

Only recently the mayors and managers of our larger cities met in convention at Chicago and resolved to demand that Congress give their cities the right to file a petition of insolvency with the Federal Court, in order to void their bonds, claims, and debts.

As before stated, I am not an inflationist. Neither am I a repudiationist.
During the recent special session of the Congress, the House of Representatives passed the Wilcox bill, giving cities the right to take bankruptcy. I opposed the bill in the Senate and voted against its passage. Individuals and corporations now have the right to go through bankruptcy. If the doors of the Federal Bankruptcy Courts are opened to the cities, then the counties and the states will join in procession, and before it is over your Uncle Sam will be leading the parade.

As a remedy for our economic ills, we have tried deflation and more than ten billion dollars of added Federal indebtedness is only one of the results.

Under deflation, the annual income of our people has been reduced from ninety to some forty billion dollars.

Under deflation, unemployment increased until we had some fourteen million men out of work and more than twenty million men, women, and children in the public bread lines.

Under deflation, the people, the cities, the counties and the states, themselves, are on the verge of bankruptcy.

Let us remind you that our nation is nothing more than the sum of all its parts.

The record before us demonstrates that we have but two possible roads open to travel. One is a continuation of deflation, leading to bankruptcy and the repudiation of all debts, public and private.

The other road is an expansion of the currency, leading to more money; hence, cheaper money, higher prices for commodities, wages and salaries, and thereby reinvesting the people with added buying power.

More money means the saving of homes, farms and factories.

More money means the payment of taxes, interest, and debts.

More money means the restoration of personal, corporate, city, county, state, and national solvency.

What program have the deflationists have to offer?

Without a plan, they are at Washington, borrowing the peoples' credit and spending some of the money in parading Russian, French, and German Inflation Ghosts before the public.

I here make a statement:

Heretofore I have opposed the system of taxation as the 'sales-tax.' If and when the holder of gold and owners of bonds and mortgages are required to surrender part of that value to save the economic structure of the nation, I am willing to assist in a sales-tax as an aid in joining one army under the leadership of President Roosevelt, and this army once so joined will march rapidly out of the depression.

Again back to our subject.
How can we preserve our economic strength?

During and because of the depression, we have lost much, but not all is lost. We have the same land, the same cities and the same people. We have plenty and even embarrassing surpluses of almost every known article and commodity save one, and that one is money.

To this question, the Administration is giving its attention. The value of the dollar is being regulated and adjusted. When the dollar is regulated in terms of gold, then it will be regulated in terms of commodities, and when it is thus adjusted, we will be ready for stabilization.

By revaluing the gold content of the dollar, we are trying no new policy and making no new experiment. Instead, we are so following precedents set by Italy, France and England. Italy devalued her lire by seventy-five per cent; France devalued her franc by eighty per cent, and England is now actively engaged in finding the proper value for her pound.

When the dollar has been stabilized and this program is carried out, we will have ready to be returned to circulation our vast amount of monetary gold, which, when revalued, will amount to some eight billions of dollars. This gold is not money now. It is only a commodity, but, when revalued and again made into money or the basis for money, the effect upon business, trade and prosperity will be comparable to the discovery of at least one half that amount of new gold.

When we remember what the discovery of gold in California and later in Alaska did toward reviving and stimulating business, who can vision the probable effect of adding some three to four billion dollars of gold to the circulation?

Let me again remind my critics that these new dollars will not be printing press money. These new dollars will be gold dollars—each under the law good for the support of two and one-half dollars of orthodox paper money. Each paper dollar, under the gold standard practices, will be good to sustain ten dollars of credit or bank deposit money.

Without resort to the printing presses, when President Roosevelt shall have acted in reducing the gold connect of the dollar, we will have ready to be returned to our monetary system some eight billions of gold dollars—such sum being a legal gold reserve or coverage for some twenty billions of gold standard currency, and such currency being good to back up some two hundred billions of credit or bank deposit money.

The program outlined is a sound money gold standard program.

In conclusion, let me say that I have every confidence that the world depression is broken; happy days are coming again; Prosperity is this side of the corner, and a period of unparalleled development is opening up before us, and our lost economic strength will be regained, intensified, and preserved!"

(CONCLUSION OF SENATOR THOMAS' ADDRESS)

CHAIR: I believe that most of the members and guests of the Economic Club of New York know our next speaker personally. Certainly, we all know of him, and have a deep interest in his views on the problems which face us today.

For a man who has been engaged primarily in private enterprise, chiefly banking, he has give more than ordinary attention to matters of public import and questions relating to the financial soundness of our country.

From the beginning of his career he has shown an unusual grasp of the fundamentals of monetary matters. He was taken to Washington in 1897 by the then Secretary of the Treasury Lyman J. Gage, and shortly thereafter was appointed Assistant Secretary of the Treasury.

Coming to New York in 1901 as Vice President of the National City Bank, he shortly became President of that institution and rose to a position of leadership in the financial world.

His studies of business and financial conditions in Europe both before and after the War and his discussion of financial and economic subjects have place him in a position of recognized authority among our financial and industrial leaders. I am sure that he will make a valuable contribution to the discussion of the evening.

Ladies and gentlemen, I present to you the great student and teacher, the Honorable Frank A. Vanderlip.

The Honorable Frank A. Vanderlip

“Mr. President, ladies and gentlemen: I am interested in the fact that I am sitting at the same table with the greatest optimist on human understanding in the world. Mr. Speaker Rainey tells

us that there is an understanding on the part of the whole people of the world as to the definition of money, as to what money is. I had supposed there were few people in the world who really understood about money. That supposition has perhaps been encouraged by wide acquaintance with New York bankers. There is a t least one definition of words in common use, that, I will be certain is not accepted generally, after hearing Senator Thomas, we do not all agree as to what is 'inflation'. The opinion of New York bankers, the Union League Club, New York businessmen, I may say of orthodox New York, is an almost united opinion; they want the government to return to the free gold standard. There isn't any doubt but that is the orthodox opinion.
We hear much of dangerous radicals. Perhaps we might with more truth speak of dangerous conservatives. And I believe that we want to guard against dangerous conservatives. A conservative has been defined as a man who believes that no new thing should ever be done for the first time.

