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Article Summary: William J Bryan believed in a currency system that would keep pace with the growth of population and trade and a banking system that would meet the needs of the South and West as well as of the East, government money, government control of banking, and the guaranty of bank deposits.

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Photographs / Images: Group with Wilson and Bryan on the steps at Bryan Home, Fairview, in 1912; President Wilson and Cabinet in 1913

WILLIAM JENNINGS BRYAN AND CURRENCY AND BANKING REFORM

BY PAOLO E. COLETTA

MENTION the name of William Jennings Bryan today, and the reaction is usually an explosive if not derisive "free silverite!" While Bryan's forte from 1890 to 1906 was free silver, it was but part of a larger and prophetic program of currency and banking reform. Once divested of his obsession with free silver, he served his party and his country effectively and well on these issues.

Born in 1860, Bryan was in his teens when the depression beginning in 1873 depleted the income from his father's farm and taught him an early lesson in agricultural economics. During his rigidly frugal college and law school days, from 1877 to 1883, he debated the farmers' primary complaints—the protective tariff, gouging railroads and middlemen, high mortgage, tax, and interest rates but low prices for agricultural products, an inflexible banking system and deflationary currency policy—and opposed the industrial and financial monopoly by which the East held the West and South in colonial subjection and enjoyed a

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greatly disproportionate share of the national income. By moving from Illinois to Nebraska when he did, in 1887, he witnessed the disappearance of the frontier and the concomitant aggravation of the farmers' complaints which led to a revival of the siren Greenback song he had heard in Illinois, heightened Western and Southern hatred for the national banking system, and gave new life to demands for free silver.¹

Demand for relief of a major mining industry, added to that of farmers for inflation of a currency long deflated, resulted in the Sherman Silver Purchase Act of 1890, by which the federal government took roughly the entire output of domestic silver.² In spite of this concession to silver supporters, in his first congressional platform, of July 1890, Bryan asked for "the free coinage of silver on equal terms with gold" and denounced "the efforts of Wall Street as against the rights of the people." That his demand resulted from an emotional rather than intellectual conviction is clear. He had not yet determined just how "free" silver should be; he favored free silver because his district did—he would look the arguments up later!³

This he did, while congressman-elect, and concluded that the United States, independently of all other nations, could maintain a bimetallic standard. Gold monometal-

¹ See the writer's "The Youth of William Jennings Bryan—Beginnings of a Christian Statesman," *Nebraska History*, 31 (March 1950), 1-24, and "William Jennings Bryan's First Nebraska Years," *ibid.*, 33 (June 1952), 71-95. Held most responsible for the scarcity of currency and credit were the national banking acts of 1863 and 1864, the tax on state bank note issues of 1866, and the Resumption Act of 1875, effective 1879.

² The amount of silver injected into the circulation between 1878 and 1890, under the Bland-Allison Act, was not excessive when compared with the growth of population, trade, and business. Frank A. Taussig, *The Silver Situation* (New York, 1896 ed. pp. 10, 50. A comparison of the capital invested and men employed in silver mining, iron, oil, and other enterprises is contained in Philip F. Buckner, "Silver Mining Interests in Silver Politics, 1876-1896, with Special Reference to the Organized Agitation and the Independent Silver Party Movement" (M. A. thesis, Columbia University, 1953), pp. 42-43.

³ See the writer's "The Morning Star of the Reformation: William Jennings Bryan's First Congressional Campaign," *Nebraska History*, 38 (June 1956), 103-119.



Group with Wilson and Bryan on the steps at Bryan Home, Fairview, in 1912



President Wilson and Cabinet in 1913 with Wilson at left
and William Jennings Bryan at right

lism made the American currency depend upon accidents of discovery, forced the United States to compete at great cost with other nations for the limited world supply of gold, and could not provide enough currency to keep pace with the growth of population and trade, he argued. Therefore silver as well as gold must be used, and he added that the ratio between the metals should be that most just to both debtor and creditor—16 to 1—as it was when silver was demonetized “surreptitiously” in 1873.

A firm believer in the quantitative theory of money, Bryan thought that more money meant better times and refused to take the velocity of circulation or credit instruments into account. He translated the dull terms of monetary science into those of the evocative rhetorician and of the moralist seeking justice: silver was “right” and gold “wrong,” the white metal a symbol of hope, the yellow a badge of oppression and bondage. He would make the Democracy reverse the deflationary trend, saying as he left Nebraska for Washington late in 1891 that “if the Democratic party allows itself to be frightened away from the support of free coinage, I have little hope of our immediate success.”⁴

During his two terms in Congress, 1891-1895, Bryan supported Cleveland on tariff reform but opposed him on currency reform.⁵ Calling state banking systems “wildcat banking,” he opposed administration bills to repeal the ten per cent tax on the circulation of state bank notes. Citing the Constitutional provision that “No State shall . . . coin money, emit bills of credit . . . (and) make any thing but gold and silver a tender of payments on debts,” he charged that the federal government had surrendered its sovereign power over the coinage into the hands of private corporations, i.e., the national banks, and asked for the restoration of “honest money, the gold and silver of the Constitution,”

⁴ Bryan to A. B. Farquar, October 3, 1891, William Jennings Bryan Papers, Division of Manuscripts, Library of Congress.

⁵ Because he had opposed the renomination and election of Cleveland and also his currency policies, Bryan was re-elected to Congress in 1892 by the narrow margin of 140 votes. See the writer's “William Jennings Bryan's Second Congressional Campaign,” *Nebraska History*, 40 (December 1958), 275-291.

and for the issue of paper money by the federal government alone. He also wanted the greenbacks still in circulation to be retained and their number increased, rather than to have them retired, as Cleveland wished.

