By Mr. SPARKMAN: A bill (H. R. 7892) granting an increase of pension to James Robins; to the Committee on Invalid Pensions.

By Mr. TAVENNER: A bill (H. R. 7893) for the relief of Francis H. Connelly; to the Committee on Military Affairs.

PETITIONS, ETC.

Under clause 1 of Rule XXII, petitions and papers were laid on the Clerk's desk and referred as follows:

By Mr. ESCH: Petition of the Wisconsin State Federation of Labor, Milwaukee, Wis., protesting against the passage of the workmen's compensation bill (S. 959); to the Committee on the Judiciary.

Also, petition of Chamber of Commerce of the city of Milwaukee, Wis., favoring the passage of legislation for an immediate reform in the national banking system of the United States; to the Committee on Banking and Currency.

Also, petition of the Traffic Club of New York, New York, N. Y., favoring the passage of legislation making an appropriation for the maintenance of the Commerce Court; to the Committee on Interstate and Foreign Commerce.

By Mr. LINDQUIST: Petition of citizens of the eleventh congressional district of Michigan favoring the passage of House bill 5308, compelling concerns selling goods direct to the consumer by mail to contribute their portion of the funds for the development of the local community, county, and State; to the Committee on Interstate and Foreign Commerce.

By Mr. LOBECK: Petition of Overland Lodge, No. 5, Switchmen's Union of North America, Omaha, Nebr., protesting against the passage of the employees' compensation act (S. 959); to the Committee on the Judiciary.

Also, petition of the Democratic central committee of Cuming County, Nebr., protesting against the passage of the proposed legislation known as the Glass-Owen bill; to the Committee on Banking and Currency.

SENATE.

MONDAY, *September 1, 1913.*

The Senate met at 11 o'clock a. m.

The Chaplain, Rev. Forrest J. Prettyman, D. D., offered the following prayer:

Almighty God, we begin the labor of another day with the ancient and blessed custom of lifting our hearts to Thee for Thy blessing. Especially remember this day, recognized by our Government, the great army of workers in this country. We pray that Thy blessing may rest upon those men in field and mine and shop who by their skill and labor create the values of our great national wealth. We pray that they may feel the dignity of labor, not only because of the value that it brings to us in this life, but because it allies them with God, and being coworkers together with God, may they work out the destiny for themselves and for our great Nation. Grant that with a sympathetic regard for those who work in the discharge of the duties of this day in this honorable Senate they may receive the thanks of the people and the blessing of God. For Christ's sake. Amen.

The Secretary proceeded to read the Journal of the proceedings of Saturday last, when, on request of Mr. SMOOT and by unanimous consent, the further reading was dispensed with, and the Journal was approved.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. BRISTOW:

A bill (S. 3067) granting an increase of pension to Tillman H. Snyder; to the Committee on Pensions.

By Mr. CHAMBERLAIN:

A bill (S. 3068) to cause certain lands to revert to the State of Oregon; to the Committee on Public Lands.

AFFAIRS IN MEXICO.

Mr. SHEPPARD. I present a communication addressed to me from Elizabeth Chandler Hendrix, being a report of her personal experiences and observations in Mexico. I ask that the communication may be printed in the RECORD and referred to the Committee on Foreign Relations.

Mr. SMOOT. I did not hear the request of the Senator from Texas.

Mr. SHEPPARD. I asked that a communication addressed to me may be printed in the RECORD.

Mr. SMOOT. Very well.

There being no objection, the paper was referred to the Committee on Foreign Relations and ordered to be printed in the RECORD, as follows:

HON. MORRIS SHEPPARD,
United States Senator from Texas.

SIR: According to your request, I have the honor to submit this report of my personal experiences and observations in Mexico. The only claim which can be advanced for its special consideration is the fact that it comes from one who does not own an acre of land or any other property in the Republic, and who is not now and never has been in the pay of any individual or organization remotely interested in the outcome. For that reason it may be expected to be fairly free from personal bias. For the same reason no one is responsible for any of these utterances except the person whose name is affixed hereto.

Also by request, I offer the following personal introduction and explanation of my knowledge of Mexican affairs:

I am a native of Wytheville, Va., daughter of William J. Davis, deceased, and up to recent years my home was in that State. I have one brother, who is a practicing attorney at Bristol, Tenn., James L. Davis, of the firm of Davis & Warren, and another brother, Capt. W. R. Davis, of the United States Army, stationed at Honolulu. These, with two daughters in El Paso, Tex., constitute my entire family connections. As further reference I mention the name of Mr. John D. Campbell, vice president of the Commercial National Bank of El Paso, Tex., whom I have known continuously since my residence in the West.

About seven years ago I went to El Paso and was employed on a local newspaper, doing some work at intervals for eastern magazines. In the meantime I invested the remnants of a small estate in Texas lands so advantageously that within a short time I was able to dispense with a salary and devote myself to whatever form of activity best suited me. Mexico having been to me always the most interesting country on earth, I have spent the past few years almost exclusively studying the history and resources of the nation and the character and life of the people.

Shortly after the publication of the sensational "Barbarous Mexico" articles I was approached with a request to write a series in reply designed to annul the injury which it was believed those articles would do. The papers of Mexico gave much space to the work and called on the people to furnish information and in every manner possible aid in the undertaking.

It is remarkable that we in the United States know less about Mexico than we do about any other civilized country on earth, and we are ignorant merely because we have never thought it of sufficient importance to inform ourselves. The pupils in our public schools study the history of Greece and Rome, but here against our borders is a country vastly more important than Greece or Rome, because it has a future as well as a past, and we give less attention to it than we do to darkest Africa.

Most of our information about Mexico is derived from books compiled from car windows or at first hand from adventuresome friends who have gone as far inland as Juarez or Matamoros, attended a bullfight, and forever afterwards are regarded as authority when speaking of the "cruel and bloodthirsty" Mexican.

The American ideal of the Mexican is a composite character evolved from picture post cards and the light-opera stage. The upper class is represented by a picturesque figure in skin-tight trousers and peaked hat, perennially twanging a guitar before the barred window of his novia, while the lower class is typified by a blanketed beggar who toils not, neither does he spin, but spends his entire lifetime crouched in the shadow of an adobe wall, with an unwashed hand outstretched for alms.

Now, the truth is there are a number of people in Mexico who habitually manicure their nails and wear dress clothes to dinner and who can converse intelligently in several languages. There are cultured homes, exclusive clubs, and the nucleus of a national life quite apart from that which is visible on the market place and in the streets. It is composed of people of as much ability, courage, pride, and patriotism as is to be found in any nation, and when the true story of their struggle for freedom shall be written it will be found that they are capable of as high acts of heroism as has ever been inscribed on the pages of any history.

The United States appears to have two means of securing information about Mexico, one is from consular representatives, and the other is from fleeing refugees. The consulates are located in cities or large towns, widely separated and covering large areas of country. There being practically no mail or telegraphic communication between the consular headquarters and the outlying portions of the district, and the Government maintaining no independent scout system whereby reliable information can be secured, the consular reports must of necessity consist of statements made by Mexican residents in that immediate vicinity, who are either indifferent to the accuracy of the information furnished or directly interested in making it misleading.

As to the information furnished by refugees, a man fleeing from real or imaginary danger is rarely in condition to give a clear and reliable report of what has happened to him, and owing to the absence of uniform, it is impossible to say with certainty whether the depredations reported were committed by soldiers or bandits.

In the beginning of the Diaz régime there were but two classes in Mexico, the educated upper class and the peons. With American capital came American settlers and American ideals, which ideals by slow degrees permeated even the peon class, so that there has grown up in Mexico a new generation of fairly intelligent middle class, working people. These form the body of the constitutionalist army which is led by the sons of their old masters who, for the most part, have been educated in the schools of the United States, and from such sources have imbibed their ideas of freedom and self-government.

This is distinctly a young Mexico movement, the inevitable result of enlightenment and progress in a new generation, striving to embody in definite form its ideals of patriotism. It is not the independent uprising of guerilla bands, as some seem to suppose, without organization or purpose, except robbery and plunder, but is the operation of a great principle; the same principle which inspired our Revolutionary forefathers, the same irresistible principle which is operating throughout the world, to the overthrow of old dynasties and the upbuilding of young republics. It took definite form in Mexico with the marshaling of the armies under Madero, and so well is it organized that the martyrdom of the first leader is only felt in greater impetus to the cause. The rumors of dissention and discord among the leaders is without foundation, and is propagated for an evident purpose. During long association with the

constitutionalist forces, extending from the period of Mr. Madero's occupation of the city of Juarez down to date, I have never heard one man utter a disparaging remark about another, and have never seen or heard the slightest signs of insubordination.

On the 3d day of June, this year, the constitutionalist army under Gen. Lucio Blanco defeated the Federals at Matamoros, in the State of Tamaulipas, and took possession of that city. Within a few days thereafter I returned and took up my residence at the mission house of the Presbyterian Church, located on the main plaza, where I remained until August 17. There were in the city at that time about 2,000 troops, undisciplined as we count military discipline; there were also numerous unguarded cantinas well stocked with tequila, and according to accepted ideas most any kind of outlawry might have been expected. I saw only one drunken man during my stay there, and never witnessed or heard reports of the slightest disorder. There was no evidence of the wanton destruction of property or the confiscation of anything except such supplies as were necessary for the maintenance of the army.

Shortly after the capture of Matamoros Gen. Blanco summoned the troops before him and delivered an impressive address. After congratulating them on their victory and commending them for bravery he concluded somewhat on this wise: "While we have accomplished this great victory we do not know what defeats may be before us. Undoubtedly there will be many hard-fought battles before we shall have won our freedom. There remains yet much hardship for all and death for some. Sometimes I shall have money to pay you and sometimes I shall have none. Sometimes I shall have food for you and your horses and sometimes I shall have none. If there is a man here who does not want to face it, he can take his horse and his side arms and enough money to provide him with food for the journey and go back to his own people." It is needless to say that not a man left, and those men would go forth to death cheerfully for their idolized leader.

Brig. Gen. Lucio Blanco, Jefe de las Armas of Nuevo Leon and Tamaulipas, is a fair type of the constitutionalist leader. He is young, not over 35 years old, dignified, yet withal affable, with the appearance and address of a soldier and a gentleman. Associated with him as staff officers is a coterie of the most remarkable young men I have ever met. They are all of wealthy families, for the most part educated in the United States, with a few years of foreign travel. They could betake themselves and their possessions, after the accepted method of many wealthy Mexicans, to some foreign country and live in ease and luxury. Instead of that they are spending their lives and their property in the service of their ignorant and oppressed countrymen, whom they are popularly supposed to despise. In mingling with them one hears no stories of hardship, no boasting of what they have done or expect to do, but one gets the impression that they consider the privilege of sacrifice a badge of honor, and like all badges of honor, to be borne modestly and silently.