Now, if economic conditions alter, it seems to me there is a necessity for altering economic mechanism that has to do with those conditions. When fundamental financial conditions are altered, it is conservative to alter economic mechanism to meet those conditions. With the advent of the automobile we introduced traffic signals. One must halt at a stop light. For a time, that rule was irritating to the cabby who was a rugged individualist. New burdens had been put upon our roads and it was necessary to devise a new mechanism to control traffic. Just so, new burdens have developed, in recent years, that have been laid upon the gold standard. Those burdens have broken down the gold standard in between thirty and forty nations. When you get such a universal phenomena it is fair to suppose there is some common cause, and I would like to search a little for that common cause. I wanted to describe the gold standard in simple words, at least describe it as I understand it. I am not seeking to teach this great body, however, I will simply say what I understand about the gold standard. Senator Thomas has told us that all the monetary gold in the world could be put in a cube thirty-one feet each way–it could stand in Nassau Street and not touch either curb. Now we have about four-elevenths of that.

Let us imagine a cube of gold and think what duties rest on that under a gold standard. The first and very important one is that it controls the amount of currency, of paper money that may be issued. With us it has been that currency had to have 40% of gold back of it. Roughly, we may issue currency to two and one-half times the amount of gold we have. Other consequences follow from that fact. Deposits in a bank must have either a Federal Reserve deposit or paper money as a reserve against the deposit. Therefore, the amount of paper money or Federal Reserve deposit controls the expansion of bank credit. Remember that deposits are made up of loans. If there can be no additional loans, there will be no increase in bank deposits, broadly speaking. So the gold standard as its first function control the issue of paper money and through that controls the expansion of bank loans.

Then there is another function. In foreign trade, goods, in the main, pay for goods. The country that exports, imports. But the exports and imports do not always balance, in fact they hardly ever do. Now let us imagine we have a pair of balances here and we will put all the exports on one side and all the imports on the other. Well, it is out of balance. There have, perhaps, been more imports that exports. They weigh down that side of the scale. Then we will put in the scale pans the net invisible exports and imports, that is, tourist expenditures, amounts that emigrants send home, freights paid to foreign vessels, insurance paid to foreign companies, all those invisible things that may change the balance some, but our scales would still be out of balance probably.

There are only two ways left then to balance those scales. The debit country could borrow and temporarily bridge over the situation. That would be a possibility–put credit on the balance that is higher than the other. But failing to do that, or not caring to do it, the final settlement would be made in the one thing that is acceptable to all nations, gold.

That is the second great function of gold under the gold standard, to pay the final net balance in foreign trade, and the latter function has been a most beautiful regulator of foreign trade. If a country exported less than it imported – had a debit balance – it could not settle with goods or credit and had to export gold, the result was a decrease of banking credit, a rising of interest rates, a decline in prices and the country to which to sell goods, and the trade balance righted itself.

Now that worked with some interruptions for a century, we went off gold for a period – England went off gold four times in that century–but on the whole the system worked beautifully – it was a very beneficent thing. Why not return to it? …and that is what all my business friends think we should do.

I'll tell you why we can't return to the old free gold standard, and why these forty countries have broken down in their administration of the gold standard. There has developed new burdens upon gold in the last few years, chiefly since the war.

England was a great investor in foreign securities. She was the only investor in foreign securities on any great scale, the only great international investor. She accumulated up to the outbreak of the ware foreign investments aggregating $20,000,000,000, a very great sum. But since the war and during the war, there developed very wide international investments in securities. Natives of many countries owned many securities of other countries. We turned from a debtor nation to a creditor nation and loaned great sums to many nations in Europe and South America.

A quality of an international investment is that it can be sold on the home market where it originated. In returning there, it has just the same effect upon the exchanges as if there had been an exportation of goods to that country. If the securities are returned, they have to be paid for and such securities can come to have the same demand upon gold as a bank deposit or as credits arising from the exportation of goods to a country. So you see you get a new obligation laid upon our block of gold that it may move out in response to a moving in of securities. You can't calculate when they will come; it depends on the psychology of the owner. It may depend upon conditions in the home country, or it may depend upon conditions in the country where they are owned temporarily. But it is an obligation upon this block of gold, and to subtract from the gold may subtract two and one-half times as much from the currency and ten to twenty times as much from the bank credits.

Now remember that such demand has no reflection at all to foreign trade. That demand might come to be exercised upon the gold stock of the country that had a credit in foreign trade and would normally be importing gold, but because of this movement of securities across the border, having no relation to foreign trade, a demand upon gold would be built up. All that is important, but there is a second development that is far more important.

There has come to be a great mass of liquid capital in the world that may move from one country to the other without any relation to foreign trade, more perhaps because of timidity on the part of the owner, who is afraid of conditions at home and wants to get it into another country. Perhaps through astuteness, the holder may find high interest rates prevailing and want to send his money there to take advantage.

Then there is another form of this liquid capital, something that has developed since England went off the gold basis. You have heard of England's stabilization fund perhaps. When England went off the gold standard, Parliament appropriated 200,000,000 pounds and put it in the hands of the Bank of England as a stabilization fund to prevent violent fluctuations of the pound in the exchange market. Later, that was increased to 350,000,000 pounds. That is $1,650,000,000, and remember, there are only $11,000,000,000 of monetary gold. That great sum of credit crosses borders, may augment or invade a gold stock, and its movements have no relation whatever to foreign trade, but they are designed by an economic general who has his economic military campaign. Such monuments of capital are a menace to the gold standards of other countries.

