SIMMONS ON ALDRICH BILL

SPEECH MADE IN U. S. SENATE.

Senator From North Carolina Delivers Masterly Address on the Pending Financial Measure, Known as the Aldrich Bill—He Points Out Objections to Some of the Main Provisions of the Bill, and Approves the Provision Which Removes Limitation From the Retirement of National Bank Circulation—Utterly Opposed to the Railroad Bond Feature.

Following is the address of Senator F. M. Simmons, delivered in the Senate of the United States Monday, the Senate having under consideration, as committee of the whole, the Aldrich bill to amend the national banking laws.

Mr. President, in the report of the Comptroller of the Currency for 1907, on page 16, under the head of "Profit on circulation," the statement is made that approximately 97 per cent. of the bonds on deposit as security for national bank circulation on October 31, 1907, were 2 per cent. consols of 1930 and 3 per cent. Panama canal bonds; that notes secured by these two classes of bonds are subject to a semi-annual tax of one-fourth of 1 per cent., and that the average price of 2 per cent. consols in October, 1907, was about 106.

The bill under consideration authorizes national banks to issue notes upon State, municipal, and railroad bonds, but imposes rigid restrictions as to the character of these bonds, and notes secured by this class of bonds are made subject to a monthly tax of one-half of 1 per cent.

The Senator from Rhode Island [Mr. Aldrich], in his speech delivered in the Senate a few days ago, stated that there were only about $2,000,000,000 worth of railroad bonds available as a basis of bank-note circulation under this act. I have before me a pamphlet issued by the Inter-State Commerce Commission entitled, "Statistics of Railroads in the United States for the Year Ending June 30th, 1906." On page 61 of this pamphlet the statement is made that the total amount of railroad bonds of various descriptions outstanding on the 30th day of June, 1906, was $6,266,770,962, being an increase of $515,960,315 for the year 1906. Allowing the same increase for the year 1907 the present outstanding bonded indebtedness of the railroads should be about $7,000,000,000.

In other words, the standard fixed in the bill is so high that only a little over one-fourth of the railroad bonds outstanding are available to the banks as security for these notes. Railroad bonds of this select, high-class, gilt-edge character do not bear a rate of interest exceeding 4 or 4½ per cent., and command, under ordinary conditions, a good premium.

I have not been able to ascertain the total amount of State and municipal bonds at present outstanding, but it is safe to assume, that on account of the rigid requirements of this bill with reference to them, not more than two-thirds of those outstanding will be available as a basis of circulation under it. Of the entire issue of State, county, and municipal bonds outstanding in 1902, that being the last census report of this indebtedness, about two-thirds are from 3 to 4 per cent. long-term bonds. These generally sell, in normal times, at a small premium.

The Comptroller of the Currency, in the report to which I have just referred, makes a calculation of the profits on bank circulation issued upon 2 per cent. United States bonds, subject to a tax of one-half of 1 per cent. per annum, and allowing 6 per cent. for the use of the money invested in the purchase of these bonds, reaches the conclusion that there is a profit of 1 per cent. on these notes.

COST OF BANK NOTES.

In a speech made in the House of Representatives on the 4th day of February, of this year, Representative Hill, of Connecticut, who, I believe, is regarded in that body as an authority on banking and finance, employing the same method of calculation as the Comptroller, makes a calculation of the cost of bank notes based on 4 per cent. municipal and railroad bonds subject to a tax of 6 per cent. per annum and reaches the conclusion that instead of a profit, as in the case of notes issued on 2 per cent. United States bonds, there will be an actual loss of about 3 2-3 per cent.

A couple of weeks ago I addressed a communication to about twelve or fifteen leading bankers in North Carolina, inclosing a copy of this bill, and asking their opinion with regard to it. In their replies most of them lay great stress upon the cost of issue under such a law. Several of them, allowing 4 per cent. income from bonds deposited with the Treasurer and 6 per cent. interest on the money invested in their purchase, and adopting the Comptroller's method of calculation, estimate the cost of bank notes issued against this class of bonds at from 8½ to 9 per cent.