The gulf between Bryan and Cleveland widened during 1893, year of panic and depression. Bryan charged Cleveland with doing nothing to aid the banks or to remedy the evils of an inflexible currency system. Indeed, his Wall Street friends advised the issue of gold bonds while his Secretary of the Treasury reduced the amount of currency in circulation by refusing to purchase silver as required by law. Cleveland's worst "sin," however, was his demand for the repeal of the Sherman Silver Purchase Act, for his success would saddle the gold standard, with its attendant miseries, upon the nation, and Bryan warned that "There is a hardy race of people between the Rockies and the Alleghanies who will legislate for themselves and declare the financial independence of the country." There would never be an "honest dollar," he said, one which would buy the same amount of goods today, tomorrow, and the day after tomorrow, but he meant to obtain the most honest dollar there was, and in this "battle between plutocracy and democracy" he felt sure that democracy would win.⁶

Praying that he might be "an instrument in the hands of Providence for doing some good for my country," Bryan opposed the repeal of the Sherman Act with a logical yet emotional speech to which he appended a summons to the United States to declare its financial independence of Great Britain. He believed Cleveland honest, courageous—and misguided. Repeal could no more restore prosperity than famine cure hunger, and he promised "eternal war." "Choose this day whom ye shall serve, gold or silver," he demanded of his congressional colleagues as he reached the parting of the ways.⁷

⁶ *Congressional Record*, 52d Congress, 2d Session, 24: 1378-82; *Omaha World-Herald*, February 10, 11, 14, July 23, 27, 30, 1893.

⁷ Bryan to Mrs. Bryan, August 16, 1893, Bryan Papers; *Cong. Rec.* 53 Cong. 1 Sess., 25: 400-411, 1669-1770, 2572-75, 2617, 3058-63; *Nebraska State Journal* (Lincoln), November 6, 1893.

Bryan's immediate solution for the lack of currency lay in the coining of the seigniorage⁸ and in giving the Treasury rather than the bondholder the option of redeeming bonds in gold or silver. His option bill never emerged from committee, but a seigniorage bill passed the Congress. Bryan called personally upon Cleveland to ask him to sign it. Unalterably opposed and unflinchingly resolved, Cleveland said that he would "drive" those opposed to it to favor "sound money," told him that the bond issue would make the coining of the seigniorage unnecessary, and vetoed the "ill advised and dangerous" measure. On April 14, 1894, by only thirteen votes, the House failed to pass the bill over his veto.⁹

Bryan predicted that the West and South would eventually triumph over Cleveland and spurred Congress to refuse all his requests for financial legislation. When Cleveland renewed his demand for the repeal of the state bank tax, Bryan delivered an impassioned speech in which he blamed the "crime of demonetization" for the deflation of agricultural prices following 1873 and asserted that the federal government alone should issue paper money. He would make all government money legal tender and prohibit, as the New Deal did, the writing of contracts calling for payment in any particular kind of money. Furthermore, he would retire national bank notes in favor of government money. Calling the national banks trusts of the worst sort because they constituted a money trust, he suggested a plan similar to the later Federal Reserve System, in which bank reserves and government funds would be

⁸ The seigniorage is the profit obtained by the government when the purchase price of a metal is less than the value stamped on the coin.

⁹ *Cong. Rec.*, 53 Cong., 2 Sess., 26: 2482-84, 2510-24; *Omaha World-Herald*, February 24, 26, March 2, 20, 1894; *Omaha Bee*, March 6, 1894; Cleveland to Don M. Dickinson, March 18, 1894, Grover Cleveland Papers, Division of Manuscripts, Library of Congress; William Jennings Bryan, *The First Battle* (Chicago, 1896), p. 128. Cleveland's reasons for issuing bonds are stated in his *Presidential Problems* (New York, 1904), pp. 121-141. The tribulations of his Secretary of the Treasury are readily followed in James A. Barnes, *John G. Carlisle, Financial Statesman* (New York, 1931).

kept in leading state banks rather than in Eastern banks alone. The banking system would thus serve the entire nation, not just the East; the resulting increase in the amount of money in circulation would help spark business out of depression and, by bringing into balance those agricultural prices which had declined since 1873, prove to be an instrument of justice.¹⁰

After his retirement from Congress in 1895, Bryan spent eighteen months on a silver crusade in which he cultivated particularly the good will of those who would be delegates to the Democratic national convention. With silver men outnumbering gold men by almost two to one in Chicago, he asserted that the Democratic voter had spoken, that silver Democrats alone should define their party's policies and select its candidates.¹¹ It should be stressed that the money plank he wrote for the national platform, in addition to demanding free silver at 16 to 1, also called for reserving the option of redemption of notes in gold or silver to the government, opposed the issue of interest-bearing bonds in time of peace, and declared that paper money should be issued by the government alone and that it should be redeemable in coin (gold or silver).

Silver shared the land and transportation issues with the Populists, but it was undoubtedly the paramount issue with the Democratic and National Silver parties, and Bryan thought it logical to make the money question the paramount one of his campaign. William McKinley's reluctant acceptance of it—he would have preferred to campaign on the tariff—made the money issue the paramount one in a national campaign for the first time in American history.

In his steeple-chase canvass Bryan "succeeded in scaring the Goldbugs out of their five wits," as John Hay put it,¹² but Mark Hanna saw his error, saying, "He's talking

¹⁰ *Cong. Rec.*, 53 Cong., 2 Sess., 26: 5805-15; *Omaha World-Herald*, March 25, April 11, June 7, 1894.

¹¹ See the writer's "Bryan, Cleveland, and the Disrupted Democracy, 1890-1896," *Nebraska History*, 41 (March 1960), 1-27.

¹² Hay to Henry Adams, September 8, 1896, William Roscoe Thayer, *The Life and Letters of John Hay* (2 vols., Boston, 1908), II, 151.

silver all the time, and that's where we've got him."¹³

While Bryan's campaign remains of great interest, he concentrated too heavily upon the silver issue, to the neglect of other vitally needed reforms, and he was too naive to realize the power Hanna's money would wield in the contest. He was also mistaken on some aspects of the money question. No intention of deceit, as he charged, marked the passage of the act demonetizing silver. Nor is there evidence, as he averred, that an international gold conspiracy existed. Statistics disprove his contention that the supply of silver was less than that of gold between 1870 and 1896; and he was unwilling to acknowledge that new processes for the extraction and reduction of ores had reduced the costs of producing silver as well as of gold. He overemphasized the quantitative theory of money and evidently disbelieved Gresham's law. The rise in the price of wheat during the fall of 1896, while the price of silver continued to fall, burst his conclusion that the price of silver and of agricultural commodities rose and fell together, and just the hint of new injections of gold into circulation from strikes in Alaska and Africa hurt him badly.

Nevertheless, Bryan was intuitively right on the currency issue. In the long run, the price level must be raised to the debt level or the debt level must be lowered to the price level, and he is supported in his conclusion that the remonetization of silver would have brought the price level somewhere close to the debt level by the upward movement of prices that occurred under the inflationary stimulus of gold that began in 1897 and gave the country ten years of prosperity.