Now I offer no objections at all to the fact that the English has evolved this instrument, an instrument in the foreign markets equal to all the monetary gold in the world, one seventh of it I mean. It is their right but it isn't being used to our advantage nor the advantage of other countries. It is to my mind as dangerous as a fleet of airplanes because it takes the interests of the humblest man – you are all interested in the operation of that fund and in the burden which this mass of capital has thrown of this, our block of gold.

My opinion is that we cannot return to the gold standard as we have heretofore viewed it. I believe we can, and should return to a gold standard, but the greater one's adhesion is to the gold standard the more careful he should be to return to a standard guarded from these burdens, or confidence would again be shaken and a crisis greater than the present created.

Well, how can we guard against those things? By returning to a limited gold standard, limited in its redeemability of gold. I spoke of these dangers of internationally owned securities and of liquid capital swaying back and forth over international borders without relation to international trace -- but there is another danger, a danger we have developed to an important point last spring, a danger we have never had to face in a large degree, the danger of hoarding. We should guard against that because money hoarded is taken from that base which supports currency and credit. It may force a reduction of bank credit not ten times, but twenty times the amount of gold lost. That is possible if both the currency and banking deposits had risen to the highest point they could, under the present reserve requirements.

Now I would also and always furnish gold for the settlement of trade balances….legitimate trade balances….that is one of the great functions. I believe in gold to control currency issue, and through it, the bank credit expansion – but I think these two things are all the burden that you can legitimately put on the gold standard.

Then I would have this standard provide for the payment of foreign trade balances – but you couldn't draw gold for capital movements without consent of some authority. Now, you well may say, 'What authority'? And a scientific fact sometimes leads to a disagreeable conclusion. That ought not to make one reject the fact if it is a fact. The conclusion is that you would have to have a controlled foreign exchange market. I don't think the control could be left to the banks, nor the clearing house, nor the Stock Exchange. Perhaps to the Federal Reserve Bank, but I fancy it would have to be left to the government itself, in effect. Now that is obnoxious itself; obnoxious to me, to think of further government control and statistics which we would have to have to separate legitimate trade demand and capital movements – but not as obnoxious as to set up a gold standard and have it fall again, from this cause of having to bear burdens that they cannot carry. And so, I object to returning the old gold standard; I believe the people who are advocating it have not thought it thru.

I would melt up all the coin. I would never coin any more. The exchangeability for currency would only be for gold bars, but I wouldn't permit the individual to get those gold bars except for the legitimate purpose of settling foreign trade balances; for that, with absolute freedom; for hoarding, not at all; for meeting capital movements, possibly, and possibly not; at times, yes, at other times, no. if it was regarded as detrimental to the country's welfare, I would not permit the mover of capital to obtain a command upon gold. I feel certain that a return to that sort of modernized gold standard, obnoxious as control would be, would give us a gold standard that would be permanent, and if we are to have a gold standard at all we certainly want it to be permanent. Bankers are somewhat bewildered, they object, and rightly, to these violent fluctuations of the dollar -- and it is on that objection they base their demand for an immediate return to the gold standard, and an immediate stabilization of the dollar.

I sympathize with this objection to the fluctuating dollar, but I counted up today something of the fluctuations of securities. I found thee were 208 securities listed on the Stock Exchange that had had a range this year of (between high and low) 500%--the low, in other words, was one-fifth the high. There were 54 had had a range of 1000%; ten that had had a range of 2000%; and two with a range of 3000% -- there is fluctuation for you! That page seems more comic to me than the page of comics strips – to see a fluctuation of 208 stocks range this much in one year, and then call investment 'an exact science'.

Now I know bankers are conservative--they are the guardians of our economic monetary situation. They are conservative-minded in almost everything -- they are, to my mind, however to be classified as 'dangerous conservatives' if they don't think problems through. Now the economist doesn't seem to think through much better. Baron Rothschild is alleged to have said that once a man had accumulated a fortune, there were three things to guard against: 'Women; Horses; and Engineers'. I think, today, we might replace 'engineers' with 'economists'.

Now this is a question for clear thinking by the layman–there isn't a man in this room no competent to form judgment to the theories I have been advancing….if they are correct, they affect your pocket books, and affect them very deeply; and I think we should have a forward public opinion about this matter of gold. You may all know the definition of money but if you do not apply that knowledge it is useless.

We have got a New Deal--we needed a New Deal….but we need the New Deal dealt from the new deck without any marked cards in it! That must be part of this 'new deal' that the administration is giving us. I believe in the monetary policies of this administration as it has so far been set forth…. (Applause).

Now it is a 'black Republican' who is saying that; but with such knowledge as I have of finance; of money; of the gold standard; of prices; I believe that the things that have been done, need to be done, and have been well-done. I'd like to see the gold purchase carried on more vigorously--I'd like to see the market of gold brought from London to New York. I'd like to see a gold market in New York, which would take gold from anywhere in the world--and certainly it would not be a dangerous thing for our government to buy that gold unless they are going to establish above the prices they are paying for it -- and, if below, they have got the safest game any trader ever had to buy gold and they can make the thing a test of the theory of 'the effect of a devaluated dollar on prices' which we are not testing at the present, and they can test, or rather, establish, our monetary system on our own soil.

I believe that that is what should be done, yet still won't presume to give advice, because the government knows more about its limitations that any can possibly know. I think there are legal hesitations about this policy…It isn't too clear the government has the right to de even what it has been doing. I only say I'd like to see a more vigorous policy, bringing the gold market of the world to New York".

END OF MR. VANDERLIP'S ADDRESS

CHAIR: The next speaker comes from a family which for the past three decades has rendered outstanding service to the development of this country's financial structure.

His presence is of especial interest to us because his father, our friend the lat Paul Warburg, was a pioneer in the Economic blub and took more interest and contributed more to the up-building of this Club than any other man, and continued his interest in the Club until his death.