Mr. President, there is one important fact which will add greatly to the cost of bank notes issued upon railroad and municipal bonds which both Mr. Hill and the bankers to whom I have just referred did not take into consideration in their calculations. I refer to the fact that while government bonds are nontaxable, municipal and railroad bonds are taxable, not only by the State, but by the county and the city in which the bank owning them is located. I do not know what is the general average of these combined taxes, taking the country as a whole, but I am confident it is not less than 1½ per cent. In many States I know it is in excess of that amount. In North Carolina it will average at least 2 per cent., and in the larger cities of that State, where the banks are chiefly located, it will average over 2 per cent. Allowing for these local taxes, the net income of 4 per cent., or even at 4½ per cent., railroad or municipal bond is not materially, if any, greater than a 2 per cent. nontaxable government bond.

If this bill should become a law the great commercial banks of the East and North, especially those which at all times carry these select, high-class railroad and municipal bonds as a part of their permanent assets, or control them through their trust and insurance company affiliations or connections, may be able to issue notes on them without any material cost except the tax of 6 per cent. per annum and the expense incident to their issue and redemption, estimated to be from one-half to two-thirds of 1 per cent. But, Mr. President, the commercial banks of the agricultural South and, perhaps, West do not carry these bonds as part of their permanent assets, because they can not afford to do it, and they have no trust or insurance company affiliations.

NOT ATTRACTIVE TO SOUTH.

Bonds of this class may be attractive for investment in sections where the supply of money is usually in excess of the demand for money, but that is not the case in the South. While there is a greater demand in the South, as in the North, for money during the crop-moving season than during the crop planting and growing seasons, the crops of the South are expensive crops and their cultivation calls for vast sums of ready cash. Cotton is an expensive crop. Cane is an expensive crop. Tobacco is a still more expensive crop. And truck cropping is more expensive than either cane, tobacco, or cotton. This demand of the farmer in the spring and summer for planting and cultivating and in the fall and winter for harvesting and marketing his crops, together with the all-year-round demand of the merchant, the manufacturer, and the town builder strains to the utmost the limited resources of the banks of that section at all seasons of the year. The emergency is greatest in the fall and winter, but to a degree it continues throughout the year, there being practically no time when the supply of money, to any appreciable degree, exceeds the demand for money. With a steady and constant demand for practically all of their loanable funds at 6 per cent., it is obvious that these banks can not afford to invest in and carry as a part of their permanent assets high-class, low-interest-yielding securities.

Mr. President, we have in recent years issued a great many municipal bonds in the South, and our local banks sometimes buy these bonds, but almost invariably, except when they are bought by depository banks to be used as security for government deposits, they buy them for the purpose of selling them again at a profit. They do not carry them, as I said before, as a permanent investment. It is a fact, which is a matter of common knowledge, that the great bulk of these bonds, especially the select class required by this bill, are purchased and held as investments by the great trust and insurance companies and savings banks of the East and North, and to some extent of the Middle West.

There are two ways in which the commercial banks of the agricultural sections can secure these bonds for use in increasing their bank-note circulation in times of emergency. One is to borrow them, as many of them did during the recent panic, for use as security for Government deposits, and pay for their use the usual rate of 2 per cent. The other is to buy them with money taken from their vaults.

There are two reasons why increased bank circulation secured in this way will not be profitable or beneficial either to the banks in these agricultural sections or the communities in which they are located. First, because it would add from 2 to 4 per cent. to the cost of bank notes; and secondly, because while the general stock of money in the country at large would be increased, the amount in the particular section where the bank is located would not only not be increased, but, on the contrary, would be decreased precisely to the extent of the difference between the cost of these bonds and the amount of new notes allowed to be issued against them.

HIGH COST.

Mr. President, I have undertaken to show, and I think I have shown, taking the situation of the country at large and the conditions which surround the commercial banks, except possibly those in the great financial centres, where the supply of money is usually in excess of the demand, that bank notes issued against municipal and railroad bonds under the conditions imposed on this bill will cost ordinarily between 9 and 9½ per cent., and therefore could not be loaned at a reasonable profit at less than, say, 10 or 10½ per cent.