As president, William McKinley was lucky, for the strikes in Alaska and Africa poured sufficient gold into trade channels to raise the price level, poor harvests abroad increased the demand for American crops, the Spanish-American War stimulated consumption and production, and increased immigration and the newly acquired depen-

¹³ Thomas Beer, *Mauve Decade* (New York, 1929), p. 514.

dencies enlarged the American market. Bryan, meanwhile, refused to admit that his issues of 1896 were wrong, ruled his party with an iron hand, and then proved that he was Bryan of America rather than Bryan of Nebraska by donning a colonel's uniform during the war.

Some believed that after the war Bryan sought a new issue to replace silver. Bryan "snatched political resurrection," said Mark Sullivan, when he picked on "imperialism."¹⁴ This conclusion is incorrect, for Bryan had issues enough; what he wanted to do was to cement the division within his party over imperialism, rapidly settle the question forever, and be free to campaign in 1900 on the issues left unsettled in 1896, especially the money and trust questions.¹⁵ The passage of the Gold Standard Act in March 1900 in no wise changed his objectives, and it was not until the Kansas City convention that he acquiesced in making imperialism "paramount" and silver subsidiary. That he would have refused to run at all had 16 to 1 not been re-stated explicitly in the platform sufficiently attests to his devotion to his first love.

Beaten worse in 1900 than in 1896, Bryan controlled only the progressive minority of the Democratic party. With a blush of prosperity countering his predictions of the evil effects of the gold standard, and with a strong conservative trend infecting the majority of his party, he passed the peak of his personal political power. Yet his faith in the eventual success of the reforms he sponsored remained undimmed. "When prosperity fails, the gold standard will lose its charm," he predicted correctly,¹⁶ and he continued to lead his followers in the perennial struggle between democracy and plutocracy. He asserted that rising prices and increased prosperity attributable to the augmented production of gold merely proved the correctness of the quantitative theory of money, but, convinced that

¹⁴ Mark Sullivan, *Our Times: The United States, 1900-1925* (6 vols., New York, 1926-1935), I, 304.

¹⁵ Paolo E. Coleta, "Bryan, McKinley, and the Treaty of Paris," *Pacific Historical Review*, 26 (May 1957), 131-146.

¹⁶ William Jennings Bryan, "The Election of 1900," *North American Review*, 171 (December 1900), 801.

gold had come to stay, he shifted his tactics from arguing over the merits of the metals to those over bank or government money. By 1902 he was waging incessant war over asset currency,¹⁷ as envisaged by the Fowler, Aldrich, and other plans, and declared that the contest between bank paper and government paper was as irreconcilable as that between gold monometallism and bimetallism.¹⁸

A Western rather than a national influence at the St. Louis convention of 1904, Bryan skillfully exerted his veto in sustaining the Democracy's progressive wing. By sheer personal power he forced the conservatives in charge of the platform to rewrite each plank until it pleased him and to delete altogether a gold plank introduced by David B. Hill. When the presidential nominee, Judge Alton B. Parker, telegraphed the convention that he stood for the gold standard, Bryan arose from a sick bed, addressed the convention, killed Parker's chances of election, and increased his own political strength to the point where he could reach for a third nomination in 1908. Freed of defending the Chicago platform of 1896 by the selection of Parker, he dropped silver as an issue and turned to organize the "radical and progressive" element in his party. Just as he did so, a metamorphosed Roosevelt revealing a semblance of progressivism presented him with a new challenge.

Bryan was rapidly disillusioned with President Roosevelt, for he found that his progressivism did not extend to tariff reform, to limiting the power of the courts in injunction proceedings, or to real trust and railroad regulation. Moreover, he did nothing about currency and banking reform, nothing to curb individual fortunes or secure a more equitable distribution of the national wealth. The money panic of 1907 opened his eyes to Roosevelt's willingness to support Wall Street rather than Main Street, and he concluded that the President lacked the courage to travel the reform road to the extent of jeopardizing either his party's

¹⁷ Currency backed by a bank's resources, largely in the form of commercial paper.

¹⁸ *The Commoner* (Lincoln, Nebr., 1901-1921), June 19, 1903.

or his personal success. Yet Roosevelt's voluble pronouncements publicized progressivism, and he took so many of Bryan's planks that Bryan had little left to stand upon in the election of 1908.

Bryan easily won a third nomination in 1908, and while he enjoyed the support of organized labor, he faced a divided party. Currency reform itself played a minor part in his campaign, albeit he spoke often about the guaranty of bank deposits. Still magnetic—he polled 1,323,000 more votes than Parker did in 1904—he suffered because the times were generally prosperous, Taft made an effective campaign, Roosevelt sneered at his progressivism, and he had a plethora of planks but lacked a "paramount" issue. Although his question, "Shall the People Rule?" went unanswered, he "remained unquestionably the authentic voice of the party speaking for governmental regulation of industry and finance in order to protect agriculture and common labor,"¹⁹ and during the next few years he spoke optimistically about the development of an intellectual climate that portended the attainment of what Herbert Croly called "The Promise of American Life" and Woodrow Wilson "The New Freedom."

In 1911 and 1912, to insure that only a progressive would be nominated, Bryan tested, among others, Champ Clark of Missouri, Governor Judson Harmon of Ohio, Representative Oscar W. Underwood of Alabama, and Governor Woodrow Wilson of New Jersey. All except Wilson dodged his many questions. Increasingly aware after 1907 of the concentration of money and credit in the East, Wilson had echoed Bryan in declaring, in June 1911, that "The greatest monopoly in this country is the money monopoly."²⁰ On January 8, 1912, on the very day that the National Monetary Commission (Aldrich) plan was introduced into Taft's last Congress, Wilson made his peace

¹⁹ Wilfred E. Binkley, *American Political Parties, Their Natural History* (New York, 1943), p. 360.

²⁰ "Democracy's Opportunity," Address at Harrisburg, Pennsylvania, June 15, 1911, Ray S. Baker and William E. Dodds, eds., *The Public Papers of Woodrow Wilson* (6 vols., New York, 1925-1926), *The New Democracy*, II, 307.

with Bryan, whom he had severely criticized in the past, by declaring that "The country will not brook any plan which concentrates control in the hands of the banks" ²¹ In April, when Bryan asked him for his views on the Aldrich Plan, he satisfied him that he opposed a central banking system. ²² He also accepted Bryan's money plank, which distinctly reflected an anti-Aldrich bias, for the Democratic platform.