His studious application to the problems of our basic industries, as indicated by his writings on the textile and leather industries, as well as his work on acceptances and other financial problems, has given us outstanding contributions to modern thought on industrial and financial practices.

Recently he was Financial Advisor to the American Delegation at the Monetary and Economic Conference.

The members of the Economic Club will give close attention, and, I am sure, profit by the address of our concluding speaker……..James P. Warburg.

Mr. James P. Warburg

Advisor to the American Delegation

At the Monetary and Economic Conference

"Mr. Chairman, Ladies above and Gentlemen below: Apart from the privilege of appearing before so distinguished a gathering as the members of the economic Club and their guests, it is a particular honor to speak this evening in what, if I may borrow a baseball phrase, appears to be 'the clean-up position'. This is perhaps the wrong metaphor to choose because in baseball the clean-up hitter is supposed to bring home the first three batters if they have got on base, whereas my object tonight is just the opposite--that is my intention.

As my time is limited, and as I have on previous occasions set forth rather fully a suggestion for an alternative program which I think would be more effective than the present monetary policy, I shall not repeat here the argument for a modernized international gold standard as against many purely national currency scheme, and more particularly as against the present gold-buying policy. It would seem to me in any case that the present policy has already proved its futility from the point of view of its immediate practical purpose.

There have recently been published several excellent statements which, to my mind, offer fairly conclusive evidence that the underlying theory of the present policy is wrong. The statements to which I refer were made by Mr. George Roberts, of the City Bank, Professor Rufus tucker, Dr. Walter Spahr, Mr. Ogden Mills and Dr. Kemmerer. All of them come to the came conclusion, namely, that in a money structure consisting 90% of deposit currency, that is, check money, the price of gold plays a relatively unimportant part. Not being an economist, I have refrained from dealing with the theoretical side of this question, and I have confined myself to an attempt to show that as a practical matter nothing other than an improved gold standard offers any real prospect of success. I have set forth in detail in my open letters to Senator Borah just what I mean by an improved gold standard. In many respects Mr. Vanderlip agrees with these proposals. The points on which he disagrees are rather technical and do not lend themselves particularly well to a discussion under so general a heading as our topic for this evening. I am delighted to see that Mr. Vanderlip does not subscribe to many of the more extreme doctrines proclaimed by the Committee for the Nation, with whose vociferous utterances he has perhaps erroneously been associated in the public mind.

Generally speaking, the proposals I have may lie half way between the two extremes of the present controversy, not quite half way, perhaps, because they are certainly nearer to the gold standard of the past than to the Committee for the Nation’s commodity dollar. As might be expected, they have been criticized by both extremes, - by the extreme left as being too conservative, and by a few of the extreme right as being too radical. That is a healthy sign. Healthier still, and more welcome than praise, has been the constructive thoughtful criticism which I have received from quite a number of fellow seekers after middle ground.

Recently, however, there has developed quite an epidemic of soothing syrup. It has become the fashion to make speeches or write articles, along the lines of saying to the public; ‘There, there, little man, don’t get excited. There’s nothing to all this shooting. The inflationist’s don’t really want inflation. There is really no difference between the Committee for the Nation’s commodity dollar and an improved gold standard, and we all know the President wants sound money. So what is all the row about’?

I do not think that this sort of soothing syrup will help matters. Certainly the president wants sound money. But when probably three-quarters of the House, and two-thirds of the Senate want some form of inflation, the President needs all the support he can get to stem this tide. To say that the inflationists don’t want inflation is arrant nonsense, just as it is arrant nonsense to say that there is any common ground between a modernized gold standard and a dollar of variable gold content.

We cannot find middle ground by denying that there are differences to reconcile. We can and should find a real middle ground between two recognized extremes. But middle must be middle and not muddle.

What I should like to do this evening is to speak first of two subjects closely allied to monetary policy, which I have so far not touched upon, and then devote what time I have left to a few remarks addressed particularly to the previous speakers.

A monetary policy can provide an environment in which recover can take place. A monetary policy can likewise provide an environment in which recovery is either retarded or else becomes altogether impossible, but a monetary policy cannot by itself produce recovery. When we speak of recover, we mean re-employment of those not normally out of work and a general improvement of living conditions for all. That result can only be attained in an environment provided by a monetary and fiscal policy in which the normal man is again willing to enter upon the normal risks of business. As soon as that environment is provided, I am convinced that the volume of business will increase, and when that happens, the aggregate incomes of wage-earners and business enterprises will increase side by side with an increase in the aggregate demand for commodities, which in turn means higher prices. So much for the general philosophy of recovery. There are, however, many other factors beside monetary policy which assist or retard recovery, and two of them are so closely related to monetary matters that I think it is proper to refer to each of them briefly tonight. They are the banking and investment systems.

As to our banking system, the emergency legislation of last spring brought us out of the most complete banking collapse we have ever had in this country. It was a time which called for heroic measures, and, in what I am now about to say, I do not wish to belittle the tremendous accomplishment of those early days of the present administration. The President and Congress acted courageously and quickly, but, owing to the peculiarities of our banking system, they were unable to exercise the proper control over the unrestricted re-opening of the non-member banks. As a result many banks were re-opened whose capital was as a matter of fact, insufficient properly to safe-guard their deposits. Acting in accordance with the undoubted necessities of the moment, the President then assured the people that every bank that was re-opened could be considered sound. This is not ex post facto criticism. Many of us warned at the time that taking this step would involve subsequent action that would come perilously close to a socialization of the banking system. Having declared these banks sound, it was obvious that the Government would have to take whatever steps should prove necessary to make them sound. Those steps were subsequently taken through the deposit guaranty provisions of the Glass-Steagall Bill, and the authorization to the R.F C. to subscribe to preferred stock or capital notes of such banks as might require strengthening.