A short time ago I endeavored to get some information from a young colonel in Gen. Blanco's command about his experiences in an American prison from which he had been recently liberated after serving a 40-day sentence on charge of violation of the neutrality laws. He was wretchedly emaciated and had evidently suffered great hardship. This young man said to me with an apologetic smile: "The cause of the whole trouble is that your people do not know us. If they did, everything would be different. We have had a better chance to know the people of the United States than they have to know us. We have learned much from them, we owe much to them, and we believe them to be our *best* friends. In time they will understand us better and will respect us for wanting to achieve our liberty for ourselves. We are men. We have pride as other men. We do not want to buy our freedom cheaply or have it given to us. We are willing to pay the price."

These are the men who during the annual festival in honor of their patriot, Juarez, marched in a body to the American consulate and in the presence of this representative of the American Government, gave public expression to their gratitude for the example which the United States has set for the world, and for the inspiration which it furnishes in their own struggle for free government. They then marched—thousands strong—to the banks of the Rio Grande and with faces uplifted to the sky, so fair over free America, so pitiless over enslaved Mexico, they sang the national hymns of the two Republics.

ELIZABETH CHANDLER HENDRIX.

PROPOSED CURRENCY LEGISLATION.

Mr. OWEN. I ask unanimous consent to have printed in the RECORD a letter answering the suggestion printed in one of the New York papers to the effect that the Committee on Banking and Currency have not afforded any opportunity to the bankers of the country to be heard. I do not think it is worth while to have the letter read, but I should like to have it appear in the RECORD, if there is no objection.

The VICE PRESIDENT. In the absence of objection, it will be so ordered.

The matter referred to is as follows:

UNITED STATES SENATE,
COMMITTEE ON BANKING AND CURRENCY,
September 1, 1913.

MARSHALL FIELD & CO.,
Mr. JAMES SIMPSON, *Vice President*,
Chicago, Ill.

DEAR SIR: My attention has been called to your telegram of August 29 to a leading New York paper, in which you express the following opinion:

"We think fullest exchange of opinion between framers of currency bill and bankers absolutely necessary in order to avoid mistakes."

Your telegram was an answer to a telegram sent broadcast Sunday, August 24, by this New York paper, to the following effect:

"Cooperation appears to be lacking between the framers of the administration currency bill and the bankers of the country. Do you feel that the best interests of the business men of the country would be served by a free exchange of opinions between the framers of the bill and representative bankers? The New York ——— would appreciate a short statement from you by telegraph upon a matter which is of vital interest to all."

[Four days previously to this publication the Committee on Banking and Currency had invited these bankers to be heard before the committee, and they had had four previous hearings by the framers of the bill.]

The replies to this dispatch are published from many prominent people from one end of the country to the other—Minnesota, Texas, Tennessee, Ohio, Wisconsin, Colorado, Indiana, Utah, Iowa, Nebraska, etc.—showing that this misleading inquiry was sent broadcast throughout the United States, and, whether intended to do so or not, conveyed the impression that the framers of the currency bill had denied a free exchange of opinions with the bankers of the country. This suggestion is utterly untrue, because, as stated, they had been heard four times and their views were printed for committee use. Such a suggestion, moreover, would excite hostility against the pending measure, on the ground that it was drawn without consultation and without knowledge.

Those drawing this measure have had the most abundant means of knowledge. Congress discussed the question of currency reform very deliberately and at great length immediately after the disastrous panic of 1907 in passing the so-called Vreeland-Aldrich bill. The present chairman of the Senate Committee on Banking and Currency, who had previously to that time given the matter great attention, delivered a speech of three hours on the floor of the Senate discussing this question. This speech received the widespread approval of the press of the United States.

Congress, in passing the Vreeland-Aldrich bill, provided for the National Monetary Commission and appropriated a large amount of money to enable an exhaustive study to be made of this great problem, and hundreds of thousands of dollars were expended for the employment of experts and over 30 volumes of reports were printed, beginning in 1910 and extending up to 1912, giving an elaborate description of the banking system in the British Empire, in France, in Germany, in Belgium, in Sweden, in Switzerland, in Scotland, in Canada, in Italy, in Russia, in Austria-Hungary, Netherlands, and Japan, as well as in the United States, and discussing various matters of banking practice and reform in connection with the American problem.

In addition to this immensely laborious work, the House of Representatives, through the Committee on Banking and Currency, during the last winter gave most elaborate hearings to the bankers and banking experts of the country, including Mr. A. B. Hepburn, chairman of the currency commission of the American Bankers' Association; Paul Warburg, of the great banking house of Kuhn, Loeb & Co.; Victor Morowitz; Leslie M. Shaw; Prof. J. L. Laughlin; Mr. D. G. Endy, chairman of the banking and currency committee of the National Association of Credit Men, accompanied by Messrs. J. H. Tregoe, Charles D. Joyce, and W. W. Orr, representing the National Association of Credit Men; Mr. Festus J. Wade, president of the Mercantile Trust Co., St. Louis; Mr. James E. Ferguson, of Temple, Tex.; Mr. Edmund D. Fisher, deputy comptroller of the city of New York; Mr. Ludwick Bendig; Mr. Samuel N. Wilhite, comptroller of the city of Louisville, Ky.; Mr. William A. Nash, former chairman of the Clearing House Association of New York; Mr. George M. Reynolds, president of the Commercial National Bank, Chicago; Hon. Charles N. Fowler, of New Jersey, banking expert; Mr. Andrew J. Frame, president of the Waukesha National Bank, Wisconsin; John V. Farwell, of John V. Farwell Co., of Chicago, director of the National Bank of the Republic; William T. Creasy, master of the Pennsylvania State Grange; Mr. T. J. Brooks, representing the Farmers' Educational and Cooperative Union of America; Mr. William W. Flannagan, of New York; Mr. William H. Berry, ex-State treasurer of Pennsylvania and a manufacturer; and many others representing the banking business interests of the country.

Their statements were published and comprised a volume of 744 pages. In addition to this, the Committee on Banking and Currency also made a careful investigation into the so-called Money Trust, the testimony being printed in three volumes of 2,226 pages, and a notable report of over 250 pages, prepared by the Pujo committee, Hon. Samuel Untermyer, counsel, showing in tremendous detail the concentration of control of property and credits by Morgan & Co., the First National Bank, and the National City Bank, of New York, through 341 directorships in 112 corporations, having aggregate resources or capitalization of $22,245,000,000. (H. Rept. 1593, p. 88, 62d Cong., 3d sess.)

After the reports had been made by the National Monetary Commission in 1910, the bankers of the country carried on an active propaganda during 1911 and 1912 for the so-called Aldrich bill, which proposed to establish a great central reserve bank on the theory that it would mobilize the reserves, provide elastic currency, and give an immediate market always for qualified commercial paper.

It was currently reported that from $300,000 to $500,000 was spent in this propaganda. The American Bankers' Association approved this bankers controlled central bank. The plan was objected to by the public opinion of the country because of one great fundamental and fatal defect; that is, having been proposed at great public expense for the avowed purpose of being a great public-utility bank, the supreme control was given to the bankers, who would have been guided necessarily, under the laws governing human life, by private interest instead of by the public welfare exclusively.

After the further investigation made by the Banking and Currency Committee of the House of Representatives during the last winter, 1912–13, and before the new bill was actually drawn to comply with the public opinion, the preliminary draft was submitted to various representatives of the American Bankers' Association.

They were thus consulted a second time by those responsible for the present bill.

After the preliminary draft was actually prepared for submission to Congress and before being submitted, the present chairman of the Committee on Banking and Currency of the United States Senate spent seven hours with Mr. Paul Warburg, regarded as one of the ablest representatives of those banking interests and their greatest expert on the question of bank currency. The present chairman also spent over 10 hours consecutively in conference with the representatives of the American Bankers' Association, discussing the details of this bill, and has been in constant communication with bankers from all over the country as well as with leading experts on banking.

After the bill was introduced in both Houses a further and third hearing was accorded to the representatives of the American Bankers' Association by the chairmen of the Committees on Banking and Currency of the House and Senate, also by the Secretary of the Treasury, and also by the President of the United States. In addition, the chairman of the Committee on Banking and Currency of the Senate called for the opinions of over 500 bankers on the pending bill and on the principles involved in it, and 50,000 copies of the bill were sent out for inspection and report. The Committee on Banking and Currency of the Senate has published for its use a volume of such opinions. They have at their disposal a special library on this question of over 2,000 volumes.

The propaganda now being carried on, led by the National City Bank of New York, which has circularized the country against the bill, is obviously intended to discredit the administration and to make it

appear that the bankers have not been consulted and that the committee is not well informed. This misrepresentation has the effect of poisoning the public mind and misleading public opinion. Such misrepresentation will thus promote a private interest against the public interest. It is an open secret that these great concerns, like Morgan & Co., have publicity agents, to whom they pay very large salaries and who are able to create fictitious and false public opinion unduly favorable to the contentions of these great financial companies.

The business men of the country need have no fear that their Representatives and Senators in Congress will act unadvisedly. The representatives of the big banks of the country have been given the most abundant opportunity to be heard; and after they had their Chicago meeting and presented anew their old contentions and requested further hearings, this opportunity was immediately afforded them by telegraph, and the hearings set for 2 o'clock Tuesday, September 2.

I deem it my duty to advise you that you are being misled by an artificial propaganda conducted in behalf of private interests, which does not hesitate to convey to the country the false suggestion that the administration is proceeding without adequate knowledge or without giving a hearing to the bankers of the country.

The rank and file of the bankers of the country constitute one of the greatest, most important, and most valuable parts of our national commercial machinery. They have been of great value in promoting every kind of enterprise, and one of the most useful features of the proposed public-utility banks—the so-called Federal reserve banks—will be to give stability, peace of mind, and greater opportunity to the bankers of the country to render patriotic service.

It is not surprising that a few men, having an enormous control of credits of the country, should oppose surrendering to the United States in any degree the vast power which they have heretofore exercised, enabling them to control credits, to bull and bear the market, to enrich or impoverish other men.

Very respectfully,

ROBT. L. OWEN.

IMPORTATIONS IN AMERICAN VESSELS.

Mr. JONES. Mr. President, something over a week ago the Senate passed a resolution calling on the State Department for copies of protests or correspondence which may have been received from foreign countries with reference to the provision in the tariff bill proposing a discount of 5 per cent in duties on goods imported in American ships. I have endeavored to keep track of the matter so as to know whether any report has come in, but I have not learned of any report. I desire to inquire whether such a report has been made?

The VICE PRESIDENT. No report has come to the hands of the Vice President.

The morning business is closed.

THE TARIFF.

Mr. SIMMONS. I ask unanimous consent that the Senate proceed to the consideration of House bill 3321.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 3321) to reduce tariff duties and to provide revenue for the Government, and for other purposes.

Mr. CLARKE of Arkansas rose.