Perhaps Bryan did not regard Wilson as "the Saul of Tarsus in American politics that his friends seemed to," ²³ yet he believed that Wilson had undergone a miraculous and sincere conversion to progressivism. He had replied candidly and satisfactorily to his questions, and he had proved his capacity for leadership as governor. When Clark failed to measure up to his demands on tariff reform and appeared to be too close to Wall Street, Bryan violated his state's instructions and turned toward Wilson. There is no doubt that the platform Wilson ran on was a Bryan document, and it is probable that Bryan's influence in Wilson's nomination was greater than that of Wilson's managers.

Wilson ushered into full bloom the progressivism Bryan had demanded since 1890. For the first time since 1895 Bryan, as Secretary of State, held an official position through which he could make his influence a powerful force.

The Panic of 1907 proved the inelastic currency and immobile reserves policy of the national banking system woefully deficient, especially in times of financial stress, and generated a public demand for reform that was bolstered by the conclusions of the Aldrich Commission, which reported twenty-seven principal defects in the banking and currency system. However, the reform plan offered by the

²¹ *New York World*, January 9, 1912.

²² Bryan to Wilson, April 1, 1912, Woodrow Wilson Papers, Division of Manuscripts, Library of Congress; Ray S. Baker, *Woodrow Wilson: Life and Letters* (8 vols., Garden City, N. Y., 1926-1939), IV, 137-138.

²³ Louis F. Post, *Autobiography*, p. 302, Louis F. Post Papers, Division of Manuscripts, Library of Congress.

Commission was particularly anathema to Bryan, his Western and Southern following, and to the Congress itself, largely because it called for a single, privately controlled central bank to be located in New York.²⁴

Believing that those who controlled concentrated economic power had seized control of the government itself, Wilson sought monetary reform that would prevent crises and panics and also break the private monopoly of credit.²⁵ When elected, he believed the Aldrich Plan "was about sixty or seventy per cent correct, but that the remainder of it would need to be altered."²⁶ At any rate, shortly after his election he asked Representative Carter Glass, of Virginia, to draft a reform bill.²⁷ In general, Glass followed the Aldrich Plan except for the central bank feature. There would be twenty regional reserve banks, each an independent entity. Governing these would be a Federal Reserve Board composed of forty-three men, of whom forty would be bankers. Finally, the banks, not the government, would issue the currency, and the amount of note issues would be tied to bank capitalization. Not quite pleased, Wilson suggested a Federal Reserve Board, at Washington, as a political "capstone" that would divest the bankers of control and vest that control in the public. He also approved of the holding of hearings in order to determine the extent and nature of the opposition to banking and

²⁴ Carter A. Glass, *An Adventure in Constructive Finance* (Garden City, N. Y., 1927), pp. 30, 64-68; William G. McAdoo, *Crowded Years: The Reminiscences of William G. McAdoo* (New York, 1931), pp. 214-218; *National Monetary Commission*, Senate Document 243, 62d Congress, 2d Session (Washington, D. C., 1912), more easily digested in Louis Brandeis, *Other People's Money and How the Bankers Use It* (New York, 1914); Lester V. Chandler, "Wilson's Monetary Reform," Earl Latham, ed., *The Philosophy and Policies of Woodrow Wilson* (Chicago, 1958), pp. 124-125.

²⁵ Chandler, "Wilson's Monetary Reform," p. 126.

²⁶ Henry Parker Willis, *The Federal Reserve System: Legislation, Organization and Operation* (New York, 1923), p. 140.

²⁷ During the last Congress of Taft's administration, Glass headed the subcommittee of the House Banking and Currency Committee which worked on a reform bill and Arsene Pujo a second subcommittee, the one that investigated the Money Trust. The revelations of the latter, due largely to the work of the counsel, Samuel Untermyer, contributed substantially to the character of the Federal Reserve Act.

currency reform.²⁸ The six weeks of hearings, to which the nation's bankers flocked, convinced Glass that his plan was acceptable to them, which was hardly a recommendation to please Bryan. Yet Bryan was fairly happy with developments. "I have talked with Smith, Gore, and Daniels and also Glass who is preparing the currency bill," he wrote his brother, Charles W. Bryan. "The Wall Street people want to push the Aldrich bill through this winter. It is a good sign; it shows they are not sure of Wilson. Daniels has talked with Wilson and finds him opposed to allowing control to go out of the hands of the government. Things look all right so far."²⁹

Not until after his inauguration were the details of Glass's draft made known to Wilson and to a select few, excluding Bryan. Rigid opposition to it was expected from two quarters, from the organized bankers and economists of the East and from the Bryan "radicals" of the West and South. Already greatly stirred by the Money Trust report, which revealed the vast concentration of the nation's credit in the East and the extent of the employment of loanable funds of banks to support stock market speculation, the radicals demanded legislation other than the Glass bill that would destroy the Money Power by providing regional banks rather than a central bank and by outlawing interlocking directorates. At the Cabinet meeting of March 28, 1913, Wilson said that the party pledge on the tariff would be kept and that it would also be necessary to get the party behind a currency reform measure. Except for Bryan, who remained silent, only one member disagreed. Wilson had earlier told Edward M. House that "Bryan would not approve such a bill as I have in mind." House had replied that "it was better to contend with Mr. Bryan's disapproval and fail in securing any bill at all, than it was to get one

²⁸ Glass, *Constructive Finance*, pp. 81-84; McAdoo, *Crowded Years*, pp. 223-224; Willis, *Federal Reserve System*, pp. 142-145, 151-153.