More than that, it was found necessary to put pressure upon banks with amply sufficient capital structures to join the R.F.C. plan, in order to overcome any reluctance on the part of weaker banks to admit that they were in need of government assistance. That meant extending the Government's participation to be and small, weak and strong, all over the country, and, in the last analysis, it meant Government in banking on a scale no one had dreamed of. All that, however, is water over the dam. The two things that are not over the dam, and that must be given the most careful study, are: first, how can the permanent guaranty plan, which goes into effect at the end of June, be modified; and, second, how can the banking system be rebuilt along sound lines and eventually freed from direct Government participation?

Before I left Washington at the end of May, to go to the London conference, I left a memorandum in regard to the guaranty features of the Glass-Steagall Bill. In this memorandum I stated that, if the permanent guaranty plan went into effect as then projected in the Bill and as subsequently enacted, it would in my opinion cause every sound bank to weigh the desirability of escaping from the guaranty by withdrawing from the Federal Reserve System; that, in the second place, it would lead any serious-minded bank who could find other useful employment seriously to consider changing his profession; and, finally, that it would cause all holders of bank stock to consider seriously whether they should continue to retain such holding in view of the highly speculative risks to which bank stocks would be subject.

I see no reason to change the opinion then expressed. If a bank is to have an unknown liability arising from whatever errors may be committed by other banks in all parts of the country, there ceases to be any charm in owning the stock of such a bank, or in trying to run such a bank on sound conservative principles. There is almost equally little charm in trying to run a bank outside of the Federal Reserve System, although this may easily turn out to be the lesser of two evils.

I believe, therefore, that the permanent guaranty provisions must at least be modified before they go into effect, so that, if banks must guaranty each other, they will at least know to what maximum amount in any one year they may be liable. I should hope that the entire guaranty provisions could be dropped when the banking system is properly reconstituted.

This country has suffered for generations from a hybrid banking system, with national banks under federal control and state banks under the control and operating under the laws of forty-eight different state authorities in addition to partial supervision by the Federal Reserve System. I can see no possible justification for the continuation of such a system. I can see no possible excuse for not bringing about a uniform banking system under uniform banking law, and under the control of uniformly operating banking authorities. If that is done, if branch banking is permitted to a reasonable extent, and if the minimum capital requirement for a bank is raised from the present ridiculous figure of $50,000 to, let us say $500,000, I think most of our banking troubles will be over, the guaranty of deposits can be dropped, and the Government will soon be able to retire from its preferred stock investments. It would seem to me that a failure to act promptly along these lines during the next session of Congress may easily land the Government permanently in the banking business.

There is one other danger in the banking field and, that lies in the usual tendency towards over-regulation after a period of calamity, and, we must admit, abuse of freedom. I do not believe, however, that many of the additions to the banking law recently proposed are proper subjects of legislation. I know that in the bank with which I am associated most of the new rules now recommended for incorporation in the law have been in force as a matter of ordinary sound banking practice, and I am quite sure that my own institution is not the only one in which this is the case. I do not think one can legislate intelligence or integrity. Perhaps those who are advocating such stringent regulations are unduly influenced by their own experience in particular banks, from which they draw what I would consider an erroneous general conclusion.

Assuming that the banking system is properly reconstructed and rehabilitated, the mechanism is then provided which, coupled to a sound monetary and budgetary policy, will eliminate most of the money troubles from which we have been suffering. There remains, however, the other important leg of the tripod, namely, the investment system. I do not believe that there can be any permanent recovery unless the savings of the people can once more flow normally into long term investment and thus take care of the capital needs of business and industry. I do not think that at this moment the Securities Act is responsible for the failure of the capital issues market to function, because uncertainty as to money and uncertainty as to government credit hinder investment at the present time. However, if these two factors were removed, I believe that the securities Act would clearly show itself as an insuperable obstacle to a great deal of financing that should be done, at least to take care of maturities and obsolescence, and therefore, I believe that the Securities Act must be revised.

I opposed this piece of legislation from the time when it was first drafter, - not on grounds of principle, because I agreed with the principle, - my criticism of the Securities Act is, in the first instance, that it does not go far enough, and, in the second instance, that it goes too far. The explanation of this apparent paradox is, that in setting out to avoid a recurrence of the unfortunate experience of investors in the past, the framers of the legislation apparently attributed all past misfortune to only one cause, namely, the failure to disseminate full and accurate information. In dealing with this one cause, they then went so far as to set up a series of penalties and liabilities which make the selling securities practically impossible.

I believe that the past misfortunes of investors have not been solely due to a lack of complete information as to the securities they bought. There is such a thing in human nature as speculative greed, and I do not think that it will ever be possible to legislate out of existence the desire to get something for nothing. It is, however, possible by proper legislation to prevent the undue stimulation of such avarice by making it more difficult to borrow on margin and also more difficult to obtain any loans for purely speculative purposes. In this respect the Securities Act does nothing whatsoever. Furthermore, the lack of uniformity in our corporation laws, - in fact, the absence of any Federal corporation law, - seems to me to make almost inevitable the creation of unsound capital structures and hence the sale of unsound securities to the public. Here again the Securities Act does nothing whatsoever. On the other hand, it seems to me to go much too far in treating the one cause of past misfortune with which it has concerned itself, namely, the dissemination of ample and accurate information. Under the guise of alleged identity with the British Companies' Act, it sets up a series of liabilities and penalties which are neither well defined nor reasonable, and which certainly bear no similarity to the British Companies' Act. These features will have to be amended if the investment market is to function. It has always seemed to me that this entire piece of legislation was pushed through with unnecessary haste and with unnecessary fanaticism. An atmosphere of emotion surrounded the whole question from the start and anyone who dared to criticize was instantly accused of ignorance or self-interest. That brings me to the final topic on which I should like to touch.