Now, if the municipal and railroad bonds required in this bill could be bought at par, if they carried full 6 per cent. interest, and if they were not subject to taxation by the State and its subdivisions, on account of the tax imposed, the cost of bank notes secured by these bonds would still be between 6 2-3 and 7 per cent., and they could not be loaned at the usual commercial rate of 6 per cent. except at a loss of from two-thirds to 1 per cent., nor be loaned at a profit of 1 per cent., as in the case of notes secured by United States bonds, for less than 7 2-3 per cent.

I have before me a letter from one of the leading bankers of North Carolina, in which, after declaring that circulation under this act will cost the banks of the South and West at least 8½ per cent., he asks the pertinent question: "If the banks have to pay these rates for this circulation, what will their borrowing customers have to pay, and what will a law-abiding banker do in a State like North Carolina, where the rate of interest is 6 per cent?" Mr. President, the laws of North Carolina not only fix the legal rate of interest at 6 per cent., but they impose heavy penalties and forfeitures if a greater rate is reserved for the use of money. The same is true of most of the Southern States, and perhaps of many other States of other sections of the country. So that the banks of North Carolina, and other States with like interest laws, could not, without violating these laws against usury and incurring the risk of the penalties and forfeitures they prescribe, lend these notes without a certain loss of at least 1 per cent. and a probable loss of from 3 to 4 per cent.

Mr. Aldrich rose.

The Vice President. Does the Senator from North Carolina yield to the Senator from Rhode Island?

Mr. Simmons. I would prefer to present my argument consecutively, and if it will suit the Senator from Rhode Island just as well, I will ask him to withhold his interruption for the present.

Mr. President, I was glad to have the views I have been expressing confirmed by the resolutions recently adopted by the committee on commercial law of the Merchants' Association of New York, which were called to my attention by editorial which appeared in The Observer, a newspaper of Charlotte, N. C., in its issue of Saturday last. The part of the resolutions to which I wish to call attention reads as follows:

Resolved, That this committee on bankruptcy and commercial law disapproves Senate bill No. 3023, entitled "A bill to amend the national banking laws," introduced by Senator Aldrich, for the following reasons: * * * Second. The high tax which this bill proposes to levy upon the issue of emergency currency, and which in the last analysis would be paid by the borrower to the banks, when increased as it would be in practice at least one-third by reserve requirements, is not only unnecessary, but oppressive, and in this and other States would provoke an immediate disregard of the statutes against usury. It is not becoming that a great nation should fill its coffers from the necessities of borrowers; and it is manifestly improper to pass one law which offers inducements to the violation of another.

Undoubtedly, Mr. President, as the resolutions of this committee of the Merchants' Association of New York which I have just read declare, in the first instance this high charge will be against the banks, but in the last analysis the borrower, who in the case I have been discussing is the farmer, will have to pay it.

Because of its pertinent bearing upon this phase of this question, with the indulgence of the Senate, I wish to read a short extract from a letter received by me on the 11th of this month from Mr. Joseph G. Brown, president of the Citizens' National Bank, of Raleigh, N. C. Mr. Brown is not only one of the leading bankers of my State, but he is an able man and a great student of finance. He is known in banking circles throughout the country, having delivered several notable speeches at meetings of the National Bankers' Association. In this letter Mr. Brown says:

BANKER BROWN'S VIEWS.

What we need to provide for is the handling of the crops at harvest time without the fearful advance in interest rates to which we have been subjected. The farmers are entitled to as low rates as are the bond dealers. At present, in the crop season the country banks call on their New York correspondents, the rate of interest is forced upward by the demand, and although the charge is against the banks, yet in the final analysis, the farmer has to pay it. A well-devised scheme would furnish needed currency at such a time at minimum cost and without delay, nor would the issue of this currency be regarded as an indication of weakness on the part of the bank. Whatever plan may be adopted ought to prevent the banks of one section being any longer placed entirely at the mercy of another, as heretofore—not only uncertain as to whether they can borrow the necessary funds, but uncertain as to whether their actual balances will be paid in cash if wanted.