²⁹ W. J. Bryan to C. W. Bryan, n.d., Silas Bryan Papers. These papers, mostly correspondence between the Bryan brothers, were made available to the writer through the courtesy of the late Silas Bryan, son of Charles.

which was not sound."³⁰ Now Wilson said that he *must* deal with the currency problem. "It was interesting to me," recalled David F. Houston, the Secretary of Agriculture, "to watch Bryan while we were discussing currency. He said nothing. I asked myself what he was thinking and what he would do. Many were predicting that if the Administration took a firm stand for a sound currency system, Bryan would break with the President and resign. As I watched him, I formed the impression that he would subordinate his views on specific economic issues."³¹

Bryan was the only national figure in the Cabinet, the only member who could bring a large following to the President's support or cast a veto against unacceptable legislation. Glass acknowledged his "formidable following" and realized the dangers of estranging him. However, Bryan was determined to be loyal to Wilson. He had accepted his Cabinet post in part in order to be able to swing his influence behind the President's progressive reforms. "Whenever I cannot support the administration I will resign," he wrote his brother, and he warned him not to publish anything on the question of currency reform until Wilson had announced his position, adding, "He will perform a miracle if he gets a bill that will be acceptable to all."³²

Colonel House forewarned the bankers by sending a digest of the Glass bill to Paul M. Warburg, the New York banker who had helped draft the Aldrich Plan and who, like most bankers, preferred a central banking system. Despite the prolific stream of inquiries relative to the progress being made on Glass's bill he sent to William G. McAdoo, the Secretary of the Treasury, who was embarrassed because he had only a general knowledge of what

³⁰ Conversation of January 8, 1913, Charles Seymour, ed., *The Intimate Papers of Colonel House* (4 vols., New Haven, 1926-1928), I, 161.

³¹ David F. Houston, *Eight Years with Wilson's Cabinet* (2 vols., Garden City, N.Y., 1926), I, 47-48.

³² W. J. Bryan to C. W. Bryan, n.d., and Sunday, 8th [?], 1913, Silas Bryan Papers. Charles was the business manager and an editorial writer for Bryan's journal of opinion, *The Commoner*.

was going on, Bryan did not learn the details until the bill was printed. Nor did Robert L. Owen, chairman of the newly instituted Senate Banking and Currency Committee. Owen, a banker himself, had known Bryan since 1896, when both had served on the Committee on Resolutions of the Democratic national convention. Intent upon reforms that would prevent financial panics, he had studied banking systems at home and abroad and introduced various reform bills beginning in 1899. He opposed the Aldrich Plan and now wrote a bill which would permit the Treasury to issue notes backed by "standard securities" in any amounts required by business. These notes would be loaned at an interest rate high enough to prevent inflation, and would be supported by the taxing power of the United States. The national bank notes would be retired in favor of the Treasury notes, which would be payable in gold, and control of the entire banking system would be vested in the government alone.³³ Bryan immediately preferred the Owen to the Glass bill.

Albeit Wilson requested that he support the Glass bill, Owen was buttressed by various Bryanite members of his Committee and by Bryan himself in the contention that there should be numerous regional banks rather than a central bank, that the government rather than the bankers should control the banking system, and that the government rather than the banks should issue the currency. When Owen called upon Bryan for help in obtaining a bill that would square with the Democratic platform, Bryan agreed to cooperate to the extent that he would resign if the bill did not fulfill the platform demand. That Bryan and Owen were in accord was made known to Wilson by the ubiquitous House and then by Bryan himself, who warned the President that he would use all of his great influence with the members of the Congress and with the

³³ Robert L. Owen, *The Federal Reserve Act* (New York, 1919), pp. 6-8, 23-27, 31-44, 72-74; Samuel Untermyer, *Who Is Entitled to the Credit for the Federal Reserve Act? An Answer to Senator Carter Glass* (New York [?] 1927 [?]), p. 14.

public to defeat the Glass bill.³⁴ Into the breach jumped the energetic McAdoo with a compromise plan which would have permitted the issue of legal tender notes (greenbacks) and made the banking system an appendage of the Treasury Department. Glass objected vehemently. Was McAdoo serious? he asked. "Hell, yes!" replied McAdoo. Wilson knew, but neither Glass nor Bryan suspected, that McAdoo had offered his plan merely to alarm the bankers into supporting the Glass plan. Even House took the plan seriously and believed that Bryan would accept it.³⁵ But Wilson wisely pigeonholed the plan, backed the Glass bill, and sought ways to get Bryan to approve the latter or at least to remain neutral. Glass knew of Bryan's obsession with a "government note" as well as with "government control," that he could prevent the passage of any bill that displeased him, and that attempts at "managing" Bryan got nowhere. "His public life has been spent in advocacy of government issue, and he was willing to stake his political existence on this point," he said. When Wilson asked him to talk with Bryan, saying that his opposition to bank issues "would get us into all sorts of trouble," Glass said he preferred to talk with Bryan *after* Wilson had spoken with him.³⁶ Thereupon Wilson asked McAdoo to tackle Bryan, and McAdoo invited Bryan to lunch.

"The government alone should issue money," said Bryan. McAdoo agreed, but he sensed that Bryan did not quite understand the basis of the note issues. Bryan was unimpressed by the fact that the Federal Reserve notes would be issued against assets and believed that the notes could be issued without any security behind them except

³⁴ House to Wilson, May 15, 1913, House Papers, cited by Arthur S. Link, *Woodrow Wilson and the Progressive Era, 1910-1917* (New York, 1954), p. 47; Owen, *Federal Reserve, Act*, pp. 79, 102-103; Untermyer, *Who Is Entitled to the Credit?* pp. 15-16; Willis, *Federal Reserve System*, p. 240.

³⁵ Baker, *Wilson*, IV, 159; Glass, *Constructive Finance*, pp. 99-107; Rixey Smith and Norman Beasley, *Carter Glass; A Biography* (New York, 1939), pp. 105-107; McAdoo, *Crowded Years*, pp. 242-245; Untermyer, *Who Is Entitled to the Credit?* pp. 7, 16-17; Willis, *Federal Reserve System*, pp. 194-209.