I had the privilege on a previous occasion of speaking on the same platform with Senator Thomas. On that occasion of speaking on the subjects similar to these, he saw fit to use the term 'money changers', (a phrase of which he is rather fond). The first time I heard this phrase was when it fell from the lips of the President in his Inaugural Address. I did not like it then, because it seemed to me to lump all bankers as scoundrels who must be thrown from the temple, and I confess that when only a few days later I was asked to come to Washington, I had to overcome a certain resentment because of the use of those words. But, I said to myself, at a time when all banks are closed there is perhaps some justification for scolding all bankers. Then, during the months I spent in Washington, I came to realize that the President is not the kind of man who would call all bankers ‘money changers’ any more than he would call lawyers ‘shysters’. For a long time I did not hear the phrase again, but recently I have heard it quite frequently, not for the President, but from Senator Thomas, from Father Coughlin and from all that group of orators who so eloquently flay the banking profession as a whole. I think it is time, therefore, to examine this word a little and see if we cannot agree to eliminate it from the vocabulary of monetary discussion.

What is a money changer? If it is one who desires to change money, that is alter money, then I wonder which one of us four is the greatest money changer, I who advocate a modernized gold standard; Mr. Vanderlip, who still flirts a little – though less lovingly- with the commodity dollar; Speaker Rainey, who favors the President’s ‘dollar of constant purchasing power’ – which is the commodity dollar – and in addition would like to see our pockets lined with silver; or Senator Thomas, who seems to care little about gold or silver so long as there are plenty of paper dollars in circulation, and who says – (and I am quoting him verbatim), ‘It was this policy’ – speaking of printing paper money – ‘which brought the Republic out of the Revolution. It was this policy which brought the Union out of the Civil war’! Which one of us is the greatest money changer?

I can see that the good Senator does not accept my definition. To him the word ‘money changer’ means something entirely different. Can it be that his is the scriptural definition? If so, the money changer is not such a terrible man after all. He is one who literally made chance, and he was thrown out of the Temple, not because his business was an evil business, but because the Temple

was not the proper place in which to conduct it; and he was not thrown out alone either! With him went those that sold doves. They, too, were thrown from the Temple because their business, while in itself perfectly honorable, should not have been conducted in the Temple.
But, I can see from the gleam in the Senatorial eye, that this again is not the Senator's definition of money changer. What he means, and what the epithet has commonly come to mean, is probably nothing more or less than a usurer, or one who defrauds his victims by unfair practices. These are the modern money changers t whom orators have reference. More specifically they mean bankers – preferable Wall Street bankers – and most specifically of all they mean -- Wall Street international bankers. These are indeed the high priests of evil and their shibboleth is gold!

I am a Wall Street international bank, and I hold no brief for every deed that has been done in Wall Street, but I do say, Senator Thomas, that even in Wall Street there are honest bankers, and it seems if you look hard enough you may even find there honest international bankers.

What I am concerned with here, however, is not a defense of Wall Street. Let us assume, Ladies and Gentlemen, that all Wall Street international bankers money changers and therefore evil, and that al Senators are wise and good. Would you be very much surprised if I were to tell you that thee is a certain Wall Street international banker, who was for years the vice-president in charge of the foreign department of one of the largest Wall Street banks, then President of a smaller bank, then a Wall Street investment counsel, and who now represents himself to be the intimate adviser of Senator Thomas? This is not hearsay. This man has stated, not once but several times, that not only is he Senator Thomas' adviser, but that he helps the good Senator to write many of his letters and speeches. Perhaps he has no right to make any such statement. In that case, there is no inference to be drawn except that he is not telling the truth. If, on the other hand, he is telling the truth, I think it behooves the Senator to speak more softly and more reverently of money changers.

I have made this little digression because I think it is time to bring this discussion about monetary policy down to the real issue. It is hard enough to present this very complicated question in simple terms to the people, who must in the last analysis decide it. It is quite impossible to do so if either side resorts to slinging abuse and epithets, particularly when such epithets are not so much applied to individuals whom they might or might not fit, but seek to arouse mass antagonism against whole groups of the population.

And I would say one other word to those who characterize the entire opposition to the present monetary policy as an opposition inspired by Wall Street self-interest. Does it mean nothing that such opposition has been voiced by groups of economists throughout the country? Does it mean nothing that the American Legion has raised its voice in protest? Does it mean nothing that the American Federation of Labor, not once but on several occasions, has protested against a policy which can only do harm to the majority of wage earners? Or that the presidents of life insurance companies have recorded a solemn warning? Is all this, by any stretch of the imagination, to be attributed to Wall Street self-interest?

And finally, is it to the self-interest of Wall Street to oppose the present policy? In a general way, yes. It is to Wall Street self-interest to oppose any policy that contains the seeds of danger inherent in the doctrine that you have heard preached tonight by Senator Thomas. But, if you take Wall Street, - that is, bankers, as a class, - it is quite evident from the study of inflation in other countries that they are perhaps the class which suffers least from inflation. Bankers are dealers in money. They are, therefore, more alive to what is happening to money and they are therefore more likely to protect themselves, and have better means of protecting themselves that any other single group. In the German inflation, when the entire middle-class was wiped out, all savings destroyed, and life insurance policies nullified, there was not a single important bank that failed. Why, then should Wall Street bankers have any particular self-interest in opposing a policy which contains at least the danger of uncontrolled inflation, when that danger affects them less than the wage-earner, less than the farmer, and less than practically every man, woman and child in the country?

Wall Street has much to be sorry for. Who indeed has not? But when Wall Street joins hands with labor, with the farmers, with the veterans, with the educators, and with every thrifty and prudent citizen, in fighting for a sound currency and a sound national credit, Wall Street need pay no attention to those who raise the ancient cry of self-interest.