Mr. President, the demand for an emergency currency is not of recent origin. The panic through which we have just passed did not create it, it merely emphasized it. This panic, though leaving widespread depression in its wake, has passed, and another will not be due in the ordinary course of events for many years to come. The present demand for an emergency currency is not to provide for conditions created by the late panic, but to supply the extraordinary demand which recurs during each autumn and winter for from two hundred to three hundred million dollars in spot cash to enable the farmers of the country to harvest and market their crops. To supply this demand of the farmer we need more money, but not a different kind of money, not a high-price money. Already we have several kinds of money in this country—gold and silver, gold certificates and silver certificates, United States notes, Treasury notes, and national-bank notes, all of it issued directly or indirectly by the government, but there is not a single dollar of this money that can not, so far as the cost of its issue and flotation is concerned, be loaned at a profit at 6 per cent. This is the money with which the banks supply the daily demands of the merchant and the manufacturer, the mines and the railroads. This is the money with which the ordinary business of the country is done and there is enough to supply this demand in ordinary times.

A HIGH-PRICED MONEY.

It is now proposed by this bill to make another kind of money—a heavily taxed, high-priced money. A money which can not be issued upon a 6 per cent. bond except at a cost of not less than from 6 2-3 to 7 per cent., which can not be issued by the average bank upon a 4 per cent. bond except at a cost of from 9 to 9½ per cent.; a money which can not be issued and loaned at a profit by the banks of the agricultural sections for less than 8 or 10 per cent. If this bill is passed, this is the money which will be supplied to the farmer to meet the expenses incident to the picking and baling of his cotton, to cutting and curing his tobacco, to gathering and housing his corn, and to harvesting and warehousing his wheat.

Mr. President, when the financial sky is overcast with clouds, when Wall Street is filled with a surging mob, when the wires are burdened with demands for increased margins, and stocks are thrown upon the market in blocks, and the call for money is leaping from 10 to 20 per cent. or more, the banks whose greed for profits, whose disregard of their duty to their depositors and to the public have made possible the speculative ventures and reckless gambles of which these unhealthy conditions of the market are but marked symptoms can afford to pay almost any price for money to stay the tempest which their departure from the principles of sound and safe banking has raised. The remedy for conditions like these does not lie in legislation, but in a return to sound and honest business methods and practices, and a situation thus created and fostered calls not so much for remedial as for punitive legislation—for legislation to remove the cause rather than to cure the disease.

The emergency to which we are addressing ourselves, or to which, in my judgment, we should address ourselves, is not an emergency caused by unhealthy business conditions, but is, as I have tried to show, a demand created by the wonderful productiveness of the American farmer, and the comparatively small profits of his occupation make high interest charges on the advances he requires to market his products burdensome and oppressive.

This bill is the response of the majority in Congress to the demand for more money to meet emergencies growing out of the great business activity during the crop-moving season. If it becomes the law in its present shape it will be a confession on the part of the government that it can not supply this demand with a bond-secured currency except at an exorbitant and usurious rate of interest. Mr. President, there is no greater handicap on the business of a people than high-priced money. It is a burden upon thrift and industry. It is a tax upon every transaction of the people where money is used as an agency of exchange. If this usurious charge is the result of individual greed, it is odious; if it is the result of economic conditions, it is deplorable; if it is the result of burdens imposed by the government on the money of the people, whether in the form of taxes or otherwise, it is indefensible. If this bill becomes law currency issued under it will be high-priced money, not because of individual greed or economic conditions, but because of burdens imposed by law upon its issue. Every cent which the farmer or business man may have to pay for this money in excess of 6 per cent. would be an exaction by way, not of interest, but of tax.

The power of taxation, Mr. President, is the greatest power conferred by the people upon the government, and it is also in its misuse the most dangerous. I have no sympathy with the modern-day fad that every abuse can be remedied, every evil cured, and every needed reform obtained by resort to the taxing power. It is a power which ought, under all circumstances, to be grudgingly used, and never used where the object in view can be obtained in any other practicable way.

ANOTHER OBJECTION.