³⁶ Wilson to Glass, May 15, 1913, cited in Glass, *Constructive Finance*, p. 123.

the credit of the government. "The government can issue the money and the Reserve Banks can borrow it from the government when and as they need it," Bryan insisted. When McAdoo explained how the banks could provide security for the money they obtained by furnishing commercial paper, Bryan exclaimed, "But that is asset currency, and you know I have always been opposed to asset currency." McAdoo tried again, and he believed that Bryan saw the light. Then Bryan asked if the banks would have to pay interest to the government for money advanced them. McAdoo denied the need of such interest, or circulation tax, and Bryan was mollified. "I think you are right. If the provisions we have discussed are inserted, the bill would satisfy me and I could give it my hearty support." McAdoo said he would try to have the provisions incorporated, and so reported to the President.³⁷

When Wilson invited Bryan to confer at the White House, he found him unwilling to consider currency reform *at the time* for fear of endangering the passage of the tariff measure and opposed to the Glass bill in two respects: first, "the issue of money is a function of government and should not be surrendered to banks"; second, "the government (should) have complete and undisputed authority over the issue of the government notes which . . . should be substituted for the contemplated bank notes." Wilson's sanctioning of bank note issues, added Bryan, would forfeit the confidence of those who trusted him, and the loss of this confidence—"my only political asset"—would result in his loss of power to support the President. Finally, Bryan assured Wilson of his desire "to do what was best for the people" and of his "deep regret" that they could not see these two phases of the subject in the same light.³⁸

Well aware of the implications in Bryan's stand, a deeply disturbed Wilson told his secretary, Joseph Tully, that he and Bryan had apparently reached the part-

³⁷ McAdoo, *Crowded Years*, pp. 232-234.

³⁸ William Jennings Bryan and Mary Baird Bryan, *The Memoirs of William Jennings Bryan* (Philadelphia, 1925), pp. 370-371.

ing of the ways. He praised Bryan for his "generous conduct" during their discussion, for his "personal attitude of friendliness," and for his decision to say nothing about the matter until they had spoken together again. He was visibly moved, too, by Bryan's offer to leave the country and make no public criticism of the Glass bill lest he embarrass the President by his opposition.³⁹

After discussing the effects of Bryan's possible resignation, Wilson asked Tumulty to go see the Commoner, explain his interpretation of the Glass bill, and express his appreciation of Bryan's personal attitude toward him. Tumulty called and was immediately impressed with Bryan's affection for the President. Bryan asked, "Who from Wall Street has been discussing this bill with the President? I am afraid that some of the President's friends have been emphasizing too much the view of Wall Street in their conferences with the President on this bill." Tumulty replied that he had never heard the President support the contentions of the Eastern bankers and that he relied for information on banking reform mostly on McAdoo, Glass, and Owen. When Bryan read to Tumulty the money planks of the Democratic platforms of 1896, 1900, and 1908, Tumulty admitted that he had a point and promised to talk with the President, McAdoo, and Glass. In reporting to Wilson, he stated bluntly that Bryan was right and the President wrong. Somewhat distressed, Wilson demanded to be shown. After reading the planks Bryan had indicated, he agreed that "there is a great deal in what Mr. Bryan says." But how to achieve harmony? Wilson arranged that Tumulty should talk with Glass and that Glass should then confer with McAdoo and Owen. Wilson himself talked with Glass and rendered him speechless by saying that he wanted Federal Reserve notes to be "obligations of the United States."

"There is not, in truth, any government obligation here, Mr. President," Glass exclaimed. "It would be a

³⁹ Joseph Tumulty, *Woodrow Wilson as I Know Him* (Garden City, N. Y., 1921), p. 178.

pretense on its face. Was there ever a government note based primarily on the property of banking institutions? Was there ever a government issue not one dollar of which could be put out except by demand of a bank? The suggested government obligation is so remote that it could never be discerned."

"Exactly so, Glass," said the President. "Every word you say is true; the government liability is a mere thought. And so, if we can hold to the substance of the thing, and give the other fellow the shadow, why not do it, if thereby we may save our bill?"⁴⁰

Evidently those who explained Wilson's philosophy to Bryan did so successfully, for at the next Cabinet meeting he said: "Mr. President, we have settled our differences and you may rely upon me to remain with you to the end of the fight."⁴¹ A break had been avoided because Bryan had won acceptance of his views that the Federal Reserve Board should be composed of government officials only and that the government alone should issue the currency. These propositions were included in Owen's bill, which was printed for Owen's Committee about May 1 and sent to Wilson late in May. On about June 1, Owen finally received a copy of the Glass bill. In a quandary as to whether he should defend the Glass or Owen plan, Wilson called on Louis D. Brandeis. Brandeis upheld Bryan both on government control and government money, but he also suggested that the bankers might be granted an advisory function in connection with the Federal Reserve Board. Wilson took the advice.⁴²

On June 13, with McAdoo, Owen, and Glass now substantially in agreement, the Glass bill was released to the press. To avoid the appearance that the administration was split on currency reform, the Owen bill was held up. On June 16 Wilson spoke to the members of the Glass

⁴⁰ *Ibid.*, pp. 178-180; Glass, *Constructive Finance*, pp. 124-125; Willis, *Federal Reserve System*, pp. 249-250.

⁴¹ Tumulty, *Woodrow Wilson as I Know Him*, p. 181.

⁴² Brandeis to Wilson, June 14, 1913, Wilson Papers; Link, *Woodrow Wilson and the Progressive Era*, p. 48.

Committee and won some of them over. When Glass threatened to resign because he could not control his Committee, Wilson exclaimed, "Damn it, don't resign, old fellow; out-vote them!" Glass did. On the 18th Wilson talked with McAdoo, Glass, and Owen. Glass still wanted the bankers to have some voice in the Federal Reserve Board. Owen opposed. When Wilson said that there would be no banker representation, Glass objected on the basis of exposing the banking interests to "political control"; when Wilson proved adamant, he led a deputation of bankers before him to convince him he was wrong. Wilson asked the bankers if they knew of any important government board of control on which private interests were represented. Were the railroads represented on the Interstate Commerce Commission? The bankers were silenced. Meantime Owen called on Bryan to obtain his cooperation in changing the Glass bill so that it would provide for government rather than bank issues. Bryan's influence had helped alter the Glass measure to exclude banker representation on the Federal Reserve Board and to make the Federal Reserve notes "obligations of the United States" rather than bank notes.⁴³

Bryan himself was now won over. Relieved that the two difficulties which had seemed insurmountable had been removed, he declared the Glass bill acceptable to the party; being acceptable, it was no longer a menace to the tariff bill. On June 22 he issued a long statement to the press to the effect that the Glass bill "confirmed Democratic doctrine." He endorsed it "most earnestly and unreservedly," said that it was a much better bill than he had thought it possible to obtain, and promised to work for its enactment. While he stressed the "public" character of the currency and of the control board, he also pointed out the advantages in the proposed system to private bank-