In closing, let me say that during recent days it would seem to me that the fundamental issues have become considerable clarified. It is clear that we are in for a real fight. Last week Senator Thomas called at the White House, and, after his visit, was reported to have said, ‘I will support the President, because I think he knows what is best for the country’. Later, in the same day, he received a statement from James H. Rand, chairman of the Committee for the Nation, stating that 'ugly and discouraging rumors' (note these adjectives) 'are finding increasing acceptance in New York and London' to the effect that the Administration is negotiating with the Bank of England, and the Banque de France, for stabilization of this dollar at about sixty-two cents. According to the 'Times', the Senator then made the following statement: -- 'If the dollar is to be stabilized at the figure these reports indicate, it will bring on a fight in Congress that will be terrible. The monetary group on Congress or those that have a majority are against any such mild inflationary move. I repeat that if the dollar is to be stabilized at this figure there will be a warfare in Congress that may disrupt the Democratic Party and lead to making inflation the outstanding issue in the next Congressional campaign'! (End quote)

Mind you, this statement came from the same man who, earlier in the same day had said that he would support the President 'because I think he knows what is best for the country'. That statement came from the same Senator who, on April 24, 1933, in advocating the Thomas Amendment, said, among other thinks, 'Mr. President, it will be may task to show that if the Amendment shall prevail it has potentialities as follows: it may transfer from one class to another class in these United States value to the extent of almost $200,000,000,000. This value will be transferred first from those who own the bank deposits; secondly, this value will be transferred from those who own bonds and fixed investments. If the Amendment carries and the powers are exercised in a reasonable degree, it must transfer that $200,000,000,000 in the hands of persons who now have it, who did not buy it, who did not earn it, who do not deserve it, who must not retain it, back to the other side, the debtor class of the Republic, the people who owe the mass debts of the nation'.

That, Ladies and Gentlemen, is what Senator Thomas stands fro. And again, to use his own words, this issue 'is the most important proposition that has ever come before the American Congress. It is the most important proposition that has ever come before any parliamentary body of any nation of the world. Saving the single issue of the world war, there has been no issue joined in 6,000 years of recorded history as important as this issue pending here today'.

Some of us may not agree that in 6,000 years, -- which I need not remind you covers not only our own entire history but the entire history of civilization as we know it, and takes us back into the age of prehistoric monsters, -- some of us may not agree that the Senator's amendment occupies a place of quite such preeminent importance; nevertheless, we have his word for it that this is the issue on which 'there will be a terrible fight in Congress' if the President should not happen to agree with the Senator that $200,000,000,000 must be taken away from 67,000,000 holders of life insurance policies, 44,000,000 savings depositors and from every thrifty and prudent living person in the United States, because 'they did not buy it, they did not earn it, they do not deserve it, and they must not retain it'

That seems to me a fairly clear issue. That seems to me an issue on which every thoughtful citizen should wake up and realize that he is probably not part of that class to whom Senator Thomas would give the $200,000,000,000 --, but, that he is one of those, who 'did not buy it, did not earn it, do not deserve it, and must not retain it'. Only a small percentage of what the Senator calls the mass debts of the nation are debts of individuals. By far the greater part is debts of governmental authorities and large corporations. If the Senator has his way, - if the inflationists win their threatened fight in this Congress, - it will not be the rich that suffer most. The reckoning will be paid by the very masses of honest workers who may be misled into thinking that they are helping themselves by supporting debasement of the currency, and it makes no difference whether this is one by printing greenbacks, or through a continued unbalanced budget, or by exhuming the ancient silver heresies of William Jennings Bryan. That is the issue which cannot be made too plain, and on which it is high time for every citizen to make his views known to his representatives in Congress".

END OF MR. WARBURG'S ADDRESS

DISCUSSION:

CHAIR: Gentlemen in the audience, speakers, guests, -- who now have the privilege of asking questions……..

QUESTION (AUDIENCE)

May I be privileged to ask the question of Mr. Vanderlip, of how the price of gold has been affected in London by the Committee of Five – and whether that has not been considered the policy of England to devaluate the pound…..at…..

MR. VANDERLIP (interrupting)

The price of gold has been fixed by five men. Of course, it is important for outsiders to bid for gold – and, if they bid above the price the Bank of England was prepared to pay, they got it.

As to the policy, - I am in no position to speak. I think they have no intention of going back on the gold standard at present. I was just told today there was not the slightest possibility of an early return to the gold standard, however. I am certain it is obnoxious to have the pound stand in its present relation of the dollar. I believe their stand was four dollars. I believe that fund has been operated to decrease the pound and raise the dollar.

QUESTION (AUDIENCE)

May I ask further whether England from the standpoint of American Industry our government was justified in setting up a stabilization of its own as a counter attack to England?

MR. VANDERLIP: I certainly believe it justified – I don't believe there is an Englishman who will not agree we were justified – we have ammunition, but no gun to shoot it in. The necessity for the stabilization fund seems extreme -- it should be large enough --. Napoleon said that God was on the side of the largest battalions, and I fancy gold will be on the side of the largest stabilization fund.

QUESTIONS ADDRESSED TO SENATOR THOMAS

QUESTION (AUDIENCE): Just in order to clarify in my own mind – and to ask Senator Thomas what he intended as his meaning when he referred to a transfer to two hundred billion dollars of wealth from one class to another – the impressions in my judgment have been perhaps, misinterpreted. Did he not mean the following?
Whether he did not mean that if this deflation ran its course that approximately 90% of all the railroads would pass through receivership and the bond-holders wipe out the equity….

INTERRUPTION BY MR. ELY: I think it is a general rule of bodies like this that one question should be asked by a person at a time, as briefly state as possible, and not answered by the person himself.

SENATOR THOMAS: The quotation read by my young friend was correct. He didn't read it all, however. I don't think he has ever read it all. So far, he is I believe, the only man that doesn't understand what I meant -- at least, there is not a farmer, laborer, nor squaw-man who doesn't have an exact conception of what I meant. Take your pencils and paper:

The most stable measure value we have in America, the economists, I think, will admit, is the Bureau of Labor Statistics.