Mr. President, the high tax imposed by this bill upon the currency it authorizes is not only objectionable because it will make high-priced money, but it is objectionable because it is not necessary to accomplish the object and purposes for which it is imposed. If this bill allowed notes secured by municipal and railroad bonds to be issued in the discretion of the banks, both as to time and amount of issue, as in the case of notes issued on United States bonds, a high tax would be necessary to prevent their issue when not needed to meet an emergency and to force their retirement when the emergency which called them forth had passed. But that is not the case here. This bill expressly confers upon the Secretary of the Treasury the power to determine when these notes may be issued. Not a dollar can be issued by any bank until it has been officially determined by the financial head of the government that they are necessary to meet an urgent business demand. This bill also expressly provides not only that the amount of these notes outstanding shall never exceed $500,000,000, but it provides that the Secretary of the Treasury shall fix the amount within this limitation that may at any given time be issued. Not one dollar can be issued in excess of the amount the Secretary officially finds to be needed. There is, therefore, no necessity for a high tax so far as the amount of issue and time of issue are concerned, and every consideration of wisdom, expediency, and justice is against an unnecessary tax on them while they are honestly at work relieving the situation and keeping down the rate of interest by making money plentiful. The only need for a high tax is to force their retirement when the emergency is over, and we know from experience that the stress is generally over in three or four months, though in cases of stringency, culminating in panic, the incident depression may continue long afterwards. Why, then, would not a small tax during the first three or four months of the life of these notes, with a tax of 6 per cent. ever thereafter until redeemed, accomplish the object in view, without saddling the business of the country while the emergency is on with an unnecessary and burdensome rate of interest?

In this country the right to make money rests with the government. It is a sovereign function. The people have divested themselves of this function and vested it in the government to be exercised for their benefit. Not a dollar of money can be issued except by the government or its authorized agents. Our people will not tolerate an unsound currency, but they demand as cheap money, as respects the interest rate as any commercial nation enjoys. They are entitled to a 6 per cent. rate for all purposes. If it is impracticable to supply the peole with low-rate emergency money through a bond-secured currency, guaranteed by the government, sooner or later recourse will have to be had to the alternative system of asset currency. I do not advocate in present conditions an asset currency, although such a currency, properly safeguarded, is not a bugbear to me. I do not regard it as undemocratic, as some do. If it is undemocratic to advocate such a system of currency, then there are a great many undemocratic Democrats in this country to-day. But I do believe that an asset emergency currency, limited in amount, covered by a reserve, the same as is required for deposits, secured by a lien, the same as given to depositors, and re-enforced by a guaranty fund raised by a tax on the issue of all the banks sufficiently large to force its withdrawal when not needed in response to the demands of business would be an infinitely better currency system than the one provided in this bill, and that in addition to giving the people a safe, cheap, and elastic currency it would bring about a degree of co-operation and supervision by and between the banks of issue which would do ten times more than government supervision now does toward the protection of depositors and the establishment and enforcement of conservative and safe banking.

POINTED OUT OBJECTIONS.

Mr. President, recognizing that the majority party in Congress has made up its mind to work out this problem of emergency money through the medium of a bond-secured currency along the lines of the bill now under discussion, and that all the minority can do, if anything, must be done by way of amendment and suggestion, I have largely confined myself in what I have said to an effort to point out the objections which occur to my mind to its main provisions. These objections may be minimized or partly overcome by amendments, but I do not believe they can be entirely removed from any possible emergency system based on a bond-secured currency. The objections which I have made to the excessive cost of circulation may be overcome in part, as I have endeavored to show, by a reduction of the tax imposed, or by substituting for a level tax of 6 per cent. for the whole time the notes are outstanding a comparatively small tax for the first three or four months and a heavy one thereafter. At the proper time I shall propose an amendment to this effect. The objections on the ground that the so-called "country banks" do not invest in the class of securities specified and would have to buy them in remote sections and that the net result would be contraction instead of expansion of local currency could, in part, be eliminated by reducing the reserve allowed to be deposited in reserve cities to the minimum required for purposes of exchange and requiring the remainder of their legal reserve to be kept in their own vaults and permitting them to use bonds of the class denominated in the bill for one-half of the latter amount. This would give these banks interest on one-half the reserve in their vaults and supply them with securities to the extent of 5 per cent. of their deposits as a basis of note issue in cases of emergency. Both of these objections might be largely, if not altogether, overcome by extending the list of securities against which these notes may be issued to high-class commercial paper, as is done in Germany and in some other progressive nations, but I do not advocate this suggestion as a part of a system such as this bill proposes, and if I did I would not discuss it now, because there is no possibility of its adoption at this time. I am utterly opposed to the use of railroad bonds as a basis of bank circulation, and while I shall not enter upon any discussion of this question now, I wish to say at the proper time if no one else does so I shall offer an amendment to strike these bonds out of the bill.