⁴³ Bryan memorandum, "On the Currency Bill of June 1913," Bryan Papers; Baker, *Wilson*, IV, 166-167; Glass, *Constructive Finance*, pp. 115-116; Untermeyer, *Who Is Entitled to the Credit?* p. 11.

ers.⁴⁴ On the next day the President read his short currency message to the Congress and asked for prompt action; and on the 26th the bill was introduced into both houses as the Glass-Owen bill. While continuing his public support of what he called "the people's bill," Bryan wasted no time in making his influence felt with the members of the House Committee on Banking and Currency. He wrote Wilson: ". . . I have arranged to meet a couple of the Democrats on the Currency Committee tonight to urge immediate action. If you hear of any person with whom I might have influence, let me know."⁴⁵ He also declared that only two classes of men would oppose the bill, those who disputed "the right of the people to issue through their government the money which the people need," and those who, "distrusting their representatives, would deny Government officials control over the issue of . . . notes."⁴⁶ Certain bankers who talked with Wilson, McAdoo, Owen, and Glass found that Bryan was the insuperable stumbling block in their attempt to get the bill changed so as to exclude government control and government issue. Wilson was amenable to making certain concessions, but were the bill changed so as to offend Bryan, they expected him to have his friends in the House vote against it. They therefore hoped that their demands would be met in the Senate.

Six months of bitter struggle intervened before Wilson, having overcome the onslaughts of the bankers on the revised Glass bill, could defeat the radical Bryan group in the House and then the entrenched conservatism of the Senate. Wilson may have satisfied Bryan, but Bryan's followers were still suspicious.⁴⁷ Albeit the House opposition was composed of his followers of the West and South, many of whom sought power in the magic of his name, Bryan

⁴⁴ *New York Times*, June 23, 1913; Bryan, *Memoirs*, pp. 371-373. Wilson had approved the release, saying, "It is excellent and I thank you with all my heart." Wilson to Bryan, June 21, 1913, Bryan Papers.

⁴⁵ Bryan to Wilson, June 24, 1913, William Jennings Bryan Papers, National Archives.

⁴⁶ *New York Times*, June 26, 27, 1913; *Philadelphia Public Ledger*, June 26, 1913.

⁴⁷ Baker, *Wilson*, IV, 173.

was in no way responsible for their intransigence. From them came demands reminiscent of the Populist subtreasury scheme, for fiat money, for the prohibition of interlocking directorates, for short-term agricultural credits, and other demands extraneous to the currency measure but of benefit to farmers.⁴⁸ Wilson called several of the insurgents, notably R. L. Henry and Otis T. Wingo, to the White House, and explained to them the purpose of the legislation, and Bryan buttressed him with public statements that he approved of the bill as it was, although he privately asked Wilson to look favorably upon the agricultural credits amendment.⁴⁹

On August 11, when Glass offered the bill to the Democratic caucus, he presented it as sanctioned by the President, Bryan, McAdoo, and other men of authority in the party. The insurgents replied by pushing their amendments and by quoting Bryan's earlier speeches against "executive aggression." On August 22 Bryan wrote a letter to Glass which quelled the revolt. He did not consider the various amendments germane to the pending bill. Care must be taken not to overload a good measure with amendments, however good they might be in themselves. The bill, as every bill must be, was the result of compromise, but its provisions were adequate and important. "The provision in regard to the Government issue of notes to be issued by the banks is the first triumph of the people in connection with currency legislation," he said. The bill provided for Government control: "This is another distinct triumph for the people, one without which the Government issue of money would be largely a barren victory." Finally, the bill permitted state banks to share along with the national banks the advantages proposed. These three provisions were of such transcendent importance that he was relatively unconcerned with the details of the bill, and he

⁴⁸ For details of the debate, see Arthur S. Link, *Wilson, The New Freedom* (Princeton, N. J. 1956), pp. 218-222, and Willis, *Federal Reserve System*, pp. 359-374.

⁴⁹ Bryan to Wilson, August 6, 1913, *Wilson Papers*; Baker, *Wilson*, IV, 173; Link, *Woodrow Wilson and the Progressive Era*, pp. 48-49.

threw overboard those radicals who had assumed from his earlier support of silver, government money, and government control that he would oppose the bill. Some members of Congress had quoted him incorrectly, he said, and he wanted it plainly understood that he was with the President "in all details." He then called upon all who believed in him to stand by the President and to pass the bill at the earliest possible moment.⁵⁰

The radicals reacted violently to the reading of Bryan's letter to the caucus. Glass recalled the pleasure of the friends of the bill, the white anger of Henry, the jeers from men of the South and West, the personal attack upon Bryan by a member who shouted "Bryan does not know a damn thing about the provisions of the currency bill," and the continued obstinacy of men who had sworn by Bryan for a generation and now swore at him.

In one further instance Glass had to run to Bryan for help. When it was proposed that the bill be amended by substituting "coin" for gold in the redemption of the Federal Reserve notes, Glass rushed to telephone Bryan; when the proposer of the amendment called, Bryan told him that "doing something for silver" was irrelevant to the bill and had the amendment sidetracked. It was clear that Bryan had no intention of reviving the free silver issue. Among the other amendments was one reaffirming the Gold Standard Act of 1900. Betraying none of the emotions that must have moved him, Bryan actually approved of it.⁵¹

A caucus designed to last four or five days lasted for seventeen before the bill was adopted as a party measure,

⁵⁰ The letter appears in the *New York Times*, August 23, 1913. See also Bryan's address, "The first Year [of the Wilson administration], March 1914 [?] Bryan Papers. The *New York Times* of September 23 editorialized that "in [Bryan's] view an ideal currency would be one issued by the Government at its own discretion. In that Mr. Bryan would see the highest triumph of the people . . . His notion of the currency of the people is something that is not money, greenbacks or silver, something, at any rate, that is not gold. . . ." According to the *New York Sun*, June 21, 1913, "the plan for government money and government control is covered all over with the slime of Bryanism."