Mr. SMOOT. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The roll will be called.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Hollis	Overman	Smith, Ga.
Bankhead	Hughes	Owen	Smith, S. C.
Borah	James	Page	Smoot
Brady	Johnson	Perkins	Stephenson
Brandegee	Jones	Poindexter	Sterling
Bristow	Kenyon	Pomerene	Stone
Bryan	Kern	Ransdell	Sutherland
Catron	La Follette	Reed	Swanson
Chamberlain	Lane	Robinson	Thomas
Chilton	Lippitt	Root	Thompson
Clapp	Lodge	Shafroth	Thornton
Clarke, Ark.	McCumber	Sheppard	Tillman
Colt	Martin, Va.	Sherman	Vardaman
Crawford	Martine, N. J.	Shields	Warren
Cummins	Norris	Shively	Weeks
Dillingham	O'Gorman	Simmons	Williams
Gallinger	Oliver	Smith, Ariz.	Works

Mr. SHEPPARD. My colleague, the senior Senator from Texas [Mr. CULBERSON], is unavoidably absent. He is paired with the Senator from Delaware [Mr. DU PONT]. This announcement will stand for the day.

Mr. SHAFROTH. The senior Senator from Georgia [Mr. BACON] asked me to state that he could not be here at the opening of the session, having been detained at the State Department on business.

The VICE PRESIDENT. Sixty-eight Senators have answered to the roll call. There is a quorum present.

Mr. CLARKE of Arkansas. Mr. President, the amendment heretofore offered by me to be incorporated in the pending bill was deferred until to-day for the purpose of permitting me to submit certain observations in support of the propositions contained in it. The terms of the amendment are very well known in the Senate. It proposes to insert as an additional section the following:

CLARKE AMENDMENT.

SEC. —. That upon each sale, agreement of sale, or agreement to sell any cotton for future delivery at or on any cotton exchange, or board of trade, or other similar place, or by any person acting in substantial conformity to the rules and regulations or market quotations of any such cotton exchange, board of trade, or other similar place, there is hereby levied a tax equal to one-tenth of 1 per cent per pound on the quantity of cotton mentioned and described in any such contract: *Provided*, That in all cases where the quantity and kind of cotton mentioned and described in such contract is actually delivered, in compliance in good faith therewith, by the seller to the buyer therein respectively named, the tax levied by this section shall be refunded to the party paying the same in such manner and under such regulations as the Secretary of the Treasury shall prescribe. Any sale, agreement of sale, or agreement to sell, any cotton for future delivery, at or on any cotton exchange, board of trade, or other similar place, or by any person acting in conformity to the rules and regulations of any such cotton exchange, board of trade, or other similar place, in any foreign country, where the order for such sale has been transmitted from the United States to such foreign country and either the buyer or the seller described in such contract of sale is at the time of the execution thereof a resident of the United States, shall be deemed and considered in all respects a sale, agreement of sale, or agreement to sell, for future delivery, of the cotton described therein within the meaning of this section. A corporation organized under the laws of any State or country shall be deemed for all purposes a person within the meaning of this section. All contracts for the sale as aforesaid of cotton for future delivery at the places and by the persons herein mentioned shall be in writing, plainly stating the terms of such contract and indicating the parties thereto and signed by the party to be charged, by himself or his agent. The said tax shall be paid by means of stamps affixed to such written contract and shall be paid by the party named as buyer therein.

That the Secretary of the Treasury is hereby authorized and empowered to make, prescribe, and publish all rules and regulations necessary to the enforcement of the foregoing section and to the collection of the tax thereby imposed. To further effect this purpose, he is hereby authorized to require all persons coming within its provisions to keep such records and systems of accounting as will fully and correctly disclose the transactions in connection with which the said tax is authorized; and he may appoint such agents as he may deem necessary to conduct the inspection necessary to collect the tax herein authorized and otherwise to enforce this statute and all rules and regulations lawfully made in pursuance thereof, as in his judgment may be required, and to fix the compensation of such agents.

That any cotton exchange, board of trade, or other similar place, its officers and agents, or person acting in substantial conformity with the rules and regulations or market quotations of any such cotton exchange, board of trade, or other similar place where contracts for the sale of cotton for future delivery are made in violation of this statute, and every person who is made liable for the tax thereby imposed, who shall fail to pay, or shall evade, or attempt to evade, the payment of the tax levied by this section, or shall otherwise violate this statute, or any rule or regulation lawfully made by the Secretary of the Treasury in pursuance thereof, shall be guilty of a misdemeanor, and upon conviction thereof shall pay a fine in any sum not less than $100 nor more than $20,000; and in case of natural persons or unincorporated associations of persons violating this act an additional punishment by imprisonment for not less than one year nor more than three years may be imposed, at the discretion of the court.

In addition to the foregoing punishment, there is hereby imposed a penalty of $2,000 on each separate sale made in violation of this statute, to be recovered in an action founded on this statute in the name of the United States as plaintiff, and when so recovered one-half of said amount shall be paid over to the person giving the information upon which such recovery is based.

That no person whose evidence is deemed material by the officer prosecuting on behalf of the United States shall withhold his testimony because of complicity by him in any violation of this statute, but any such person so required to give evidence as a witness shall be exempt from prosecution in any court of the United States for the particular offense in connection with the prosecution whereof such testimony was given.

That the payment of the tax levied under authority of this section shall not exempt any person from any penalty or punishment now or hereafter provided by the laws of any State for entering into contracts for the future delivery of cotton; nor shall the payment of taxes imposed by this section be held to prohibit any State or municipality from imposing a tax on the same transaction.

IMPORTANCE OF COTTON INDUSTRY.

The purpose of this amendment is to relieve one of the great primary industries of this country from an incubus that has rested upon it for the past 20 years. The inherent commercial potentialities of the industry involved are such that it has partially withstood a system of brigandage that would have destroyed any other in our country. The production of cotton constitutes the backbone industry of the United States. It is the foundation of the industrial existence and prosperity of 11 of our States. It constitutes the principal source of employment for their people, and contributes annually to the commerce of the country more than $1,000,000,000 in value as a raw material. When manufactured, the possibilities and value of the industry are infinitely increased It is now, and has been for years—more largely in the past than at the present time—the item of export which has maintained the balance in our favor in our trade with foreign countries. For 1912 the following is a summary of our foreign trade:

Exports	$2,170,319,828
Imports	1,653,264,934
Balance in our favor	417,054,894

In the amount of our exports there is included raw cotton, $565,849,271; cotton manufactures, $50,769,511; aggregating, $616,618,782. The exports of raw cotton are 26.07 per cent and cotton manufactures 2.34 per cent, aggregating 28.41 per cent of our entire exports. This showing indicates that our cotton exports constitute nearly $200,000,000 more than the entire balance of trade in our favor. What is contributed to our domestic commerce is a sum so fabulous that the necessities

of the present occasion do not require that it shall be estimated. It will be sufficient on this occasion to say that its value as a raw material is the basis, in a large degree, of the prosperity of nearly every manufacturing center in New England. Raw cotton is the product exclusively of what is known as the southern section of our country, and the census of 1900 shows that 65 per cent of the crop of that year was grown and marketed by white people, and 35 per cent by the colored population. It is evident that the industry is one of the very first importance among the vital elements that go to make up the fabric of our commercial greatness. It ought to be treated fairly. In fact, if there is in the science of government room for extending benefits and conferring favors it ought to be favored. Those who engage in the production of cotton as a business have never enjoyed any of the benefits of the customary policies of favoritism, the existence of which is sought to be justified by a purpose to stimulate the full development of the fundamental industries of the Republic. On the contrary, in the negative way of nonaction, the lawmaking powers of the land have inflicted upon that great industry an injury of the most grievous and demoralizing character. I refer to the business of gambling in the market prices of cotton, nominally contracts for the future delivery of cotton. This pernicious business has attained to proportions wholly beyond the knowledge of the average citizen outside the cotton-producing industry, and is understood very vaguely by many directly interested therein. This business is conducted by two organizations known as cotton exchanges, one of which is located in New York and known as the New York Cotton Exchange, and the other in New Orleans and known as the New Orleans Cotton Exchange. The chief offender is the New York Cotton Exchange. The exchange at New Orleans is a minor affair in its power to bring about the demoralizing results of which the cotton-growing industry complains to-day. In a report made by Senator George to the Fifty-third Congress for the Senate Committee on Agriculture, he said of the New Orleans Cotton Exchange:

> The New Orleans Cotton Exchange, though located in the largest spot-cotton market this side of the Atlantic, is a mere annex to and a subordinate of the New York Cotton Exchange, and so need not be described further than by saying if it had the will to do good it has not the power.

In a speech subsequently delivered in the United States Senate he justified this observation in his report by presenting the following communication from Latham, Alexander & Co., at that time one of the chief cotton-exchange operators in the United States:

> There is always some controlling power or market for every commodity. London is the financial market of the world. New York is the financial market of the United States. There is virtually one stock exchange in the United States—that is the New York Stock Exchange—and the price of every bond and stock that is sold here regulates the price everywhere else. The price of cotton in New York oftentimes controls the price of cotton in the whole world, because this city is presumed to know more about the supply and value of it than anywhere else, and our operators and dealers are oftentimes followed. No small market doing business in contracts—

That is, futures; they call that dealing in "contracts"—

> could survive 24 hours unless their business was conducted on the basis of the prices at controlling centers. If any market for contracts smaller than ours should attempt to sell down prices, cotton dealers in New York could—

They do not say they would; they could do it—

> within a few hours buy all they had to sell. If they attempted to advance prices against quotations in New York, dealers here could within 24 hours offer to sell them more cotton than they could buy.

The conditions thus described probably represent conditions as they exist to-day. In the aspect in which I deal with the question now, I think I am justified in treating the New Orleans Cotton Exchange as a minor affair. It has some very able men connected with it, and its membership and officers have been exceedingly active in opposing pending legislation. Being situated in the cotton-growing section of the country, it should naturally have more or less interest in the man who produces the cotton. But the fact remains that, notwithstanding the frequent attempts to liberalize their plans and policies, they have been wholly unable to do anything in the way of effective correction of the evils that have borne down so heavily upon the cotton producers of the country.

NEW YORK COTTON EXCHANGE THE REAL OFFENDER.

The New York Cotton Exchange is an organization created under the authority of the Legislature of New York. It is a close corporation, consisting of a membership limited to 450. It is located in New York City. The express object of its creation, among other things, is—

> to adopt standards, classify, acquire, preserve, and assimilate useful information connected with the cotton interest throughout all markets, to decrease the local risks attendant upon the business, and tend to promote the cotton trade of the city of New York.