Those statistics are made up of averages of eight hundred commodities. Those who deal in measurement of value conceded this average is the least movable thing in the world. Some may go up – Steel may go up; Copper, down; Silver up; Wheat down – but the average is held to be a stable measure value.

According to measure value, the dollar in 1920 was worth approximately 50 cents – then it descended in value. After 1920 the dollar rose 60 cents – 75 cents –90 cents – and, in 1926 was worth 100 cents. In 1928, 1930, 1933, it was at its peak, and in February the dollar was worth 200 cents…in foreign commodities, was worth 244 ½ cents. By that, I mean, we had to raise enough of these commodities to get a dollar.

When I made my statement in the Senate, the dollar was worth 200 cents – that was a gold dollar, then, because there had been no depreciation – it has cheapened since February. Figure the mass debts -- $250,000,000,000 at the value the people have to pay to get these dollars.

The stock-man, paying at the rate of three and a half cents a pound to get a dollar…they can't live…at those prices.

I told the Senate the people couldn't pay on that basis – these $250,000,000,000 debts weren't worth that in buying power – they were worth double that sum. Farmers could pay with $500,000,000,000 of their products. Mr. Warburg, since I made that speech I have raised the estimate fifty billions of dollars.

It is unfair to the producers of the nation – unfair to the fisherman – to the lumberman – to everyone, to expect him to pay two dollars for one. It is unfair tonight to require him to pay – at a 140-cent dollar.

In 1933, February, then, the value of those debts was five hundred billions. I was asking the Senate to provide a scheme to reduce those values. To eliminate $250,000,000,000 of value.

I am not in favor of the dollar we had in 1925 – that was a Coolidge-dollar. I thought 1926 was a good dollar. That is all I am asking for.

It was a Wall Street dollar; it was a banker's dollar – that is all I want, and if we can get back to that we will have transferred the sum of $250,000,000,000 of value. That is my answer…….

CHAIR: We have had two volunteers.

MR. ELY: In order that we may know what to expect, I would suggest each person definitely and positively limit himself to five minutes.

SPEAKER RAINEY: I feel that this discussion has been of great value – we have found out where the four, who have addressed the one convention, stand.

I listened with a great deal of interest to Senator Thomas, and tried to tell what he was talking about. I have arrived at the conclusion that the Senator thinks he knows what he was talking about, and I, at the conclusion that that I don't know what he is talking about.

I am able to agree with Mr. Vanderlip – I congratulate him upon his evolution into a progressive. As a matter of fact, the leadership of bankers and of big business has failed in this country, and we have had enough of it; but, the modified leadership, after an ex-president of the National City Bank has been properly chastened by events of the past, is acceptable to me.

I think Mr. Vanderlip and myself occupy now, exactly the same ground. Heretofore, I have been classed as a dangerous radical in the United States. I now welcome to my class the ex-president of the National City Bank. My position was this, if you remember it as I stated it, that the gold standard as we knew it a few weeks ago, had gone forever. That is what Mr. Vanderlip said. We agree on that.

We agree on the proposition that there ought to be an international standard of exchange, but we differ as to what it ought to be. I understand his position to be this: that gold shall be used in international trade, and that in some mysterious way some other kind shall be used in domestic trade. He admits he doesn't know how it can be done – I don't either – nor God Almighty either. So, we agree on that proposition.

We radicals and we conservatives are finally getting together and, we shall expect something to be accomplished. Now, may I suggest to Mr. Vanderbilt, Vanderlip – I beg your pardon – that his idea about an international medium of exchange which shall be gold, was suggested once by an economist who had imagination. Some have imagination – not may of them – and he imaged this position of the nations:--

That they all agreed that gold should be the medium of international exchange. In order to accomplish that, they all agreed they deposit their monetary gold in a fortress to be erected on a remote island, and each nation so depositing his gold should be permitted to issue four times as much paper as the gold they deposited.

And so, they took the gold to the island, and built a strong fortress and located there, and agreed that every year a representative of each of the nations shall sail out and count the gold and see if some parrot had stolen it. They came back and said it was safe – next year it was safe, and next year it was still safe. The next year they came back and found that a volcanic disturbance on the island had sunk the gold, and all, and where the island had been there were six miles of ocean. And the question was what to do about it.

Then the agreed that after all, the world wanted to know the gold was safe – that no parrot could get to it there, so they came back and reported it was all there – and so it was all there. And so, upon that basis the world continued indefinitely on its single gold standard. That is strangely the position of my friend.

The only difference between Mr. Vanderlip and I, in this discussion – and the only one - I stand for the single gold standard; it must always be the standard – I, proposed a way of making it effective. An effective way of doing it – and my friend didn't propose any way, and said he couldn't – and that is the only difference between us.

MR. WARBURG: I shall be brief – I shall begin backwards.

As to the banks of $500,000 capitalization: I said, 'If branch banking is permitted to a REASONABLE EXTENT'. The bank failures have been preponderantly failures of small banks, and my thought was that if no bank were allowed to be formed under that estimate, people would be safer. As to the 'island' --: I have just one amendment to make:

'That silver be put at the bottom of the sea instead of gold'!

There are two points to the question form the floor. I don't know where the Senator gets his $250,000,000,000. $136,000,000,000 of funded debt answers – and my figures were taken from 'The Twentieth Century Fund'. The leading sponsor for that book is Owen D. Young. The difference of over $100,000,000,000 is short-term debt. For every debtor there is a creditor. If the Senator wants to protect the stock holders from the mortgage holders I'd like to point out that they are held by insurance companies, banks, and small investors; whereas, stocks are held by the rich.

CHAIR BRINGS MEETING TO A CLOSE.