

# \$100,000 Government 2 Per Cent Bonds

Written By **Coln Harvey** On Seeing a Letter From a Wyoming Banker Saying There is Little or No Profit to a Bank in Securing Its Circulation of a Government Two Per Cent Bond.

In republishing the following article by W. H. Harvey in The Palladium, we are not assigning but home bankers. Our purpose is to show the people just what a consuming institution our banking system is: How impossible it is for the workers of the nation to support it and live and prosper.

Our monetary standard and banking system MUST be changed and operated for the benefit and protection of all the people alike, or civilization is doomed. Society can not long continue to support an institution that not only absorbs all the surplus creation of labor but also controls the value of all labor's productions, controls all industries, fixes all wages and dominates all government.

A great many of our bankers have already denounced this **scam**; and we believe that a large percentage of them will unite with the people in demanding amendments to a new banking system; that will result in establishing that "New Freedom" that Woodrow Wilson, outlined in his book of that title.—H. Q. A.

### A SOLILOQUY

"I have \$100,000 which I wish to invest to bring me the largest possible profit—in a way that will reduce the risk of loss to a minimum." Thus soliloquized a man living in Wyoming.

"I can purchase with my \$100,000 in government bonds, non-taxable by either Nation, State, County or otherwise. I will be exempt from all forms of taxation. I will thus escape taxes that are becoming burdensome. On any other investment of my income from it will be taxed, national tax considerably. And then, there is state, county, township, municipal, school, road bonds, and, may be, some other form of special taxation that will catch me. I see in New Mexico these different forms of taxes average 3 per cent on a fair cash valuation, which does not include income tax. I do not know what all these tax amount to here, but they are a plenty.

"If I buy government 2 per cent, 3 per cent, 4 per cent bonds or government treasury loan certificates, I will be exempt from all these forms of taxation, equivalent to from 5 to 10 per cent when all forms of taxes, including income tax, I escape are considered—and no trouble, no worry. And I will have something that I can sell for cash, at par or

for a premium, at any time which I could not do with any ordinary investment. Of the different forms of government bonds, the 2 per cent to me has a distinctive advantage, by which I can make 15 per cent or more, annually, off of them and at the same time be exempt from all forms of taxation.

"By buying them, the 2 per cent, the government will give me back the \$100,000 in fresh new money, at a 10 per cent interest rate of one-half of one per cent, per annum and the cost of printing the \$100,000, which is only \$62.50; and will confer the privilege on me, of me loaning the money 6, 8 or 10 times; at 6, 8 or 10 per cent per annum, on each loan. Here in Wyoming where I live the rate at which I can loan it will be 8 or 10 per cent, with commissions, at times, on the side. The government permits me, with the \$100,000 in new money, given me at practically no cost (\$62.50 and one-half of one per cent only, annually, thereafter) to conduct a loaning system, a National Bank. Under this system, legalized by law, I freeze on to the \$100,000 and use it to loan my credit as money, bank credit, that is called money. By holding on to the \$100,000 in money, I can loan bank credit, a checking system, for a million dollars, loaning each dollar of my \$100,000 ten times, at each time, say 8 per cent, which is 80 per cent on my \$100,000.

"By the Federal Reserve Act, Sec. 19, Paragraph A, here in Wyoming, a National Bank is required to hold in real money only 7 per cent of demand deposits and 3 per cent of time deposits counting on checks going out and coming in to counter-balance each other, except this small margin of 7 and 3 per cent that may be needed in actual money. But this small margin is relied on only in an emergency. It is safer and is so practiced by the banks to hold a reserve, in actual money, of 10 or 15 per cent, loaning bank credit; the right to check on the bank, 6 or 8 or 10 times the amount of real money the bank has.

**Loans Each Dollar Ten Times.** "There is now all told in the United States, outside the United States Treasury, about 5 billion dollars, and the banks are loaning and drawing interest on forty billion dollars. The banks haven't got in their vaults all this 5 billion dollars, as some of it is floating in the tills

and pockets of the people, but they do have as much as four billion dollars of this money, holding it as a legal asset to back their checking credit for 40 billion dollars. This is loaning \$10 for each one dollar they have. The government reports and statistics all confirm these figures."

Here, the Wyoming man paused and scratched his head. "I wonder," he said to himself, "how many of the people know this—that each dollar the government has given the bankers on these 2 per cent bonds, at practically no cost, \$62.50 for printing the money and one-half of one per cent interest annually—they are loaning it to the people at 6, 8 or 10 per cent—ten times. I wonder! I wonder! if the people know this?" Again he paused with his right hand at his mouth, brushing his mustache. "No! they don't know it; or, hell would break loose in this country."