As New York City is not a spot-cotton market, and never can become one, the significance of this enumeration of powers must be evident. The proposition to promote the cotton trade of the city of New York by so formidable an array of talent and power of initiative as there assembled can only mean the creation there by abnormal, arbitrary, and illegal methods of a place where phantom cotton is to be the normal business carried on. The business is a close corporation in the sense that no one save a member can either buy or sell upon its floor. Its rules provide for a liberal system of supplying to its members information relating to the acreage, state of growth, pests, drought, and weather in the cotton region. These trade secrets have been protected as the private and confidential property of its members by the two decisions of the Supreme Court of the United States, one of which is Hunt against New York Cotton Exchange (205 U. S., 115), and the other, Board of Trade against Christy (198 U. S., 251). The latter case is one in which an injunction was secured to restrain an outsider from making use of the market reports of the exchange. In deciding the case the court said:

> The plaintiff's collection of quotations is entitled to the protection of the law. It stands like a trade secret. The plaintiff has the right to keep the work which it has done or paid for doing to itself. The fact that others might do similar work, if they might, does not authorize them to steal the plaintiff's. * * *

The objection being made that the exchange was engaged in an illegal business, and therefore not in court with clean hands, the court added:

> If, then, the plaintiff's collection of information is otherwise entitled to protection, it does not cease to be so, even if it is information concerning illegal acts. The statistics of crime are property to the same extent as any other statistics, even if collected by a criminal who furnishes some of the data.

The reference to the statistics of crime in connection with this particular class of business is significant. It can not, therefore, be said that the exchanges serve a public purpose and are designed to promote the public interest. In the narrowest and most offensive sense it is an institution created to carry on in secret a wholly selfish and purely illegal business. For a long time this cotton exchange was the sole collector of statistical information concerning the extent and condition of the growing crop of cotton. This information, or perversions of it, is communicated to the outside world from time to time in such form as will best suit the purpose of the dominant clique in that institution, and it was habitually so used, and it is so used now, for all that it is worth. The participation of the Government in the matter of collecting and disseminating information along the same lines has somewhat curtailed the value of this private information of the exchanges, but it has not appreciably influenced the full effects that can be produced by the exchanges in the use of their information between the dates on which the Government makes its publications, which is the 10th of each month, I believe. But I shall refer to this again.

Then, the exchange has provided a system of dealing on its boards by which the seller who contracts for the future delivery of cotton is given the sole option to deliver during the month for which he makes the sale. All contracts purport to be made upon the basis of the middling grade of cotton, which is a first-class, merchantable cotton, capable of being devoted to the uses for which cotton is usually employed. There are several grades, the standard one being the medium, or middling, grade. The contracts are all made upon the basis of the middling grade, but with the right on the part of the seller to deliver any one of the 28 grades, varying from the very highest quality of cotton to the very lowest grade than can be rationally called cotton, allowance being made in favor of the higher grades above middling, with a reduction in those delivered below that grade. These differences are not the differences in price prevailing in the market as between the different grades on the date of delivery, but is a fictitious difference established by the cotton exchange itself. It is said by those who are familiar with the business that these are invariably fixed upon an erroneous and unfair basis.

The organization also has committees whose business it is to determine the quotation for futures, covering the months for which there were no transactions during the day, and also one to fix the price relation of the several grades of spot cotton to each other for purposes of delivery on contracts. Very little spot cotton is actually delivered in New York in performance of these future contracts, probably not one-half of 1 per cent of the amount represented by the so-called future sales.

Every contract executed by members of the exchange is required to stipulate that it is the intention of the parties thereto, the one to make the delivery and the other to accept the delivery of the actual cotton described therein. This is done to escape the condemnation of the common law, which would

otherwise attach if the real intention of the parties were to be expressed in the written instrument. At common law the purchase or sale for future delivery of a given product, with no intention to deliver or receive at the time the contract was made but to close the contract on the basis of the difference in price on the date of delivery, is gambling, and has been so invariably treated by the courts. To escape the condemnation of this rule and to give the business the appearance of regularity and legality, this fiction of a declared purpose to make delivery is always a conspicuous feature in the transaction, although in ninety-seven cases out of a hundred both parties understand perfectly well that no such delivery is ever to take place. In fact, the cotton exchange could not do business if it were compelled to make delivery on every contract that was sold thereon. The institution does not purport to be a cotton-dealing proposition. In this connection, I call attention to the extract taken from the report of the Commissioner of Corporations, Mr. Herbert Knox Smith, on cotton exchanges, part 1, page 56, as follows:

It should be clearly understood that while most of these cotton exchanges are corporations, they are not engaged as such in the cotton business in any way. Instead, they are mere associations of individuals who in their financial operations are free to act as they like, subject to the general regulations of the exchange. Exchanges, as such, do not buy or sell cottton, and, except that occasionally some exchanges derive a small income from fees for the inspection or grading of cotton, they have no direct financial interest in the product itself. Their income is derived from membership dues, rents of buildings, investments, or similar sources. This characteristic of cotton exchanges should be clearly appreciated. The impression which appears to exist in some quarters that exchanges in their corporate capacity act as a unit in the cotton market is altogether erroneous. Market operations in cotton are wholly matters of individual concern.

THE COTTON EXCHANGE A GAMBLING INSTITUTION.

In its final elements, and when its operations most nearly approximate the perfection of the scheme that lies at its foundation, it is a gambling institution, and so understood by everybody who goes there to trade. What its victims consider abuses and desire corrected the exchange regards as the most artistic features of the system and desires perpetuated. Its operation has evolved two distinct branches of the business. One is known as pure speculation, or more properly gambling, and the other is known as hedging, which is a qualified form of gambling. The first class is capable of subdivision into two subclasses. The first is composed of members of cliques, organized from time to time among the leaders of the cotton exchange, to arbitrarily fix the price in accordance with the requirements of the particular corner or scheme at the time in hand. This may be either up or down, but is usually in the direction of lower quotations. The second class is what is known as "suckers" or "lambs," or, as Mr. Thompson, ex-president of the New Orleans Cotton Exchange, characterizes them, the "insane or cracked-brain operators" who will take all sorts of chances. This latter class is found most numerously in the South and in the larger cities. The feature of pure speculation, or gambling, in the future business constitutes 95 per cent of it, according to the best estimates that can be made. In the Christie case, above cited, the proof showed that the operations on the grain exchange were about 95 per cent gambling to about 5 per cent where deliveries were made or accepted. The so-called hedging business is in itself nothing but a process of gambling, it is said, forced upon a large class of persons engaged in the business of manufacturing cotton. There is no reason why cotton should be differentiated from any other product of the country in the matter of hedging. Persons who engage therein ought to be willing to run the risk of loss or gain as legitimately incident to the business.

The other group of the gambling class is composed of members of the exchange and their clients, whose object is to arbitrarily create a price quotation that they want to rule for a time. They exert the combined powers of the organization, including the edited reports of information about crop conditions, which they control and doubtless color to suit the demands of the occasion. They are thus formidable beyond the hope of being matched by the mere exercise of judgment of any dealer or manufacturer. This cotton exchange thus stands there with a perpetual declaration of war against this industry and all who are engaged in it, and the dealers and spinners assume that they must pay a ransom to protect themselves from its ravages. Buyers and spinners therefore go upon this exchange to hedge their transactions in actual cotton, not because they are not willing to take the natural risks that are involved in the business, but because they are afraid that while they are employed about other branches of their business this diligent and unscrupulous commercial enemy may fictitiously create such conditions as will adversely affect the product upon which their whole business is based. They therefore resort to the exchange for the purpose of hedging; that is to say, making a countersale or purchase of what they have already sold or purchased in fact. For instance, a spinner who buys cotton will go upon the exchange and sell an equal amount, namely, he will agree to deliver to some unknown purchaser an amount of cotton equal to the amount that he has bought and is at that moment putting through process of manufacture. The last thing in the world he desires to do is to deliver cotton to anybody. He is engaged in the purchase of raw cotton and the manufacture of goods therefrom and not in selling cotton, although he is compelled to sign a contract in which he agrees to deliver a commodity which everyone else knows that he never will deliver. You have only to read the statement of Mr. Lewis W. Parker, of South Carolina, which is quite extensively quoted from in these remarks, to find out what he thinks about that. Bearing on the class of operators who resort to the exchange for the alleged purpose of hedging with reference to their intention to carry out that part of the contract which requires them to receive or deliver the cotton. I here append the following statement from the report of Herbert Knox Smith on cotton exchanges, page 155, and from several reputable cotton merchants and spinners:

Buyers ordinarily run from notices in this [New York] market and in any other market unless they want the cotton. Speculative buyers do not have money to take up the cotton, as a rule. They run from their contracts in New Orleans; not so much in Liverpool, because Liverpool is primarily more a spinner's market.

The absolute inability of the buyer at the time he enters into the contract to stipulate what grades he will take or to know what grades he will be compelled to take injects into the transaction under the periodic difference system an enormous element of uncertainty. This uncertainty may properly be said to give the contract much of a gambling character. So far as the buyer is concerned, the transaction comes very near being a lottery. The seller has not only the extremely valuable privilege of selecting but also the inducement to select from the wide range of grades which he can tender to best advantage to himself or, conversely, to the greatest disadvantage to the receiver. A contract which permits any such advantage to one party is obviously an inequitable contract; and the inequity is not overcome by merely stating that it is not concealed, but is known to both parties. (P. 271.)

REAL DELIVERY NEVER CONTEMPLATED.

I quote an extract from the testimony of Mr. Lewis W. Parker, of Greenville, S. C., given on May 14, 1910, before the Select Committee to Investigate Wages and Cost of Commodities, Senate Document No. 847, Sixty-first Congress, third session, volume 2, page 938:

Mr. PARKER. The seller has no option but that of delivering, if delivery is called for. I may, for certain reasons, as I will explain to you later—I may run away from delivery, and as a general proposition I do run away. I do not want to take it, and I run away from it; but if I stand pat and say, "Here, I want my cotton," I think I will get it.

Senator CRAWFORD. You want to run away from the delivery, and he doesn't want you to run away from it, and in that case can he make you take it?

Mr. PARKER. I can run so fast he can not catch me. I can sell the cotton so cheap to get away from the delivery that I simply play into his hands and give him an extra profit over what he counted upon. * * *

Now, I am president, as I stated, of the American Cotton Manufacturers' Association, which has approximately 1,000 members, of which 500 are southern spinners, approximately, and 500 are northern; we are just about evenly divided. The American Cotton Manufacturers' Association, as far back as five years ago, began urging changes in the New York Cotton Exchange rules, because the rules of the New York Cotton Exchange are altogether in favor of the seller—give every option to the seller, give him every advantage than can possibly be given to him, and make it so that a man rather than take up cotton on the exchange runs away from it, and it is that fact that he does run away from it—that is why there is this constant disparity between cotton contracts on the exchange and absolute spot cotton.

That is to say, the prices quoted by the board for future cotton are very much lower than the price of actual cotton. That testimony is repeated by a number of cotton buyers and represents a standard method of treatment. The actual deliveries on the exchange hardly amount to one-half of 1 per cent of the sales.

The following is an extract from the testimony of Mr. Julius Lesser, of St. Louis, then the principal cotton dealer west of the Mississippi River, taken by Senator George for the committee, at page 41 of the report:

Q. About how many contracts of that sort have you made in your business?—A. Several thousand bales of contracts.

Q. Were you ever required to deliver when you sold?—A. Never; because I did not allow the time of delivery to get near enough before I would close the trade.

