

MAKES REFORMS IN CURRENCY SYSTEM

New Money Measure Is Most Important Law Relating to Finance Enacted in Many Years—Salient Features of the Code Succinctly Explained.

Washington, Dec. 23.—The new bill affecting the currency, banking and finances of the country is one of the most far-reaching measures relating to finance that have been enacted in many years.

The magnitude of the subject, the diversity of interests affected and the length of the debates in both branches of congress has to follow the changes and grasp the essentials of this highly technical measure in its important bearings on money, finance, banking and the entire range of fiscal subjects, public and private, which it affects.

Summary of the Bill.
With a view, therefore, of presenting succinctly and in non-technical language an epitome of the salient features of the measure as finally framed, the following summary is given of the bill as a whole and of its principal details:

Generally speaking, the first steps to be taken to bring into operation the nation's new financial system will be through an organization committee consisting of the secretary of the treasury, secretary of agriculture and controller of the currency.

Banks have 60 days within which to file their applications for membership in the new system, and one year's time is allowed before the government will compel the dissolution of any national bank that refuses to join.

Will "Take Up the Slack."
The new law will make little direct change in the operation of the present national banks, except to allow them to loan a certain amount of their funds upon farm mortgages.

Its chief purpose is to add a new piece of machinery to the banking system that will "take up the slack" during the changing business conditions of each year; that will give the banks a place to quickly convert their assets into cash in time of need, and that will bring out new federal currency when it is needed, and retire it when money becomes "cheap."

Banks are now required to keep a certain percentage of their deposits as "reserves," part in cash in their own vaults and part of which may be re-deposited in the banks of New York, Chicago, St. Louis and other designated cities.

In times of sudden financial demands, when banks have loaned up to the full limit of their resources, these reserves furnish little relief, because if they are paid out to meet demands the banks are left in a precarious condition.

Basic Principle of Law.
The basic principle of the new law is to get these reserve funds out into circulation when necessary without lessening the safety of any bank, and to provide a place to which local banks may rush in a crisis and get cash for the "prime commercial paper" they hold in their vaults.

This is to be accomplished through a chain of regional reserve banks, or "reservoirs of reserves," in which all banks shall deposit a stated part of the money they are required to hold as reserves.

Under the new system, when a financial flurry comes the banks can take commercial paper, such as notes, drafts and bills of exchange, to these "reservoirs," and secure the use of their own reserves, or, if necessary, even the reserve of other banks, by depositing this security.

The new regional banks will receive about one-half of the bank reserves of the country. They in turn will be permitted to loan back to the banks all but 35 per cent. of these reserves, so that in case of emergency millions of cash can be brought out into circulation quickly.

The banks will have to pay for these loans, however, as individuals have to pay for a loan from any local bank, and this charge is expected to prevent the too free use of the reserves held by the regional banks.

New Paper Currency.
A new form of paper currency is also provided for, to come out in case of emergency, and which is expected to go back into the hands of the government when times are normal. These "treasury notes" will be printed by the government and issued through each regional reserve bank, and will bear the guarantee both of the regional bank and of the government.

The following analysis presents the details of the new law without adhering closely to the technical division or language of the measure:

At the head of the system will stand a federal reserve board at Washington, appointed by the president, and to consist of the secretary of the treasury, the controller of the currency and five other members. Two of these shall be expert bankers, but none shall have banking affiliations or own bank stock during their service. This board will exercise general control over the entire system.

The temporary "organization committee," or the federal reserve board,

will select from eight to twelve cities where regional reserve banks shall be located and will divide the entire country geographically with these cities as the centers of districts. All national banks in a district will be required to subscribe for the stock of the regional reserve bank in that district and to keep a portion of their reserves there.

Known as "Member Banks."
Local banks will be known as "member banks" because they will own the stock of the regional reserve bank of their district. Each member bank will be required to take capital stock of the regional reserve bank, equal to 6 per cent. of the member bank's capital and surplus. The capital of the regional bank will increase or decrease so that it always represents 6 per cent. of the combined capital and surplus of all the banks of the district that have joined the system.