⁵¹ Glass, *Constructive Finance*, pp. 146-147.

by 168 to 9. Henry and others in the House gave Bryan credit for breaking the impasse. Wilson, who admitted that he had "relied greatly upon Bryan for help in this Congressional crisis," wrote Bryan his thanks; McAdoo said that "His cooperation with the Administration meant the smoothing out of many diverse views about the currency"; H. Parker Willis, Glass's counsellor, acknowledged that he "gave wholehearted aid to the furtherance of the measure; and Glass wrote Bryan: "We are *immensely indebted to you* for effective aid in critical periods of the contest in committee and in the caucus," adding, "The country and your party are greatly obliged to you for the skill and discernment with which you have helped along the fight, and I am particularly grateful."⁵² However, it was not until September 18 that the bill finally passed the House, 287 to 85, with 48 Republicans voting aye and only three Democrats opposed, and was sent to the Senate, where bankers and their experts were airing their views in hearings on the Owen bill that continued until October 25.

Bryan's influence over the Senate was no less marked than that over the House, but his power over the Democrats on the Finance Committee was thwarted by Gilbert M. Hitchcock of Nebraska, James A. Reed of Missouri, and James A. O'Gorman of New York. With Hitchcock, Bryan conducted a bitter feud over patronage that lasted long after the Federal Reserve system went into operation. There were on the Committee seven Democrats and five Republicans.⁵³ So long as the three Democrats opposed, currency reform was impossible. Moreover, Hitchcock, a banker himself, introduced a separate currency bill and lined up the Republican members in its support; it lost by only two votes. Wilson, Bryan, McAdoo, Owen, House,

⁵² *New York Times*, August 23, 1913; Wilson to Bryan, September 3, 1913, Wilson Papers; Glass to Bryan, September 25, 1913, Bryan Papers; Baker, *Wilson*, IV, 175; McAdoo, *Crowded Years*, p. 180; Willis, *Federal Reserve System*, p. 224.

⁵³ For more detailed characterizations of the attitude of the various members of the Committee, see Link, *Woodrow Wilson and the Progressive Era*, 51, note 62, and Wilson, *The New Freedom*, pp. 228-235; Willis, *Federal Reserve System*, pp. 226-227; Untermyer, *Who Is Entitled to the Credit?* pp. 12-13.

and others pushed the fight, however, and O'Gorman and Reed were won over.⁵⁴

After Bryan shocked the bankers of the nation by flatly stating that "banks exist for the accommodation of the public, not for the control of business" and by heartily endorsing the Owen plan as a step toward "the more equitable distribution of the money of the country,"⁵⁵ the bankers loosed their last charge. Frank A. Vanderlip, New York banker, friend of Aldrich, sought to substitute a wholly new central bank bill in the Committee, and Aldrich himself, in a speech to the Academy of Political Science, declared that the Federal Reserve Board would be "a political machine rather than . . . a force in financial circles." He called the Owen bill a socialist measure smacking of Populism, an unconstitutional bill that if enacted into law would enable Bryan "to have achieved the purpose for which he has been contending for a decade." Bryan's support for the bill, he said, sufficiently explained why an attempt was being made "to revive the greenback heresy (and) adopt in legislation the rejected theories of the Populist party." Furthermore, "The incorporation of the provisions for Government note issues in the Administration bill is certainly a great personal triumph for Mr. Bryan It is undoubtedly true that the support of Mr. Bryan and his followers was necessary to secure any legislation upon this subject"⁵⁶

Rather than acknowledging this backhanded tribute to his influence, Bryan retorted that Aldrich's enmity was the one thing needed to insure the passage of the bill. Aldrich, he said, had done more than any other man in public life to make the Republican party "a third party." "For a generation the national banks have held the Gov-

⁵⁴ Among the various letters Bryan wrote Wilson during the Senate fight was the one of October 7, 1913: "The men with whom I have influence in the Senate—and I think I stand better with the Senate than with the House—nearly all seem to favor the bill. If at any time there is anything you see that I can do, please let me know for I am intensely interested in the passage of the measure." Bryan Papers.

⁵⁵ *New York Times*, September 19, 1913.

⁵⁶ *Ibid.*, October 16, 1913.

ernment's money in return for contributions to the Republican party," he snapped, "while the Currency bill is the most remarkable currency measure that we have ever had.⁵⁷ Because Hitchcock and others refused to be bound by a caucus, the Senate Democrats, prodded by Wilson, moved to remain in session throughout the Christmas holidays unless Owen's newly revised bill, which was introduced as a substitute for the Glass bill, were passed before then. Republicans offered amendments and spoke forcibly in opposition. Some of their demands, for example those voiced by Elihu Root in a sensational three hour speech, were on details. Since the adoption of some of them actually strengthened the bill, Bryan said nothing. Rather than deigning to reply to numerous thinly-veiled references to his "financial vagaries" and "heresies," he tried in every feasible manner to draw the Democratic senators together in support of the bill. As in the case of the new tariff, he also depended upon the power of an aroused public opinion to push the bill through. On December 19 the bill finally passed, 54 to 34, with every Democrat present, and four Republicans, voting aye. Rapid settlement of differences permitted the bill, shorn of the guaranty of bank deposits favored by the Senate, to reach Wilson for his signature on December 26. The Federal Reserve began operating in November 1914.

In large degree Bryan had fulfilled his destiny as a currency reformer. A bimetallist and a believer in the quantitative theory of money, he had called for free silver as a means of providing both "more money" and a currency system equitable to both debtor and creditor. The increase in gold production after 1896 proved the correctness of his view with respect to "more money"; but more important than his cry for "more money" was his insistence that the government should intervene in order to rectify injustices in the economic system, his inoculation of the Democratic party with progressive ideas, and his persistent sponsorship of that portion of his financial program

⁵⁷ *Ibid.*, October 18, 1913.

that survived his free silver crusades—a currency system that would keep pace with the growth of population and trade, a banking system that would meet the needs of the South and West as well as of the East, government money, government control of banking, and the guaranty of bank deposits.

Although eager to support Wilson, Bryan could not accept the original Glass plan without negating demands uttered since 1896 to which he and the progressives in the Congress and in the nation at large still adhered. Wilson, elected on a Bryan platform, drove the Congress to undertake currency reform. Bryan's offer to resign served to shock Wilson into realizing the economic as well as the political correctness of his views and to adapt them to his own use. No more impressive revelation of Bryan's sincere attachment to Wilson can be found than in his opposing his own followers, in turning down silver, and in approving of gold in order to obtain currency and banking reforms that promised justice to all. He was content that the bulk of his demands had been met; in great contrast to his earlier crusades, he did not press for the politically impossible. He could have blocked the Federal Reserve Act. The fact that it passed, in the form that it did, was due in large part to his intervention.