Q. Did you close out before the time of delivery because you feared that delivery would be made?—A. I always closed trades of that kind as soon as we were fully protected in buying our spot cottons wanted to fill our orders. I can not say I feared the delivery of contract cotton in New York, but do say I did not want their delivery.

Q. Has delivery in these trades of yours ever been tendered?—A. As stated before, I never allowed the time to come near.

Q. Has delivery ever been demanded?—A. I never waited near enough to have it demanded.

Q. (p. 42). Are you willing to say that the general, if not the universal, expectation of those who deal in futures as indemnity is that no delivery of cotton will either be tendered or demanded under such contracts?—A. I have stated that before, that while we indemnify against loss and are able to move the crop from the South, buying daily without any restrictions, we do not intend to receive or tender any actual cotton on contracts in New York.

The following extracts are from the report of Herbert Knox Smith, Part IV, page 9:

The future market, aside from its major movements, is almost always in a state of oscillation. * * *

Under these circumstances the prices paid producers obviously will fluctuate—except to the small extent that limits might be departed from—directly with fluctuations in the future price thus used as a basis. While this means that some individual producers sell their crops on these minor depressions of the future price, this would not result in injustice to producers as a class, since others would sell at a corresponding advance.

* * * * * * *

Thus this comparison of actual prices confirms the conclusion reached from the study of limits. It is therefore clearly established that the influence of abnormal discounts of future prices is not fully offset by changes in limits, but that they exert a depressing effect upon the prices paid the producer; and that this effect, while less pronounced than the producers often assert, is nevertheless appreciable. * * *

To a certain limited extent such abnormal discounts of future prices tend to depress the prices paid producers, not only intermittently, but constantly. * * * Anything which has a tendency to increase the risks of hedging merchants, as such abnormal discounts of future prices unquestionably do, has a tendency at least to force these merchants to demand a wider margin to cover their expenses and profit than they would require if they were properly protected. This means, of course, that the price which merchants are willing to pay the producer is thereby depressed. Furthermore, this influence, as just stated, operates almost constantly so long as the cause of such additional risk is not removed and not merely from time to time.

It is conceded that the deliveries of actual cotton on the New York Cotton Exchange in performance of future contracts are merely negligible, rarely amounting to 1 per cent of the amount of transactions there. The gamblers habitually employ the facilities of the exchange to manipulate the price for the purpose of making money in this improper and reprehensible way. The chaos that they are thus able to create in the calculations of any legitimate dealer or manufacturer is such as to make it to his interest to minimize its effect by hedging with the authors of this commercial disorder. It is said that they involuntarily resort to the exchange for this protection or insurance—but insurance against what? Insurance against the machinations of the very fellows whom they are paying to protect them. And the manner in which they protect them is quite well detailed in the extended quotation from the testimony of Mr. Lewis W. Parker, contained elsewhere in these remarks. I have drawn largely upon the statement of that gentleman, because his observations are very recent and represent an extensive and personal experience by an intelligent man, who is possessed of the capacity and independence to accurately relate the treatment accorded to him. He testifies in the main that he has no prejudice against cotton exchanges further than the actual facts in the case warrant him in entertaining.

It will serve my present purpose very well to read here somewhat at length the testimony given by Mr. Parker before the Committee on Agriculture in the House of Representatives on the 9th of February, 1910:

TESTIMONY OF MR. LEWIS W. PARKER, OF GREENVILLE, S. C.

Mr. PARKER. My name is Lewis W. Parker. My address is Greenville, S. C. My business is cotton manufacturing. I am the managing officer—president and treasurer, one or both—of eight mills, viz: The Olympia Cotton Mills, Columbia, S. C.; the Granby Cotton Mills, Columbia, S. C.; the Richland Cotton Mills, Columbia, S. C.; the Capital City Mills, Columbia, S. C.; the Mononghan Mills, Greenville, S. C.; the Victor Manufacturing Co., Greers, S. C.; the Apalachee Mills, Arlington, S. C.; and the Beaver Dam Mills, Edgefield, S. C. Those are eight mills of which, as I say, I am either president or treasurer, or both, and I am director in quite a number of others. I am at this time president of the American Cotton Manufacturers' Association. Personally I represent and control about 350,000 spindles. * * *

I think I control more spindles in the South than any other person. I wish to have it understood, though, that I do not appear in my capacity as president of the American Cotton Manufacturers' Association. * * *

One of the Senators asked him how he protected himself. Mr. Parker replied:

I use 75,000 bales of cotton a year, and I have never yet been able to find a way. I study the subject every year, and think I have got something, and I have never yet been able to find a way. If I do it by buying futures on the exchange, before I get through I will find that the futures are away below a parity with spots; I have lost on my futures and have to pay a high price for the spots. If I do it the other way, by buying the spots and selling the futures against them, I am buying the spots before I have sold my goods. Then the futures are put up on me; I have a loss on my futures, and I have my spots at the high price. So I have never yet found a way of hedging the cotton.

Mr. BROOKS. Could Congress regulate the rules of an exchange?

Mr. PARKER. No, sir; I do not suppose Congress could regulate the rules of an exchange. And if the rules of the exchange are not regulated so as to be just to the producer and just to the manufacturer, and if their power of speculation is so reserved to them as to be an unreasonable and unfair speculation, to say the least of it, then I contend that Congress in its power must come to the relief of the producer and the consumer, and say to the exchange: "Under your present conditions you are doing an illegitimate and a gambling business, and therefore we must exclude you * * *."

To illustrate that, Mr. Chairman, in January, 1908, I bought 5,000 bales of cotton from a certain intermediate man—a thousand bales a month—for delivery in January and May, inclusive. At that time New York contracts were selling at 9.90 for May. I bought those 5,000 bales of cotton at 110 points on May. To begin with, that was an absurdity, that I should be buying cotton in South Carolina and having to pay, where the cotton is raised, 110 points more than it was theoretically worth in New York. That was an absurdity on its face. But the New York Exchange quotations then were away below the parity, away below the price of spots. Therefore the intermediate man said: "I have got to ask you 110 points on New York." I agreed to pay 110 points on New York for those 5,000 bales. Futures were 9.90. That made the spot cotton cost me 11 cents.

What happened? Spot cotton advanced; and when my friend went to deliver the spot cotton to me he had to pay 12½ cents for it in place of 11 cents. What became of futures? Although spot cotton advanced a cent and a half, futures went down a quarter of a cent. What was the result? The man broke. He could not stand the strain. He has a loss there. That was only one of many contracts he had. It was a perfectly legitimate sale.

The CHAIRMAN. Do you know whether he had attempted to protect himself?

Mr. PARKER. Oh, yes; he bought futures. He had the futures. He bought futures at 9.90.

The CHAIRMAN. And he "went broke" because futures went down?

Mr. PARKER. Futures went down and spots went up.

Mr. BEALL. He lost on both sides?

Mr. PARKER. He lost on both sides of the market; and that is constantly happening. I say to you as a spinner to-day that I do not care how strong an intermediate man may be; I do not care whether it is George H. McFadden or not; I do not care how strong he is; it is always a serious question with me, when I buy up spot cotton from the intermediate man, as to whether he will be able to stand the strain of the differences existing between spots and futures. * * *

Now, take a case, Mr. LEVER, where I have bought 1,000 bales of cotton from the intermediate dealer. I have bought it at the price of New York futures, we will say. He agrees to sell me, at May quotations, a thousand bales of cotton for delivery in March, April, or May. He has not got the cotton there. He buys the futures. He immediately becomes interested in the sustenance of those futures. He wants to see futures at least sustained on a parity with spots. Suppose futures go down. The minute futures go down he has a loss in his future transaction. He is going to make that good by trying to force spot cotton down correspondingly. And there is one very serious effect that the fluctuation of futures has on spots. The very minute the intermediate man who has sold me cotton buys futures he becomes a bear on the market, especially if the futures decline, because he has a loss on his futures. In order to save himself from that loss he is trying to force a corresponding decline in spot cotton, and it is futures which in the end fix the price of spot cotton. * * *

Now, gentlemen, so far as I am concerned, that is all I have to say as representing myself as a large consumer of cotton. I feel that the exchanges to-day, as now operated, are not of advantage to the consumer of cotton. I am satisfied they are not of advantage to the producer of cotton. Notwithstanding the most illustrative reports of the Government officials, notwithstanding the earnest protests of the millmen who are the consumers, and notwithstanding the protests of the producers, it seems impossible to make our friends on the exchanges realize the justice and fairness of our complaint. The complaint, I feel, is just and fair. I feel, therefore, that the only way in which we can hope for relief is through Government action. If the Government, speaking through your committee, feels that the effect of these exchanges is unfortunate for trade, that their effect is to depress the value of the product of the producer, that the effect is to disorganize the business of the manufacturer, and that the result of that is speculation, and that these exchanges, through the rules that they adopt, favor speculation—I say if your committee feels that—I feel that we as consumers of cotton and my friends as producers of cotton have a right to come here together and ask for action from your committee. * * *

Just allow me to say (and I am sure my farmer friends will agree with me in this) that my fight and their fight lies in educating our farmer friends to properly warehouse their cotton as you do your wheat in the West and market it gradually during the season rather than to take and put it all on the market at one time. * * *

Q. What effect, in your judgment, would it have if the Liverpool Cotton Exchange were the only cotton exchange in the world to dictate the price of cotton?

Mr. PARKER. My information—I have never traded on the Liverpool Exchange on the spot—is that the speculative feature of the Liverpool Exchange is almost altogether from America; that the Liverpool Exchange is used very little for speculation by the Englishmen; that it is America that speculates on Liverpool to bring Liverpool up or down to the American exchanges. * * *

I think that if the Liverpool Exchange were the only one, unquestionably a certain amount of speculation which is now done on the New York and New Orleans exchanges would be transferred to Liverpool. And if the effect of that speculation on New York and New Orleans is—as I think it is—to depress the market, I think it would have the same effect on the Liverpool Exchange; it would have a depressing effect. But, at the same time, I think no condition could arise under which the crop would be sold over, as now, 20 or 30 or 40 times a year on the New York and Liverpool exchanges. I think the amount of speculation would be infinitesimal compared with what it is now. * * *

Mr. BURLESON. Right on that point, is it not a fact that the farmers' organizations throughout the South are now adopting means to warehouse their own cotton? Are they not building up a system of warehouses all through the cotton section?

Mr. PARKER. I consider that the farmers' organizations in the South have been of the greatest assistance in the maintenance of prices; and I think the method you suggest is one of the means that they have adopted and have properly adopted. * * *

Mr. LEVER. What would be the ultimate effect on producer and spinner of the abolition of the exchanges in this country?

Mr. PARKER. It would revolutionize, of course, the character of the present business. I would not sell ahead, as I now do, covering on the exchange, without having made absolute purchases of my cotton—spot cotton. But it would not effect me in my sales ahead. I would have to readjust my business, and I would readjust it and buy the spot cotton, put it in my warehouse, and carry it. * * *

Mr. LEVER. There would be no difficulty, then, in readjusting your business so as to meet it?