National banks are compelled to join and state banks are permitted to if they bring their reserve requirements up to the standard set for national banks and submit to national examinations.

Public Can Buy Stock.
Public ownership of the stock of the regional reserve banks is permitted only in case enough banks do not join in any district to provide a capital stock of \$4,000,000. In such event the public may purchase the stock in quantities limited to \$25,000 for each individual, but the voting of this stock will be placed in the hands of government representatives on the board of directors of the regional reserve bank.

The regional reserve banks may do business only with their member banks, not with the public, except that certain "open market operations" such as the purchase and sale of gold, government, or municipal bonds, and certain forms of bills of exchange, are permitted. These banks will make their earnings from the loans made to member banks, and from the purchase and sale of bonds and foreign bills of exchange.

Must Put Up Cash.
Member banks will be compelled to put up in cash only one-half of their subscription to the capital of the new banks, the rest can be called for if needed by the regional bank. Dividends of 6 per cent. will be paid on this stock to the member banks, and the stock will be non-taxable.

After these dividends are paid one-half of the surplus net earnings goes to create a regional surplus fund, and when this has reached 40 per cent. of the regional bank's paid in capital these earnings are to go into the United States treasury. The balances of the net earnings are to be paid to the United States as a franchise tax.

With the machinery thus created for a new banking system that is supplementary to the commercial banks of the country, the law provides for a gradual transfer of part of the bank reserves to these new "reservoir" banks.

In order not to disturb business conditions, or to withdraw too suddenly the heavy deposits of country banks in the large cities, the law provides that three years may be consumed in shifting these balances and that, if necessary, part of the reserves transferred to the regional banks may consist of commercial paper.

The amount of reserve required from every bank under the new law, and the place where it must be kept, are as follows:

Country banks—Total reserve required, 12 per cent. of demand deposits and 5 per cent. of time deposits. Five-twelfths must be held in the bank's own vaults for two years and four-twelfths after that. For the first year two-twelfths must be kept in the regional bank, increasing one-twelfth each six months thereafter until it reaches five-twelfths of the total reserve. For three years the unallotted part of the reserve may be kept in the banks of reserve cities. After that time it must be kept either in the country banks and vaults or in the regional reserve bank.

Reserve city banks—Total reserve required, 15 per cent. of demand and 5 per cent. of time deposits. Six-fifths must be kept in the bank's vaults for the first two years and five-fifths after that time. Three-fifths must be kept in the regional reserve bank for the first year, increasing one-fifteenth every six months thereafter until it reaches six-fifths. For three years the unallotted portion of the reserve may be kept in other banks, in its own vaults, or in the regional bank; after that time in one of the latter two places.

Regional Reserve Banks.
These immense funds of reserves from "member banks," together with government moneys, will make up the deposits of the regional reserve banks. Each of these banks will be adminis-

tered by a board of nine directors, six of whom will be elected by the banks, and three appointed by the federal reserve board.

The regional reserve banks may re-district—that is, buy at a discount from its member banks—"prime commercial paper" when the member banks desire to convert these assets into money.

Character of Paper.
The exact terms of this important provision as to the character of paper upon which the regional reserve banks may furnish cash are as follows:

"Upon the indorsement of any of its member banks, with a waiver of demand notice and protest by such banks, and federal (regional) reserve bank may discount notes, drafts, and bills of exchange arising out of actual commercial transactions; that is, notes, drafts, and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been used, or are to be used, for such purposes, the federal reserve board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act.

Nothing in this act contained shall be construed to prohibit such notes, drafts and bills of exchange, secured by staple agricultural products, or other goods, wares, or merchandise, from being eligible for such discount; but such definition shall not include notes, drafts, or bills covering merely investments or issued or drawn for the purpose of carrying or trading in stocks, bonds or other investment securities, except bonds and notes of the government of the United States.