Mr. President, I am glad to be able to give my approval to one provision of this bill, which I regard as being of great importance, and which it seems to me may be of great benefit in solving this emergency currency problem. I refer to the provision which removes all limitation from the retirement of national-bank circulation. If this provision had been adopted years ago, I believe our bank currency would have played a more beneficial part in our monetary system, both as respects volume and elasticity. Our national-bank circulation has never at any time made the slightest response to the business demands of the country except under government pressure and inducement. During the last thirty years, except under the galvanizing influence of what was tantamount to government subsidy, our bank circulation has dwindled until it has become at times almost a negligible quantity in our monetary system.

In 1882 there were only $23,000,000 more of these notes outstanding than in 1866, only about two years after the inauguration of our national banking system. In 1891 there were $150,000,000 less outstanding than in 1882, and in 1900 the number of these notes were only about the same as in 1866. It is true that since 1903 over $270,000,000 have been added to our national-bank circulation, but this increase has not been a voluntary increase. It has not been in response to the business demands of the country, exigent as they have at times during this period, but in response to great governmental solicitation, pressure, and inducement. To secure this increase the government had to loan to the banks by way of deposits practically dollar for dollar. In order to induce them to increase their circulation it sold to the banks the recent issue of Panama canal bonds and 3 per cent. certificates at sums less in many instances than were offered by individuals, and in effect loaned them the money, without interest, with which to pay for them. And yet, Mr. President, during all these years there has probably been no time when these banks could not during most of the year, especially during the fall and winter months, when the demand for currency is always great and the rate of interest higher, have used these notes at a profit of at least from 1 to 2 per cent.

I may be mistaken, Mr. President, but I am strongly inclined to believe that the reason our national banks have not to a larger degree taken advantage of the privilege of issue conferred by the act of their creation and more readily responded to the needs of business has been largely due to the fact that the three and then the nine million dollars per month limitation imposed by law on the retirement of their circulation made it impossible to adequately retire these notes when they were no longer profitable or needed.

INVITES CONTRACTION.

I do not profess to know enough about pratical finance to have an opinion on this subject entirely satisfactory to myself, but I do not believe the removal of this limitation will invite undue contraction, and I have a hope which is but little removed from belief that it will impart a life and elasticity to our government bond-secured circulation which would give to the people a cheaper currency than that authorized by the bill under consideration and which, by a readier response to the emergency demands of trade and commerce, will contribute to the solution of the problem which now confronts us.

Mr. President, we have at this time an abundance of money to do the ordinary business of the country. We have a larger per capita circulation than any other commercial nation in the world except France. France has more than we have and has to have, because in that country business is done largely upon bank notes instead of upon bank credits, as in this country. We have twice as much money per capita as Great Britain, we have seven times as much as Japan, four times as much as Russia, and $10 per capita more than Germany. On the first day of February, 1908, we had a per capita of $35.61. Eliminating every one of our national-bank notes, our stock of money per capita would still be larger than any other commercial nation except France.

But, Mr. President, for this great blessing, and it is a great blessing, we owe little thanks to our statutory monetary system. The output of our mines and the international balances of trade in our favor have been our financial salvation. They have done for us everything except to supply us with an emergency currency. That can only be supplied by legislation. Trade balances are uncertain. The output of gold is uncertain. Good fortune, which in the recent years of our abounding prosperity has smiled upon us and saved us, may at any time desert us. Our recent experience should admonish us that it is the part of wisdom to put our financial house in order against a possible adverse turn of the uncertain wheel of fate. We cannot with common prudence much longer delay a general remodeling of our amazingly incongruous monetary system.