Mr. PARKER. I do not think so; no sir. I do not think so. I have regretted exceedingly to have a condition arise where I felt that the exchanges had to be abolished. But I do say that if the exchanges do not respond to this just demand, then there is nothing to do except to regulate them. I do say that they have not responded, and, judging from the past, I can not hope that they will do so in the future. * * *

I think that if the effect of doing away with the exchanges would be to have warehouses to take care of all the cotton, it would be worth many, many times any possible harm that would come from the abolition of the exchanges. Unfortunately too many of our planters now let their cotton stay out in the weather right through the winter and do not warehouse it. If, by the abolition of the exchanges, we could force them to a condition where they would warehouse their cotton, it would be the best thing in the world for all of those interested in cotton.

Mr. SIMS. But it is a fact that there are warehouses to take care of cotton now.

Mr. PARKER. There are; and the most intelligent farmers are now learning to avail themselves of them.

Q. Is it not a fact that during the last three years there have been about 2,000 of them built?

Mr. PARKER. Yes; there are a great many small warehouses being built all around.

The CHAIRMAN. Is it the practice of those warehouse companies to receive the cotton and charge so much a month for warehousing it?

Mr. PARKER. That is right.

The CHAIRMAN. Or do they advance a certain portion of its value?

Mr. PARKER. There are different methods pursued. They all charge for the storage. Some make an advance upon it directly. The general method, though, is that they give a warehouse receipt to the farmer. Once we get capital assured of the safety of the warehouse receipt, and that the cotton will be kept there until it is needed, and the receipt can be hypothecated in the banks at a reasonable rate of interest, the effect has been (and I think Mr. Burleson will bear me out) that in the last three years the rates of interest on cotton collaterals have declined very greatly in the South. I have been able, myself, to help in placing loans for farmer friends this past season as low as 5 and 5½ per cent, and last season as low as 4½ per cent, whereas in the South, previously, our rates have been 7 and 8 per cent.

Mr. Parker knows exactly what he is talking about. His statements represent his actual experience, not only as the most extensive cotton spinner in the South but as president of a national organization that embraces in its membership a thousand spinners who are actively engaged in the business of manufacturing cotton. His statements are entirely in harmony with the information that anyone can derive from other perfectly authentic sources. In fact, what he says is common knowledge among those who are informed about the business. In addition to the testimony given by Mr. Parker before the House Committee on Agriculture, he testified before the Senate Committee to Investigate Wages and Cost of Commodities on the 14th of May, 1910, and I make further extract from his testimony then given, volume 2, page 947. The vice of the whole future-gambling system, as it exerts itself on the legitimate manufacturer of cotton, was uncovered by a single question propounded by the senior Senator from Utah [Mr. SMOOT], noted everywhere for the hard, practical sense which characterizes his consideration of every commercial question. The following is the statement made by Mr. Parker in answer to the questions propounded by Senator SMOOT and Senator CRAWFORD:

SYSTEM FORCES EVERYONE TO BECOME A SPECULATOR.

Senator SMOOT. Then it resolves itself right down to this, that if you yourself are going to deal in futures in goods, you have got to deal in futures in cotton?

Mr. PARKER. I agree with you on that.

Senator CRAWFORD. You make the best money on your keenness in judgment in making contracts for the future sale and delivery of your goods; isn't that true?

Mr. PARKER. I will tell you that I think speculating in cotton is doing more trouble than anything else. If the present conditions are to be continued, then I tell you I am not a legitimate business man or a manufacturer, but I am a speculator.

It is not a possibility for any cotton dealer nor for any manufacturer to maintain his distinct attitude as such in his business as long as the New York Cotton Exchange is permitted to carry on the business in which it is now engaged. Mr. Parker distinctly admits as much, and what he has admitted can be established by every other person engaged as he is in an effort to confine himself exclusively to the legitimate business of manufacturing cotton. The process by which this commercial outlaw is practicing its impositions upon the great cotton industry is the result of growth and evolution. The wit of no one man was ever sufficiently perverted to invent any such scheme in a day. Every time something new in the line of vitiated ingenuity has been brought to the surface by an actual transaction it has been concreted to the laws of the New York Cotton Exchange. In addition to giving the seller the option, the laws of the exchange do not require him to deliver merchantable grades of cotton, but, to the contrary, encourages him to a course of virtual fraud upon his contract by giving to him the privilege of delivering cotton wholly unsuited to purposes and use by any spinner. The buyer is still further handicapped and penalized by being required to accept only certificated cotton; that is to say, cotton which has been arranged to serve the ultimate purpose of the exchange of deterring any deliveries at all. In support of my assertion that cotton intended to be delivered to those who subscribe to the rules of the gambling game sufficiently to manifest a willingness to accept deliveries are deliberately circumvented by what is permitted by the rules of the exchange, I submit the following extracts from Herbert Knox Smith's report on cotton exchanges, on the pages indicated:

Herbert Knox Smith's report, parts 2 and 3, page 156:

From various statements made to representatives of the bureau, however, it appears reasonably certain that the privilege of tendering a miscellaneous assortment of grades in the New York market has at times been abused by individual deliverers. Such abuses are not confined to the New York market, although they appear to have occurred with special frequency there. For instance, in the Liverpool market, where the deliverer is allowed to tender 4 marks on a single contract delivery, it is said to be a general practice of sellers to mix deliveries to this extent, even though they may be put to some trouble in doing so. In the same way, in the New Orleans market, where tenders are admittedly much more satisfactory than at New York, certain sellers who found that a mill was able to use the deliveries are said to have made a special point of tendering a grade of cotton not adapted to the requirements of the mill in question. * * *

As a matter of fact, no large amount of time was spent in investigating this charge as to the mere point of intent or motive, for the simple reason that, as a matter of fact, tenders are ordinarily so mixed as to be objectionable. The fact of this condition was considered of more importance than the personal motives which might have been responsible for it. The opportunity is clearly open for abuse of this privilege in either the New York or the New Orleans market.

The long and the short of the whole business is that the New York Cotton Exchange and its New Orleans parasite as well are engaged in a systematically organized raid upon the prosperity of those engaged in the cotton-producing business. The members of the New York Exchange exact a charge in the way of brokerage fees from its victims and its involuntary coconspirators, the spinners, of at least $10,000,000 a year for transactions on its floors. Up to 1907 it was possible to get authentic information concerning the amount of phantom cotton bought and sold on that exchange. Since that time no reliable information can possibly be obtained. Instances have occurred where prominent members of the exchange were interrogated on oath as to the extent of these operations there, and they have invariably answered that they knew nothing about the matter, no record thereof being kept. By a process of comparison it has been indicated as a fairly justifiable estimate that the transactions there exceed the amount of the actual cotton crop produced from ten to twenty times. A conservative estimate would be that the transactions on that exchange amount to 100,000,000 bales of future cotton, where the crop of actual cotton will not exceed 15,000,000 bales, and that the fees paid to the brokers for these transactions will amount nominally to $15,000,000 annually, but when we make deductions therefrom for that part of the business known as "wash sales," which are collusively made between the members of the exchange for the purpose of creating market quotations to serve some prearranged corner or raid, it can reasonably be assumed that the amount of money taken as brokerage fees from nonmembers who deal on that exchange easily amounts to $10,000,000 annually. A "wash sale" is one made by one member to another who, either directly or indirectly, during the day sells back to the member from whom he bought an equal amount of cotton. It implies collusion, and many times is resorted to to circumvent some speculator or investor not a party to the deal. The amount taken from pure speculators or gamblers amounts to $75,000,000 a year according to estimates. In connection with this matter of the extent to which future deals are made on the New York Cotton Exchange, I submit the following extract from Herbert Knox Smith's report in a table given at page 273, parts 4 and 5:

Year.	Cotton crop.	Sale of futures.
	Bales.	*Bales.*
1893	6,700,365	53,245,400
1894	7,493,000	37,888,460
1895	9,901,257	29,308,500
1896	7,161,094	56,469,000
1897	8,532,705	36,113,000

As a possible explanation for this, and a justification for it, as nearly as it can be justified or explained, I submit the following extract from Mr. Smith's report, at the pages indicated:

The extent of hedging can only be estimated; opinions as to its volume vary widely. Estimates obtained by the bureau of the annual total of hedging transactions in the New York, New Orleans, and Liverpool markets combined range all the way from 20,000,000 bales or less to more than 125,000,000 bales. An exporter at New Orleans estimated that a 13,000,000-bale crop would easily furnish 26,000,000 bales of hedging transactions in the three markets combined. A New Orleans factor estimated that the combined hedging operations in these markets in the season of 1906–7, when the crop was about 13,500,000 bales, might easily have amounted to 50,000,000 bales. In his opinion the proportion of hedging transactions in the total of future dealing was largest in Liverpool and smallest in New York. Other merchants interviewed estimated that an ordinary crop of cotton is hedged all the way from one to five times. As each hedge eventually means both a sale and a purchase, every hedge counts twice in the total of future transac-

tions; that is, if 13,000,000 bales of cotton were hedged once this would ultimately contribute 26,000,000 bales to the total of future transactions.

Whatever the volume of hedging transactions proper may be, there can be no doubt that future trading is largely made up of what are commonly regarded as purely speculative—though not necessarily gambling—transactions, and that without such operations on an extensive scale the future market would be impracticable. The best evidence of this is the repeated failure of attempts to establish organized future trading in cotton in markets where speculation was practically absent. Thus, in the season of 1906–7 an attempt was made to establish future trading in cotton at Memphis, but the movement fell flat from the start, chiefly owing to the fact that there was no speculative business. Similar attempts have been made on the Mobile, Savannah, and Galveston Cotton Exchanges, but in every case without success. In all of these markets there are merchants who employ buying and selling hedges extensively, so that this feature of the business was not lacking. * * *

It is true that transactions in future contracts on either the New York or the New Orleans Cotton Exchange in any year ordinarily represent a volume of cotton vastly greater than the total crop. It is not unlikely that the combined transactions in futures on the two exchanges in some years represent 10 times the volume of the crop. The greater volume of transactions is due, in part of course, to the fact that contracts repeatedly change hands during the period from the time that they are entered into until the date of maturity (p. 268).

The cotton-exchange interests insist that if the pending amendment shall become law the business of dealing in cotton for future delivery on the exchanges of the country will cease. The logic of that statement is that, unless the so-called speculative, or gambling, element is allowed to make money illegitimately, the so-called hedging branch of the business will be discontinued. In Mr. Smith's report on cotton exchanges, at page 161, this observation occurs:

The chief reason for a future system is that it renders some service to the trade. If the future system consisted merely in the exchanging of contracts between speculators, without conferring some benefit upon *trade as a whole*, an exchange would have no right to exist. No matter how correctly such speculators might judge crop conditions and forecast prices, if their operations did not confer some advantage upon the trade and the community at large, an exchange under such conditions would be little more than a gambling place.

