

THE FEDERAL RESERVE ACT

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The Federal Reserve Act by Robert L. Owen

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ROBERT L. OWEN

**THE FEDERAL
RESERVE ACT**

**THE
FEDERAL RESERVE ACT**

"That one Measure won the War"

—JOHN SKELTON WILLIAMS
Comptroller of the Currency

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The
Federal Reserve Act

BY

HON. ROBERT L. OWEN

UNITED STATES SENATOR OF OKLAHOMA
CHAIRMAN OF THE UNITED STATES SENATE COMMITTEE
ON BANKING AND CURRENCY



NEW YORK
THE CENTURY CO.

1919

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Mr. F. J. [illegible]

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THE FEDERAL RESERVE ACT

ITS ORIGIN AND PRINCIPLES

by

ROBERT L. OWEN

A REMINISCENCE

THE Federal Reserve Act has now so completely demonstrated its value, and is so widely approved by the business men of America and of the world, that I have yielded to the suggestion that I should write a short sketch of its origin and principles, as a personal reminiscence, having no time at present to write a full history of this Act.

The backbone of the Federal Reserve Act is:

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1. A quick available supply of elastic currency for business men;
2. Issued and controlled by the Government;
3. Against adequate security, consisting of gold, commodity or commercial bills or acceptances, and U. S. bonds.
4. Under an interest charge high enough to prevent inflation by compelling contraction.

In 1890 I had established the First National Bank of Muskogee, Oklahoma, was its president for ten years, and in 1893 witnessed the panic that took place at that time. This bank, like very many other banks, lost fifty per cent of its deposits within as many days because of the panic, which frightened people and caused them to withdraw their funds for

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hoarding throughout the United States and led creditors to strenuously press their debtors for settlement. Money suddenly appreciated in value, so that property measured in money fell in value in some cases to half of its previously estimated value.

This enabled thousands of creditors to take over the property of thousands of debtors on a basis that was ruinous to debtors, causing the bankruptcy of hundreds of thousands of people; causing a violent dislocation of business; and throwing out of employment vast numbers of people and inflicting injuries which required years to repair in the industrial and commercial life of the nation.

Thousands of millions of dollars were lost and many more thousands of millions, the normal earnings of a prosperous, active people, were left