The paramount question which will confront us in remodeling our monetary system will be whether the government or the banks shall furnish the money of the people. It is folly to talk about the government not going into the banking business. The government is already in the banking business up to its armpits. Besides its collections for current expenses, it has on deposit in the Treasury over $900,000,000 in gold and more than half this amount in silver. It has outstanding $1,525,000,000 in paper notes, for which it is solely responsible, and it has nearly $250,000,000 of loanable funds. The government is already in the banking business, but it ought to do this business on sound banking principles.

Mr. President, the experience of commercial nations shows that $1 in gold will amply support $3 of paper currency. Our gold reserve of $150,000,000 is now supporting more than that amount, but we have about $750,000,000 worth of gold in the Treasury which is supporting only a like number of paper dollars. The $150,000,000 in gold is overburdened, but the seven hundred and fifty millions is carrying only about one third of the burden it is capable of carrying and should be made to carry, if necessary to supply an adequate amount of currency.

In my opinion, this vast hoard of gold, now approximating ten hundred million dollars, should be converted into a redemption fund and with notes drawn against it we should pay off the several kinds of paper currency which we have now outstanding and for which the government is solely responsible. Upon the basis of three, or even two and one-half, dollars of paper to one of gold, there would be an ample margin left for an additional issue of $500,000,000, as provided in the substitute of the Senator from Texas [Mr. Bailey], which could be loaned to the banks as emergency required in amounts and at a rate of interest within fixed limits, to be determined by the Secretary of the Treasury. In this way the Government could, through the rate of interest fixed from time to time, largely control movements tending to undue expansion or contraction of the currency. Such a system would give the country an ample supply of money to do the ordinary business of the country, covered by gold, backed by the aggregate wealth of the nation, with an elasticity which would respond to the requirements of business and afford ample protection against undue inflation or contraction.

DOINGS AT DAVIDSON.

Junior Oratorials, With Other Attractions, on in Full Swing—New Catalogue Makes Its Appearance.

Special to The Observer.

Davidson, Feb. 28.—The junior oratoricals began last night with an installment of eleven speeches, with a musical introduction and interlude by the orchestra. The young men started out well and the occasion promises to be a nice success. Basketball followed the speaking at 10 o'clock. Already a large number of visiting young ladies is here.

Formal invitations will not be sent out to the young ladies of the village or to these visitors for the faculty reception Saturday night, but the young men of the junior class in whose honor it is given have been authorized to extend their own invitations to the young lady whose company they ask the pleasure of for the evening.

Saturday's recitations are transferred to Monday.

A number of the seniors, who have received an invitation to attend a reception at Elizabeth College on the evening of March 2d, will be permitted to accept the same.

The new catalogue has just appeared. It is a publication of 86 pages. The total enrollment is 316, some thirteen or fourteen States being represented. The issue also contains a number of interesting announcements especially in regard to entrance requirements.

To-night thirty-three juniors delivered orations in Shearer Hall and music was furnished by the college quartette and orchestra. After the speaking there was a game of basketball and a wrestling match between Messrs. Crawford and McCaw, both of Columbia, S. C. To-morrow morning the last of the orations will be delivered and at 2 in the afternoon the glee club will give a concert. At night comes the reception, winding up the three days' entertainment.

Dr. Shearer left this afternoon for Columbia, S. C., on his way to Florida, where he is to deliver several addresses.

HIGH SHOALS NEWS ITEMS.

The Parochial School Flourishing—New Country Club to Be Opened in May—Hotel to Be Opened in May.

Special to The Observer.

High Shoals, Feb. 28.—The parochial school conducted by Deaconesses Eva and Mary, under the auspices of the Episcopal Church, is flourishing.

The public school of which Mr. Rhyne is principal is doing excellent work and is well attended. Miss Lineberger, who assisted Mr. Rhyne up to the present time, has gone home on a visit.