"My \$100,000 loaned 10 times at 8 per cent is one million dollars drawing 8 per cent interest, of \$80,000 annually. But that is not all profit—that is gross—I must own a bank building or a room in which to bank. Much printed matter, checks, deposit books, etc.; also a cashier and clerks. All this costs money. But experience shows that the average bank properly managed is making a net of 15 per cent profit and additionally, annually, adding to its surplus and undivided profits which enhances the market value of the bank stock. Some I notice with par value per share \$100 is now worth \$500.

"So, my \$100,000 invested in 2 per cent government bonds can be utilized as follows: Annual net dividend.....\$15,000.00 Annual increase in market value of my \$100,000 in stock, account of Surplus and Undivided Profits, \$10,000. In twenty years that is \$200,000. I see where in twenty years some bank stock has exceeded that. But say, annually, 10 per cent increase in market value of my stock.....\$10,000.00

Total annual profit.....\$25,000.00 Annual interest paid the Government, 2% of 1 per cent.....\$500.00 Cost, printing money \$2.50 \$52.50

Net annual profit.....\$24,477.50 After the first year the \$62.50 does not count. It was for printing the money \$100,000." And now he paused and again meditated. "I want to get this thing just right."

"While I pay no tax of any kind on my \$100,000 in bonds, I do have to pay tax on the Capital Stock and Surplus of my bank. Here in Wyoming the custom is 80 per cent assessment on true valuation, say \$2,000 tax. But I have already counted that in the expense of the bank which

is deducted along with other expense before declaring the 15 per cent dividends and passing a healthy amount to Surplus. The banks, but the, say, 80 per cent gross pay the stockholders tax on Capital Stock. Yes! the tax on my Capital Stock and Surplus, is paid that way, out of the 80 per cent the borrowers pay.

"I could use my \$100,000 to organize a State Bank, where I would not want or need the government bonds—The process there is the same 10 to 1. But if I go the National route, buy the bonds, the government gives me back my money, and pays me 1-1/2 per cent net, \$1,500 annually. Some pocket money. Have got my money, \$100,000. Am out nothing on the bonds. Still own them and get a nice little present from the government office a year of \$1,500. I have got the \$100,000 in my pocket. No! I have got it in my bank vault as an asset and a privilege of loaning a bank substitute for money for a million dollars, and collecting interest on a million dollars the same as if it were real money. And I will have the Federal Reserve Bank behind me to discount the notes I have taken if I get pinched for ready cash to make good my 7 per cent and 3 per cent reserves.

"The Federal Reserve Banks belong to the banks, the government does not own a single share of their stock, the National Banks and other member banks own it all. My \$100,000 will also give me an ownership interest in them. I have got here-fore counted that. And some money makers they are—paying dividends to member banks and now building million dollar buildings with thousands of offices and stores in them to rent. I will own an interest in those buildings. The people think the Federal Reserve Banks belong to the government. The poor people! The banks and other money lenders control the press and I guess the people won't hear much about it. But I don't like the news from Minnesota.

**NOTE**—Another installment of this subject will be published next week.—Ed.

## COLVIN'S COLUMN

By Howard T. Colvin

### MISREPRESENTATION OF FEDERAL RAILROAD MANAGEMENT.

Representatives of the railroad and other privileged interests are constantly misrepresenting the facts in regard to government operation of the railroads during the World War. The latest of these is Mr. George E. Roberts, vice president of the National City Bank of New York. Mr. Roberts glibly refers to a deficit of \$1,800,000,000 resulting from government management. He neither offers any explanation or any analysis of Mr. William A. McAdoo's recent statement that at least \$600,000,000 of this reported shortage resulted from the Esch-Cummins law which appropriated out of the United States treasury that sum as a gift, pure and simple, to the railroads. Mr. McAdoo was the director general of the railroads during the first year of operation by the government and his statements are certainly entitled to greater weight than the statements of those engaged in a campaign to discredit government operation. This is particularly true when those so engaged fail to even notice the statements of the former director general, let alone attempting a reply. The inference from such silence on the part of such men as Mr. Roberts is that they know that the statements of Mr. McAdoo in this respect are true. Yet they continue to misrepresent the facts, thus misleading the American public, or at least that part of the public that puts its reliance upon what such men as Mr. Roberts may say. Mr. Roberts also fails to say anything about the fact that the government paid the railroads during the period of government operation the enormous rental of approximately \$1,000,000 a year. This rental was denounced by Senator Cummins as being little short of robbery.