The "Elastic" Element.
The new treasury notes, which are to furnish the "elastic" element in the currency system, and to add to the country's circulating money in time of need, will come into use in the following way:

The notes will be printed by the government, with a distinctive style for each regional reserve bank. One of the three directors named by the federal reserve board for each regional bank will be known as the "federal reserve agent" for that bank, and a supply of the notes will be placed in his custody.

Should a regional bank desire to pay out more money than its cash resources will permit, the law provides that it may put some of its rediscounted commercial paper into the hands of the "federal reserve agent," and received in return the new treasury notes.

For each note that it puts out into circulation, the regional reserve bank must set aside in gold 40 per cent. of the value of the note as a guarantee for its redemption. This gold, with the commercial paper held by the "federal reserve agent," is the protection behind the new money; but these notes will also be guaranteed by the government and may be redeemed in gold in the United States treasury.

Each regional bank, under the act, must keep a reserve of 35 per cent. of the deposits it has received, besides the 40 per cent. gold reserve behind the treasury notes it issues. If the gold reserve behind the notes falls below 40 per cent. a heavy tax is imposed on the bank, which in turn adds the tax to the rate it charges member banks for rediscounts. This was designed to stop an over-expansion of currency. In times of sudden stress the federal reserve board can suspend these reserve provisions, in order to furnish quick relief to any community.

Take Up Bonds.
None of the existing forms of currency except the national bank notes will be disturbed by the new law. The United States bonds, now used to secure the issue of national bank notes, are to be taken up at the rate of \$25,000,000 a year by the regional reserve banks and new treasury notes or short term three per cent. bonds will take their place. National bank currency is expected gradually to retire.

The federal reserve board will exercise final control over the entire operation of the system. It can compel one regional bank to loan to another in time of need; can suspend all restrictions surrounding the reserves which regional banks must hold, and can remove directors of regional reserve banks whenever it is believed necessary.

Banks in Control.
While the banks retain control of the boards of the regional reserve banks, their connection with the federal reserve board is only through an advisory council, made up of one representative from each federal reserve district. This council will meet in Washington to confer with the federal reserve board "on general business conditions" and to make recommendations and suggestions concerning discount rates, note issues, and reserve conditions.

An important change in national banking methods embraced in the new law will permit all national banks except those in New York, Chicago and St. Louis to make direct loans on five year farm mortgages up to 25 per cent. of their capital and surplus, or up to one-third of their time deposits.

Valuable Hint From Germany.
Many industrial firms in Germany provide their workmen square pieces of cloth for cleaning purposes instead of the cotton waste that is usual here. The scheme has the advantage of economy.

She Had Hers.
"I see, Mary, that in our city there is one policeman for every 521 inhabitants," said the lady of the house. "Don't know, and don't care," was the maid's reply. "I've got mine already."

Making Tomorrow's World

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NEW EDUCATION IN GREAT BRITAIN

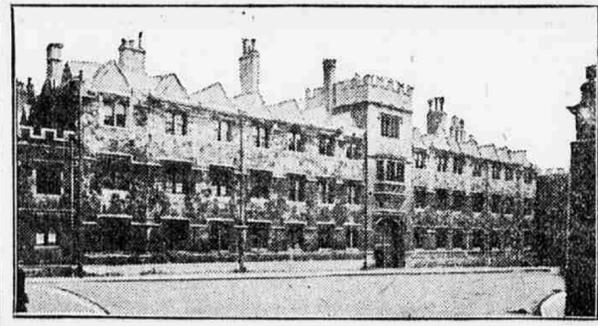


Oxford, England.—"Man is born free," wrote Rousseau, in the often quoted opening sentence of his Social Contract—"Man is born free, and everywhere he is in chains." The world-traveler is tempted to reverse the famous saying and to write: Man is born in chains and the world struggle is unto freedom. Education—in its new and best form—equips the individual for the attainment of freedom and for its use and enjoyment unto individual good and social service.