GAMBLING NOT TO BE DEFENDED.

The indefensible doctrine is thus declared that a wholly vicious business must be permitted to continue if, by indirection, some good or profit shall result to a small number in the community. The rule is, you must so use your own that no harm to others do. It is not true that when the character of the work done on the cotton exchanges is wrong and oppressive to a class of persons, that this wrong should be allowed to continue because, in some remote way, some one has been able to make such terms with those in control as will minimize his losses due to the commercial disorder produced by them. The fact of the business is, from the very first page to the very last of this very able and exhaustive report made by the Commissioner of Corporations, there is an arraignment of the cotton exchanges and their present methods of doing business. The admonition has been repeatedly given that they must change their methods or else they must expect to be dealt with as others are who habitually violate the laws by which society is maintained.

The report has now been before the public for more than five years and no changes have been made in their methods, and the New York exchange solemnly insists that no changes can be made and its essential purpose preserved. They contend that the exchanges are not places where cotton is bought and sold. They simply deal in the element of price, naturally or artificially produced. The institution has nothing whatever to do with the handing of actual cotton or its manufacture. It is an interference with its plans to even talk about the actual delivery of cotton. They deal with it in its theoretical and not in its practical aspect. They fix the price to suit themselves when they can create conditions by invoking the combined powers of the organization. Sometimes they operate in the interest of the spinners, and sometimes they will buy or sell for a well-organized and gigantic clique of cotton-exchange members and their allies in opposition to the spinners. The producers are never consulted. They never appear there. They have no voice in what is taking place and no notice that it will take place. The fluctuations are so rapid there that the local buyers with whom the actual producers deal, especially the small producers, are constantly perplexed by this artificial activity, and in order to be on the safe side the first-hand buyers from the small producers must give themselves the benefit of this uncertainty by a reduced offer. The larger dealers may keep themselves closely in touch with what is going on in the New York Cotton Exchange, but it is not true with the scattered and disorganized producers and small buyers at interior points, where probably the greater part of the cotton is marketed. The vice of the whole system is directed against the small producer and the small dealer, who have no cotton-exchange connections or means by which they can protect themselves even if they did. The whole trend of modern progressive action is to help the fellow at the bottom and to make it easier for the man who is willing to work to do so in such a way as will bring to him a fair part of the value he produces. All of our modern legislation is characterized by this enlightened purpose and policy. The cotton growers of the South should not be the only victims whose wrongs shall pass unnoticed.

The representatives of the cotton exchanges in the discussion of this subject imply that they are the guardians of the cotton raisers of the South; that, in fact, if it were not for them there would be no market for cotton and that the whole business would fall into disuse and demoralization. Such a contention is grotesque and would excite mirth if it did not relate to a subject so serious. The South is about as independent in its commercial relations as any part of this country, and if it shall only have fair play in the framing of the laws of this country it will excel in commercial and industrial progress and power any other section of the land. Its industries and its activities are not dependent upon any measure of bounty doled out to it by 450 cotton gamblers in New York. There is a growing independence manifest in all kinds of commercial employment all over the South. There is not a State in which cotton is grown that does not possess sufficient banking facilities to take care of every bale of cotton produced in that State. It is the foundation industry of them all, and its beneficent effect runs into every channel of trade and affects every calling. Everybody's business depends upon it, and everybody locally concerned is interested in seeing that the great staple is permitted to sell on its own merits and to bring into the section where it was produced its real value. The spot-cotton business is now carried on upon a perfectly satisfactory and independent basis, and this wholesome condition is increasing in strength and usefulness all the time. The last 10 years have been years of prosperity in the southern cotton-growing section. Even now there is a very large number of farmers who are sufficiently financially independent to be consulted in the negotiation before they part with their cotton. This is not only due to the bettered financial condition of the farmers, but because they understand better than they ever did before the conditions that surround them. They, therefore, are but slightly alarmed about the threat of the exchanges that they will permit the business to drop into hopeless demoralization if they are not permitted to rob the industry annually out of $100,000,000. Many of these cotton-exchange impositions are such as to increase the price that the consumer pays without giving to the producer his proper share of what the consumer pays, produced by abnormal market arrangements. Existing conditions show their evil effects in a course of dealing that requires that the price must be higher after the cotton has passed out of the hands of the producer into the hands of some middleman. I submit a table here which presents as strikingly as anything can the necessity for a more rational system of marketing:

Comparison of autumnal low price for cotton and subsequent high price for 12 seasons.
(Cotton season commences Sept. 1.)

[As shown by quoted value middling cotton, New York.]

Season.	Price.	Date.	Variation.
			Cents.
1901–2	Autumnal low price, 7.80 cents	November, 1901	2.00
	Subsequent high price, 9.80 cents	April, 1902	
1902–3	Autumnal low price, 8.30 cents	November, 1902	5.20
	Subsequent high price, 13.50 cents	July, 1903	
1903–4	Autumnal low price, 9.50 cents	October, 1903	7.75
	Subsequent high price, 17.25 cents	February, 1904	
1904–5	Autumnal low price, 6.85 cents	December, 1904	4.55
	Subsequent high price, 11.40 cents	July, 1905	
1905–6	Autumnal low price, 9.85 cents	October, 1905	2.75
	Subsequent high price, 12.60 cents	December, 1905	
1906–7	Autumnal low price, 9.60 cents	September, 1906	3.95
	Subsequent high price, 13.55 cents	August, 1907	
1907–8	Autumnal low price, 10.60 cents	November, 1907	1.60
	Subsequent high price, 12.20 cents	June, 1908	
1908–9	Autumnal low price, 9 cents	October, 1908	4.15
	Subsequent high price, 13.15 cents	July, 1909	
1909–10	Autumnal low price, 12.40 cents	September, 1909	7.35
	Subsequent high price, 19.75 cents	August, 1910	
1910–11	Autumnal low price, 13.60 cents	September, 1910	2.55
	Subsequent high price, 16.15 cents	May, 1911	
1911–12	Autumnal low price, 9.20 cents	December, 1911	4.20
	Subsequent high price, 13.40 cents	July, 1912	
1912–13	Autumnal low price, 10.75 cents	October, 1912	2.65
	Subsequent high price, 13.40 cents	January, 1913	
			12)48.70
	Average variation between high and low extremes		4.05

The average variation between the autumnal low price and subsequent high price is 4.05 cents per pound, equal to $20 per bale. Assuming that one-half of this could be saved by gradual marketing, the resulting gain to the cotton growers of the South would be $10 per bale. On the present average crop of 15,000,000 bales this would be the equivalent of $150,000,000 a year.

This would not be an added tax on the consumer, for, aside from the fact that two-thirds of the cotton crop is exported, it is probable that the consumer now pays the average price of the season, and the difference between it and the minimum low price is the profit exacted by the middleman for the theoretical risk of buying cotton when it must be sold.

The discussion incident to the pendency of this amendment has been valuable in more directions than one. It has at least established the fact that the so-called hedging business carried on by the exchanges is tolerated by them as a sort of investment in popularity. Every vicious and demoralizing business must have some way by which it can at least attempt to justify its existence and to protect itself against the force of an aroused public opinion. In this particular instance the hedgers and their friends perform this service for the room gamblers, who could not openly defend their part of the undertaking. So completely is this true that it is now openly declared that the source for funds to make hedges safely is the unprotected speculator or actual gambler. In other words, the exchange will not carry on the hedging business unless it is also permitted to carry on the gambling business. In this connection I quote a statement from a very plausible and able paper on the general subject prepared by Mr. William B. Thompson, late president of the New Orleans Cotton Exchange, and dated July 21, 1913:

NO GAMBLING, NO HEDGING.

The source of the supply of hedge contracts is speculation (gambling). Traders with different views as to the future course of prices meet in the future market and either in person or through brokers offer to buy or sell. From this nucleus the broad hedging market develops. It is quite true, as has been alleged, that the hedging nonspeculative contracts constitute the bulk of the trading in the future market, and that through the meeting of many such traders it often happens that by transfer and exchange both parties to the contract are nonspeculative hedge traders, but the fact remains that the basis of the underwriting function is the risk assumed by the speculative—

Gambling—

division. If therefore speculation—

Gambling—

be eliminated from the future market, the basis of the hedging market is destroyed. So if you prohibit speculation—

Gambling—

the hedge market will suffer likewise and there will be little or no revenue therefrom.

The purpose of this amendment is to differentiate the two classes. It is as probable as anything depending upon a future contingency can be that the "sucker," "lamb," or purely speculative element will not pay 50 cents a bale for the privilege of gambling. The ideal "sucker" on the cotton exchange is the one-or-two-dollar-a-bale-margin dealer. It is easy to get rid of him by prearranged fluctuations, and thus get him out of the way so that he will no longer be any trouble and have his margin entered on the books as a real profit in the transaction. These fellows will not pay the tax and the commission when there is a certainty that just an ordinary daily fluctuation will leave them without an interest in the game. Without the possibility of this accumulation of small margin dealers it is said that the exchanges will not take upon themselves the risks incident to deals made by spinners and strong dealers.

These latter can easily keep their margins good until the maturity of their plans, at least until the accomplishment or failure of the purpose they have in view. The rules of the exchanges are so adjusted that they may be mulcted quite liberally, but not to the extent that the ordinary inexpert speculator is, this being the graceful term used to describe him after he has been separated from his cash. I think the New York Cotton Exchange is wholly bad and has no right to exist. There is not the slightest possibility of its being a real service to the cotton industry, and its longer continuance under present conditions is detrimental in the highest degree to the people in whose welfare it is both my duty and inclination to be interested.

The pernicious business has been assailed by so many people and from so many quarters that its defenders have evolved a highly technical and awe-inspiring phraseology with which they project their alleged excuse for its existence before legislative assemblies. They never attempt to justify their right to exist before the public, for with them it is a case of "the public be damned." They ask nothing from the public except a crop of "suckers" moderately well supplied with actual cash. To read one of their printed arguments—and they are sometimes able and very plausible—the average reader will get the same impression that a Digger Indian would on hearing a Greek poem recited. The people understand the effects, but they can not instantly understand all of the plausible arguments advanced in support of this business by their interested and subsidized defenders. The fundamentals are not hard to understand by those who are the victims. The cotton producers know that before a single seed of the next cotton crop is planted that scores of people who never saw the inside of a cotton field assume to fix the price at which they guarantee, in the form of contracts for future delivery, to deliver the whole of the next cotton crop; and not only that one, but ten times the number of bales that can possibly be produced and marketed. The farmer who is to make the cotton is never consulted about the arrangement and has no means of protecting himself against it. The cotton spinner may, in a measure, protect himself against it by paying tribute to the institution that has created this unwholesome condition. No matter what takes place, the farmer is at the mercy at every turn in this unholy negotiation and without any means of protecting himself. He is the only party interested in the transaction who is now clamoring for recognition of the legitimate law of demand and supply. He is the only real victim of the business. The spinners of the country are an organized body and can treat as a unit with the other organized bodies, namely, the cotton exchanges, who are on occasion their adversaries and at other times, to a greater or less degree, their confederates. The farmer is never represented in the affair, and the smaller farmers have no means whatever of knowing the influences that are at work against them. The existence of this condition has become all too well known. While there may be difference of opinion as to the best method of getting rid of it, there is no one engaged in the cotton-producing business that is ignorant of its effects. That part of the community is a unit against the continuation of the system. The time has arrived when this business must cease if justice is to be done to that great body of our toiling citizens who produce this great and all-important commodity.