The public roads in this end of Gaston county are in bad condition.

The High Shoals Hotel, under the new management, is giving excellent service and is building up a good trade. Mrs. N. A. Henderson, who was Miss Alice Hickerson, of Ronda, is running the hotel.

The new Lincoln Lithia Country Club, which has just been organized by General Hoke, has a fine club building and more than three hundred acres of land, located about four miles from High Shoals. The club will be opened in May. Besides the club house, which was the hotel, there will be erected at once several cottages.

Champagne Instead of Opium.

Singapore Free Press.

If we take the experience of this colony, we are arriving at a stage in which the better classes of Chinese are tending to drop opium and take to the consumption of liquors.

Champagne is by no means unknown, and whiskey and soda is a commonplace of domestic consumption with well-to-do Chinese residents.

CALDWELL COURT IN SESSION.

Two Men to Be Tried For Murder of Lawrence Nelson—Much Robbery Reported in the County—Many Turn Out to Hear Mr. Craig Speak, But He Does Not Show Up.

Special to The Observer.

Lenoir, Feb. 28.—Caldwell Superior Court is in session with Judge Ferguson on the bench. The docket is so full that it will likely not be exhausted this term. The case exciting the greatest interest is that of Samuel Green and Omie Grier, against whom the grand jury found true bills. They will be tried next Monday for the murder of Lawrence Nelson, which took place a year ago last September. A venire calling for 200 men has been issued by Judge Ferguson. The officers are busy summoning these men from whom will be selected a special jury to try the case. It will be remembered that two young men, Vickers and Kendall, are now serving their sentence in the penitentiary for the murder of Nelson, but since their trial other evidence has been adduced, involving Green and Omie Grier.

Lenoir was full of people Wednesday. They had come from the four corners of the county to hear Mr. Locke Craig, who was billed to speak here. It has not been learned why Mr. Craig failed to come.

Rev. E. L. Bain, of Charlotte, is conducting a series of meeting at Davenport College this week.

The entertainment given by the expression class of Davenport to the trustees and their wives was much enjoyed. Miss Annie Bowman, of Cleveland, Tenn., is in charge of the department.

From reports theft by the wholesale has been going on in the county. A case is reported at Gamewell, one at Patterson and another at Zack's Fork, where Messrs. Lovin & Sherrill's store was robbed of $40 worth of goods. None of the thieves has been apprehended.

Hon. R. Z. Linney is here attending court. Mr. Linney, as is well known, is opposed to the Appalachian forest reserve, and he is losing no opportunity to propagate his ideas.

After a week's illness from grip, which is so prevalent in this section, The Observer's correspondent is able to be out of his room again.

Mrs. Mary E. Tuttle, widow of the late B. M. Tuttle, of Hartland, is very ill with pneumonia.—Mr. Will Martin, of this place, has accepted a place at Wilkesboro, and left Monday to begin work.—Mr. M. M. Courtney has been elected a delegate to the merchants' prosperity convention, which meets in Baltimore next week, and expects to leave Monday to attend its sessions. Addresses by President Finley, of the Southern Railway, and Governor Fowler, of New Jersey, are included in the programme, which promises many treats to those in attendance.

A GARAGE FOR SALISBURY.

Site For a Building, to Be Erected at Once, Secured—Another New Enterprise.

Special to The Observer.

Salisbury, Feb. 28.—Thompson Bros., the automobile agents, have secured a site for Salisbury's first garage and a building will be started immediately. The new enterprise will be located at the corner of Fisher and Lee streets. In this connection it is interesting to note that the first automobile in Stanly county was purchased a few days ago, when Messrs. Thompson disposed of a Ford runabout to Mr. R. L. Sibley, of Albemarle.

A new moving picture enterprise opened here last night with Mr. T. E. Becknell as manager. "Dreamland" is the euphonious title given and it is situated in the new block on Council street, quite close to the Southern depot. The opening was largely attended and decidedly encouraging. It is the intention of the management to secure some good vaudeville talent and so vary the usual show.