

That Inverted Pyramid of Debt

A DISTINGUISHED local financier being asked yesterday his opinion of the new currency law, replied that he had always believed in a central bank; that if this present measure could be steadied along and amendments made as experience dictated the need of them, his belief was that it would eventuate in a system that would receive the approval of the nation.

When it was suggested that it would at least knock the club from the hands of the gold combine in the east that had held that club over business for so many years, he answered "That combine had to hold that club for there was but \$4,000,000,000 of money with which to stand off the \$13,000,000,000 of monied indebtedness of the country."

That is a most interesting statement and causes one to wonder what would have happened, had not the mines of Cripple Creek, of the Rand and Rhodesia and West Australia, and the discovery and practical application of the cyanide process for cheaply reducing low grade gold ores been discovered, since the demoralization of silver?

Perhaps there would have been less speculation, and still the coming of the automobile would have given the new demand Gutta Percha; the transformation brought by the new uses of electricity would have naturally boomed copper; the nations and the great cities would have made the call for steel for ships and houses and railroads and rolling stock.

One of two things would have happened; there would have been a general slowing down of progress, or a universal smashing of business.

Contemplating it one easily sees the lack of wisdom and the surplus of avarice and wickedness that prompted a few men in London and New York to destroy one-half the metal money of the world.

Those two cities, or rather a few men in those cities started the cry, they poured out their money like water to swell the cry; there was not one month between 1873, when our congress, under a misapprehension of the facts, passed the act of demoralization up to 1893, when they backed Mr. Cleveland to carry through a final consummation of the infamy, that they could not have stopped the hideous crime. And how are things now? Is their standard a fair measure of values, or anything like a sufficient medium of exchange? How has their work left our business with two-thirds of the inhabitants of the earth?

And do they not make a grotesque spectacle as they lean their backs against the awful inverted pyramid of debt, which rests upon a point of gold, and try to keep the whole from crumbling like a rotten iceberg around them?

The Mining Development League

THAT was a great banquet that the Mining Development League gave on Saturday night. It came as an augury of better times in the Utah mining world. At least that part which goes to the development of new mines.

Mining booms are not continuous, but the greatest mines were once only prospects, and the one thing most needed in the mining world of Utah is to change some prospects into mines. It is expected that the new currency law will increase the money in circulation. Some of it should flow this way. It will go into mining if a sufficient showing can be made. The league proposes to help make the showing, and in the effort they should have the support and full sympathy of all the people.

As Seen Abroad

MR. MORETON FREWEN gives his idea of the effects to follow the new currency law of the United States to the London Morning Post as follows:

Sir,—The new Currency Act at Washington appears to be of unparalleled importance. When the hinterland of the world's finance has awakened to the use of the new machinery we shall find money cheap and abundant for many a day. It is incredible that such an act should have reached the statute book with hardly a word of notification in our press.

Take a bank such as the City Bank of New York. This bank is now affiliated with one of the new Federal Reserve Banks. The City Bank has probably a hundred million dollars of deposits, against which the national bank act required that twenty-five millions of cash should be retained on the premises. The new law reduces this 25 per cent to 18 per cent, so that seven millions of cash will be liberated, permitting a further thirty-eight millions of loans and discounts. But what happens to the eighteen millions? As I read the act only six-eighths of this has to be kept in the bank reserve, five-eighths are to be deposited in the affiliated Federal Reserve Bank to be the foundation for federal reserve note issues, the monetary reserve for these being 33 per cent.

It will take time, probably six months, before the rather complicated mechanism of the new act, with its central and eight local boards of directors, is running under a fair head of steam; but apparently the act permits an expansion of the note issue, amounting to no less than eighteen hundred million dollars, a sum perhaps three times greater than the entire currency of these British Isles. The director of the United States mint, in a very important census of the leading banks of Europe and America in the last annual report, presented the following figures:

Census of the Gold Reserves of the Leading Banks of Europe and America.

	Dec. 31, 1899.	Dec. 31, 1910.
	£	£
Bank stocks of gold in		
sterling	500,000,000	850,000,000
Increase	—	350,000,000
Notes in circulation..	640,000,000	1,404,000,000
Increase	—	400,000,000
Loans and discounts..	2,000,000,000	4,000,000,000
Increase	—	2,000,000,000

The growth of the loan and discounts, the poor showing of the gold reserves when contrasted with those figures are the alarming feature of the time, pointing as they do to serious trouble the next time that credit and credit instruments show a serious contraction. But the coming increase in notes issued and in loans and discounts, while, of course, deferring that period of contraction, is certain to make the above table appear as a monument of conservative banking.

The immediate effect of the new low tariff act will be a great expansion of the import trades of the United States, especially imports from Canada, wheat, meat, lumber, etc. And, again, the rapid expansion of the American currency is likely to cause a phenomenal rise of United States prices, which higher prices will also attract greatly increased imports and be followed by heavy exports of gold. Canada, suffering grievously the past year from stringent and, in the west, almost prohibitive bank rates, will find her financial situation growing weekly easier. The Draconic severity of Canada's Bank act, too, is likely to make Canada a very favored market for America investors alarmed by the new tariff and currency act.

I will not trespass further on your columns at this time; it is enough to say that at a moment of great and growing anxiety Washington has thrown herself into the breach in a way which really inaugurates a new era. It is Washington's reply to that alarming drain of gold to India which has been set in motion by the recent remarkable experiments of the Simla government. I do not propose to criticize the new act; the tree will be known presently by its fruits. Enough to say that as a result promoters in the city of London are likely a very little later to find a spring tide under their keels. The act passed in Christmas week on the Potomac was indeed a Santa Claus visit to many millions of uneasy sleepers.—Yours, etc.,

MORETON FREWEN.

Brede Place, Jan. 10.

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