The chief complaint of Mr. Roberts, however, appears to be against labor. He says that a large part of the shortage during government control resulted from the great increase in the number of employees. He overlooks the fact that the railroads were in reality actively managed during the government operation by the same men who operated them under private management. They were, of course, subject to order from the director general. But the fact remains that every effort was made by these former private railroad officials, during the time they were running the railroads for the government, to do everything in their power to discredit government operation. It is therefore not at all improbable as a great many people believe that the pay rolls of the railroads during this period of government control were unnecessarily increased in order to make a bad showing.

In spite of this effort on the part of railroad managers to discredit government operation, had it not been for government management the country could never have been as successful in fighting the great war as it was. In fact the government was working under such a handicap at the outbreak of the war by reason of the private operation having broken down that government control of the transportation lines became absolutely necessary. Now our princes of privilege, unable to operate the railroads during a great

## MINERS CHIEF WARNS WORKERS

Portland, Ore., Oct. 18.—John L. Lewis, president of the United Mine Workers of America, arrived at the A. F. of L. convention bringing a warning against reds and an assurance that "the great mass of American miners, the great mass of American workmen, are serious and good citizens."

"Give the workmen the opportunities that are their proper due as citizens and give them the right to express themselves through their unions; and there is no danger of their following false gods that are offered by the field agents of radicalism," said Mr. Lewis.

President Lewis conveyed the assurance that the reds, though trying, are failing to make inroads into the miners' organization.

"But it is necessary for all good citizens to do their part in fighting this evil," he said. "You must campaign for the truth, for the truth is the philosophy of good citizenship; by teaching American history and the English language and by giving the workmen a square deal so they can support their families and educate their children as every citizen should."

"The most fertile field for these red agents is among the large colonies of foreigners in our Eastern industrial centers," stated Lewis. "These people do not know our ideals, our standards of citizenship; they have magnified the faults that exist and they are taught to believe that the government and the various county state and national officials are enemies of liberty."

"These teachings, and there are plenty of radicals around spreading them, must be met by other teaching. The foreigners must be taught English; they must be instructed in American civil government, and must be told the great traditions of our country. They must realize that they will be given a square deal in labor matters as well as in all other affairs of life, and they must be urged to willingly become full fledged American citizens. That is the way we can successfully answer the soviet agents who are working night and day among our laboring people."

Lewis said that the field agents and propagandists of the industrial workers of the world have in the Eastern states gone over to the communists.

"These people have simply joined hands with the soviet bunch—they didn't have to go far," said the miners' leader, "and now the former I. W. W. organizer is stalking up and down the country preaching communism."

The Ku Klux Klan also came in for strong denunciation.

"In 1921, at the annual convention of our organization we passed a resolution condemning the Klan and forbidding any member of our union from joining the hooded society," Lewis explained. "There may be a few miners but of our membership of 800,000 who belong to the K. K. K., but these men are keeping very secret about it and they are not doing any stunts."

Doctor—Your wife needs a holiday at Spa.  
Husband—Indeed, I'd like you to know that I could get a brand new wife for far less than she costs me for repairs.—Höpsöh (Christiania.)

"These," said the epicure to the bright Philadelphia girl, "are snails. I suppose Philadelphia people don't eat them for fear of cannibalism."  
"Oh, no," was the answer, "it isn't that. We couldn't catch them."  
—Washington Star.

crisis, are undertaking to compare government operation during such a trying time with private operation during times of peace.

## Federal Reserve Banks Averaged 106.7 Per Cent Profit in Year 1920

"Some people, not keeping informed on the finances of the country, seem to think that Big Profits indicate a lack of safety of the invested Capital. There are a few that yet contend that an investment bearing more than 8 per cent is unsafe; if this is a fact every successful bank in the United States would be unsafe, for many banks right here in our own State show earnings of from 15 to 40 per cent and some of them probably more.

"We will concede that 8 per cent well-invested money is a good investment; but it is likewise conceded that an investment bearing three to five times as much, with the Security unchanged, is a better investment.