Public education yesterday in Great Britain was a rather vague and incoherent system, dominated by Oxford and Cambridge, which were, and could only be, for the few, and was pursued in archaic ways adapted to a world that has ceased to be. Public education planned in Great Britain today for working out in fuller detail tomorrow is for the life that now is for all as well as that which in this world is to come, perhaps, for a few. It is to unchain all Britons that they may find fullest freedom, largest use of individual gifts and no doors of opportunity barred. Hence the newer universities, Birmingham, under Sir Oliver Lodge, and Cork, under Sir Bertram Windle, and Manchester and London and Leeds, take the bread studies into account; hence the growth of technical schools; hence the new education scheme, which is to enable any British child to proceed from nation-wide elementary schools to a modern university. A national system of education, on lines of present-day usefulness, is proposed.

All Schools in One Scheme.
The new education scheme outlined by the minister of education, Mr. J. A. Pease, is as yet only a scheme on paper, but from it will be drawn the chief changes in the school system of the United Kingdom. Under it the individual for the attainment of freedom and for its use and enjoyment unto individual good and social service. Public education yesterday in Great Britain was a rather vague and incoherent system, dominated by Oxford and Cambridge, which were, and could only be, for the few, and was pursued in archaic ways adapted to a world that has ceased to be. Public education planned in Great Britain today for working out in fuller detail tomorrow is for the life that now is for all as well as that which in this world is to come, perhaps, for a few. It is to unchain all Britons that they may find fullest freedom, largest use of individual gifts and no doors of opportunity barred. Hence the newer universities, Birmingham, under Sir Oliver Lodge, and Cork, under Sir Bertram Windle, and Manchester and London and Leeds, take the bread studies into account; hence the growth of technical schools; hence the new education scheme, which is to enable any British child to proceed from nation-wide elementary schools to a modern university. A national system of education, on lines of present-day usefulness, is proposed.

Teaching Steel Making at Sheffield. At Sheffield is an example of the newer city university, a teaching uni-



One of the Oxford Colleges.

versities, the technical schools, the secondary schools and the elementary schools are to be co-ordinated into one great scheme. "No one can deny," said Mr. Pease, "that in the last ten years a great advance has been made in the educational system of the country. However, our national system of education is still not national, and not a system." Intermediate education is to be placed within the reach of all who desire it—a complete and progressive system of education, providing instruction of an advanced character. Salaries of teachers are to be increased. Baths, playing fields, nurseries, gymnasia, medical inspection, nursing, housecraft, cookery and other domestic subjects are to be encouraged, developed and supported with extra money from the national treasury. The compulsory school age, now fourteen, is to be raised. Supervision is to be extended over all the schools in Great Britain. Upon this rock former educational bills found wreck.

"The state should look to the well-being of the children from a very early age," said Mr. Pease, "even before they are born. The education of the young child is primarily physical and not primarily intellectual." In this regard, Great Britain has gone perhaps further than any other European country in providing medical inspection, nursing and meals for underfed children.

"We want to build," continued Mr. Pease, "a road from the elementary schools to the universities broad enough to be traveled by thousands. The state will have a profit in the capacities of thousands which otherwise would be wasted and unrevealed."

Poor Secondary Schools.
The existing secondary school facilities were sharply criticized by Mr. Pease, who suggested that the "Academy," familiar to Americans from its description in a recent novel, was "an outstanding fact in our educational system, and a most discreditable one. Whether there were 10,000 or 15,000 secondary schools in Great Britain, he could not say, and he, as minister of education, had no right, as yet, even to

body should be taught a trade. The time when this is accomplished, however, does not appear to be near at hand.

Great Decrease in Illiteracy.
Much improvement as the result of the more general education that has been provided is noticeable in Great Britain. The decrease of illiteracy shows what broadening the school system and establishing compulsory school attendance have brought about. Forty years ago, of every 1,000 men, married in England and Wales 225 signed the marriage register with their mark, because they could not write their names; last year only 17. The proportion of women who signed with a mark decreased during the same period from 312 to 20. In Ireland the proportion of men thus shown to be illiterate decreased from 404 to 80 and of the women from 517 to 76; in Scotland, men from 114 to 16 and of women from 222 to 15.