"Evidencing the fact that Big Profits do not necessarily mean lack of safety of the Invested Capital, we will call your attention to the Earnings of the twelve Federal Reserve Banks in the United States. These banks show an average earning during 1920 of more than 100 per cent. The following gives the location, capital and earnings of the various Federal Reserve Banks:

Location	Capital	Per Cent
New York	\$24,618,000	217.4
Chicago	18,123,000	105.6
Atlanta	3,758,000	182.
San Francisco	4,412,000	153.1
Boston	7,484,000	137.3
Minneapolis	3,285,000	131.5
Kansas City	4,298,000	129.8
St. Louis	4,223,000	124.3
Cleveland	10,070,000	119.
Philadelphia	8,275,000	118.8
Richmond	4,834,000	110.3
Dallas	3,757,000	83.3

"The total capital employed was \$44,234,600 and the average percentage of profit on this capital—after charging out every possible expense—was 106.7 per cent for the year 1920.

"There may be cited many county and city banks, trust companies, and finance companies, that are also earning enormous profits for their stockholders; we are persuaded to believe, however, that the above statistical data home the fact that the profits are not necessarily mean a lack of safety of the invested Capital."

We copy the above from a circular sent out to prospective investors by a North Carolina Finance Corporation. This gives us an idea of the tremendous tax the people have to pay for a medium of exchange, which consists of money, and credit which does the money service.

The free and unobstructed circulation of the medium of exchange is just as essential to the life of our civilization as is the circulation of blood to the life of our bodies. We complain at the heavy taxes levied by the State against our property; and we have good ground for complaint because the administration of state government is not conducted on

a strict basis of economy and efficiency, with the sole purpose of serving the people and promoting their prosperity and happiness. But while State and County government is costing the people too much (and unnecessarily) for the benefits received, it does not begin to compare with the outrageous tribute imposed on the people by our privately owned and controlled banking system.

It should be remembered that the Federal Reserve Banks are not government institutions. The government does not own a dollar of the stock. This banking system was chartered as a private corporation for fifty years. And no money or credit, the medium of exchange, can be into circulation except as this banking machine opens the gates and lets it flow. The money is created by our government and is held subject to the orders of those in charge of this system, the Federal Reserve Board.

This report shows the ungodly profits made by this banking system; but it does not show the billions of dollars of which the people were exploited by the policy of deflation inflicted on the people by this financial monster vampire, beginning in 1920. The men in control of this giant machine, ordered the member banks to curtail money and credit, and they had to obey. And the gates were closed at the source of supply. The Federal Reserve Board only permitted it to dribble into circulation when and where it best suited the hellish designs of Wall Street. And two billion dollars of money were retired, and many billions of credit, doing money service, were cut off.

And it is this financial system that is gradually bleeding civilization to death and will ultimately destroy it, unless the people destroy the system. H. Q. A.

"I'm sorry your mother can't come, Winnie. What shall we do with the extra ticket?"  
"Oh, give it to the man you go to to meet in the intervals; George; then he can come and sit with us!"  
—The Humorist (London).

Rural Magistrate—'I'll have to fine you a dollar, Jeff.  
Jeff—'I'll have to borrow it off'n ye, Judge.

Rural Magistrate—Great Snakes! It was only 15 cents a dollar that I was fining ye. Git out! Ye ain't guilty, anyway.—Regina (Canada) Leader.

The orchestra was practicing the composition very long and tedious piece when he arrived.  
"What's this?" he demanded from the doorway. "I can only hear the violins, but the wind instruments."  
"It's too hard a job for the wind instruments," replied the orchestra leader. "They can't blow and yawn at the same time!"—Der Brunner (Berlin).

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## Why Call It a KITCHEN Unit?

Some of our customers have asked us why we call it the "Daylight KITCHEN Unit," when the article in question is equally desirable for the living room, bath room, dining room, or other parts of the home in which proper lighting is needed, or for offices or stores.

The answer is this: We are conducting this kitchen unit campaign as the first phase of a general educational campaign on proper lighting. In 9 homes out of 10 the kitchen is the poorest lighted room in the house, whereas, being the workshop of the home it should be the best lighted.

As a matter of service to our customers, especially to the housewife, we are emphasizing the importance of proper lighting in the kitchen with the banishing dullness and gloom, or glare and sharp dark shadows. Many of the lighting units which we are calling the Daylight Kitchen Unit, are being used in other rooms in the home and in stores and offices. A number of our customers are purchasing several daylight Kitchen Units and having them installed where proper lighting is needed.

You can see the Daylight Kitchen Unit demonstrated at our office, or we shall be glad to have a salesman call on you.

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