Scottish Laborers Keen for Education.
Scotland, which furnishes wisdom to London, as Ireland furnishes it wit, has ever led in the general dissemination of education among its people. "Even the agricultural laborers in the Scotch constituency whom I represented," said a distinguished member of parliament, "were keen for education. They were men whose wages in rent and money and what they got otherwise amounted to not more than \$5.50 a week. They were great, burly, strong fellows, well educated, and with wives as keen as they were; the cottages were without a speck of dirt and with an abundance of books. They read and they thought. There was the breaking down of this class barrier through education, and father and son feeling they had much the same chance. It was a matter of accident or choice whether one went to a farm or to a learned profession; the learned one was one who could manage a farm if the pinch came and the farmer could adorn the learned profession; both were keen democrats, but in nothing so democratic as this, they meant to have proper education for their children." The democracy extended to student life also. It may be assumed, from the story told of Doctor Wordsworth, the author of the Greek grammar and the originator of that interesting and diverting educational spectacle, the Oxford-Cambridge cricket match. Coming from England to Scotland to take the headship of a college in Gienalmond, he was "struck by the absence of awe" in Scottish boys; or "even of ordinary respect" for the schoolmasters. One Scotch lad came up to him after a lesson and said: "Can you tell me where I can get some good worms? I am going out fishing."

Public Schools Gaining, Private Losing.
A notable sign of educational change is the increase in the attendance upon the council or state (public) schools in Great Britain as compared with the attendance upon the voluntary or private schools. Five years ago 2,813,757 children were in attendance upon the council schools; this year, 3,212,899, an increase of 409,142. The attendance upon the voluntary schools had decreased 347,343 during the same period, falling off from 2,479,824 to 2,132,481.

Four principles are involved in the state's support of the council schools, as outlined in the elementary school program of the Liberal party: Full and complete popular control and no religious test for teachers; every parent to have opportunity to send his child to a council school—either the school is to be taken to the child or the child to the school; where denominational teaching is permitted none of the cost is to be paid by taxation; a recognition of the value of Bible teaching. Around these principles much contention rages in the political world.

Universal Education the Aim.
The new education in Great Britain is slowly moving to the provision of the equality of training, which is the only basis of a true democracy—which forbids the conception of the "elementary" school for the mass, the "secondary" school for the "selected" classes, and the universities for the few destined by inheritance or environment to be the "leaders" of the people. The new education is universal education of all for the service of all.

If the prophets of the new education speak the truth, it will make a Greater Britain instead of a Little England. Educational progress is slow, however, in this land. New educational ideas find acceptance only when they become old. But no finer material for educational experiment exists. In tomorrow's world it may be a Briton from the council schools of today, who yesterday would have been denied opportunity of living his life, who shall call the nations to yet higher things. Newbolt's tribute to the handful of school graduates of yesterday in England may be true—will be true—of the scores of school graduates of tomorrow: The sand of the desert is sodden red. Red with the wreck of a square that broke—

The Gatling's jammed and the colonel dead,
And the regiment blind with dust and smoke.
The river of death has brimmed his bank,
And England's far and Honor a name,
But the voice of a schoolboy rallies the ranks:
"Flap up! play up! and play the game!"
(Copyright, 1913, by Joseph E. Bowles.)

Fresh Air Pumps.
Electrically driven portable air pumps are provided by a big New York electric company to provide fresh air to its employes when working underground.

Another Evil.
Willis—"I see a fellow in New York took out \$250,000 insurance on \$200 worth of goods." Gillis—"That's nothing. I know a lot of fellows who carry \$25,000 life insurance on a 30-cent life."—Puck.

No Favorites.
Definition of a boarding house strawberry shortcake: A circular solid, every point in which perimeter is equidistant from the strawberry.—Everybody's Magazine.