These cotton exchanges have been warned to change their methods so as to bring them somewhat into harmony with the enlightened sense of justice of the present day, and they have insolently disregarded all of these warnings, because the business, as they have planned it, can not be conducted on any principle which recognizes justice to the producer. This warning has been given to these exchanges by every legislature in the cotton-growing States except two; by the often repeated protests of the spinners' organizations of the country; by the united and earnest protest of every farmers' organization in the country; by the repeated efforts that have been made in Congress from time to time to reform the business or put an end to it; by every chapter and every section in the elaborate and able report of Herbert Knox Smith, Commissioner of Corporations, on cotton exchanges; and, again, by the specific and definite obligation laid upon the members of the dominant party in the present Congress by the platform adopted at Baltimore last summer, in which that party pledged itself to be active in aid of agriculture, and as a means to this end urged Congress to pass laws that will effectually destroy gambling in agricultural products. I had the honor of offering this provision in the committee which incorporated it in the platform as reported and adopted. None of the admonitions have been heeded to the slightest extent. The fact of the business is, the exchanges have lost the power of self-correction of the evil. They have sinned away their day of grace. The hour for their destruction is at hand, and the only power that can deal effectively with them is the Congress of the United States in the exercise of the taxing power authorized by our Constitution. When the Hatch antioption bill came so near passing Congress in the Fifty-third Congress a widespread movement for reform was agitated among the cotton-exchange membership themselves. Quite a show of virtuous dissatisfaction with existing evils and a determination to reform them was then made, but when that bill met with defeat in the House of Representatives we heard no more about changes in the system. Conditions have been growing steadily worse instead of better. As an indication of the extent to which the New York Cotton Exchange was willing to go in modifying its methods rather than to take the chance of prohibitory legislation under the taxing power, I call attention to the following quotation from Report on Cotton Exchanges, to which I have made such frequent reference, on page 191:

The adoption of such a clause has been advocated for many years. In 1892 and 1893, when the so-called Hatch antioption bill was before Congress, a determined effort was made by many cotton interests to secure the adoption of such a clause, its advocates taking advantage of the uneasiness in exchange circles over the Hatch bill to press their claims. On January 24, 1891, the St. Louis Cotton Exchange passed resolutions addressed to the New York Cotton Exchange urging the adoption of the low-middling clause. Nothing substantial appears to have resulted from this agitation. Opposition to the Hatch antioption bill became more and more vigorous, until the measure finally failed to pass; and with this danger out of the way the two cotton exchanges became more indifferent to this agitation for a modification of the contract.

This action presents a repetition of the situation described in the old saying:

When the devil was sick, the devil a saint would be;
But when the devil got well, the devil a saint was he.

Why should this business continue longer? The spinners say they are opposed to it, and every representative authorized to speak for the organized farmers of the country say they are opposed to it. The farmers have presented their attitude in regard to it in the form of an authorized statement by a representative of theirs sent here for the purpose, as will be seen from the following extracts of the testimony of Hon. T. J. Brooks, of Atwood, Tenn., who is a prominent officer of the Farmers' Union of the United States. His testimony was given before the Committee on Agriculture in the House of Representatives on the 9th of February, 1910. His statement on that occasion is comprehensive and able, and his arguments against the longer existence of these exchanges are as concise and forcible as can be found anywhere. A perusal of his statement in full will compensate the time required to do so. At this point I present somewhat extended extracts from that statement:

TESTIMONY OF MR. BROOKS.

If the hedging business was confined to the actual number of bales of cotton raised and sold, I doubt if it would have attracted such widespread attention. As only a certain part of each cotton crop is actually covered by hedges by those who handle the spot cotton, it follows that only that per cent of each year's crop can be legitimately hedged, and this would limit each year's options to something like 4,000,000 or 5,000,000 bales, or perhaps 6,000,000 bales, and at the furthest extent it could not exceed the number of bales that were produced in a year, and it seems that the most reliable figures that we can obtain show that 100,000,000 bales are bought and sold on the exchanges of this country every year, so that they can scarcely be called actual cotton exchanges, but are more option exchanges than cotton exchanges. * * *

All we would ask is to give the normal operation of the law of supply and demand full sway. Let that help who it will or be to the detriment of who it will, it is justice. That is honesty, that is equity, and we think to demand more is wrong, and we think to be satisfied with less is cowardice. We see no excuse for anyone, even though he be a farmer, wanting the hedging business to go on, if it puts money in his pocket at the expense of somebody else who gets no equivalent. We want nothing but equity, if we know ourselves, and we would not for one instant advocate the continuance of this system if we thought it put money in our pockets by robbing somebody else of that additional price that we might obtain. You can not make that too positive on our side. We are perfectly willing to take the results, the consequences, of abolishing these futures, and the vague solicitude that may be offered by our friends on the other side will not be appreciated, if they think that they are simply in the business for our benefit. * * *

I am not discussing this from the standpoint of the consumers or manufacturers or farmers, but from the standpoint of all, and those who are in the manufacturing business, some of them, have expressed themselves just as firmly on the side that is not necessary for their business as any farmer could. Even Mr. McCall ex-president of the New England Manufacturers' Association, testified before this committee of the previous Congress that thousands and thousands of spinners did not hedge at all. I heard Mr. Coates, who controls 6,000,000 spindles, before the International Congress of Spinners and Cotton Growers, in October, 1907, say that 97 per cent of it was evil, and that if that could not be eliminated you had better destroy the evil. As a rule, it is claimed that investors in futures are from the cotton belt. This throws the manipulators of the exchanges on the bear side as a natural consequence, so that the professionals must load down the market until the bulls are frozen out and the margins are captured. * * *

We want to say that the local buyer does not furnish a market for the cotton farmer; the wholesale heavy cotton merchant and exporter does not furnish a market; the spinner does not furnish a market; the jobber that buys from the spinner does not furnish a market; the merchants of the world do not furnish a market. Then who does? There is but one answer, the 1,500,000,000 citizens of this earth who consume cotton goods furnish all the market that there is to it, and they will continue to wear cotton goods and buy cotton goods regardless of whether anybody deals in futures or not, and that market will be constant as long as the human race wants that article.

They are not going to sit down and quit business because somebody can not gamble in prices; they are going to go to the sources of supply and get their cotton, and the farmers are willing to take the consequences of your prohibiting gambling in prices; we are willing to take the consequences. We are willing to risk the results, and we want it.

The opposition to this business is world-wide. As evidence of this I call attention to two extracts, taken from authorized and reputable sources, which reflect the state of sentiment in England. England is not a grower of cotton to any extent comparable to our capacity as a producer of that staple. The Liverpool Cotton Exchange is a buyer's proposition. Its mechanism is adjusted to promote their interest, and its management is under their control. It does not encourage speculation, and this feature does not form a very considerable part of the business carried on there. The greater part of the speculative business carried on in the Liverpool Cotton Exchange, as will be observed from the testimony of Mr. Parker, to which I have heretofore referred, are transactions in which American speculators are interested. So it seems the gambling business even there is carried on by American speculators for the purpose of bringing the Liverpool market in futures to the American exchange level. The grades there deliverable on future contracts are limited to four, and the cost, in the way of brokerage and other fees, is about double what it is in this country. The German manufacturers carry on the business of manufacturing cotton without the aid of any future-contract dealing. German cotton merchants buy large quantities of actual cotton, which is placed in warehouses and sold to spinners as their wants demand it. I here call attention to the two extracts referred to. The first one is a paragraph from a very exhausive article on the subject of dealing in futures on the cotton exchange, prepared by Prof. S. J. Chapman, M. A., and read before the Royal Statistical Society in London on April 24, 1906, and may be found in the journal of that society in volume 69. He closes an extended and most scientific discussion of the subject with this observation:

Finally, the reader must be warned again that nothing in this paper can be taken to demonstrate that prices would be steadier if "futures" were not used, or that it would not be advantageous to employ "futures" to facilitate the shifting of risks even if they disturbed prices in some degree. But that everybody concerned would be benefited, if gambling by the inexpert public and all tampering with the market could be prevented, we feel no doubt.

I also call attention to the following extract taken from the article on cotton exchanges in the Encyclopædia Brittanica, eleventh edition, page 245. The article is a very exhaustive and able one, dealing with the subject in many of its aspects as the same relate to the cotton market in England. Its observations do not include what is taking place in our country. I present it simply for the purpose of showing what the cotton exchange, in its best aspect as an institution for the purpose of promoting the welfare of a cotton-consuming constituency, is an institution whose operations reveal a growing unsteadiness in the price quotations of cotton:

The outcome of the whole matter is that the investigator is still baffled in his attempt to discover what effect the use of "futures" is having on prices to-day. The sole piece of evidence from which reliable conclusions may be drawn is that through separate measurements of price fluctuations over some 40 years reveal a growing unsteadiness of late, whether they be expressed absolutely or as percentages of price. (Cotton—Encyclopædia Brittanica, 11th ed., p. 247.)

It is proper to say in concluding this feature of these remarks that the spinners of this country very reluctantly engage in the buying and selling of futures for hedging purposes. Many of them condemn the business as strongly as do the body of producers. Mr. McCall, the former president of the National Association of Cotton Spinners, is reported in the statement of Mr. Brooks as saying that a very large percentage of spinners who are members of his organization do not deal in futures; and Mr. Coates, representative of one of the greatest spinning organizations in the country, said that 97 per cent of the business of dealing in futures is bad.

It is worth while to remark in passing from this feature of the discussion that dealers and manufacturers of commodities for the sale of which organized exchanges exist are the only ones who require for their proper protection the right to hedge the risks incident to the business. Even a superficial knowledge of the structure and operations of the exchange and its methods discloses unmistakably that if there were not any such there would be no apparent necessity for hedging. What the legitimate dealer intends to do when he hedges is to protect himself against the abnormal and fabricated risks of his business. The exchange produces the necessity for the hedging and is not called into existence in response to a demand for legitimate protection of this kind. The promoters of these exchanges contrive with an inspired ingenuity in selecting as the field for their best success the agricultural community. The scattered and unorganized producers of these products form but a feeble adversary in the commercial warfare which it is the function of these institutions to wage in the hope of reaping a profit from those who must pay to escape their ravages. No hedging is required in the case of wool, hay, iron, eggs, lumber, and a variety of other commodities of equal or nearly as great value as the cotton crop itself. The pending amendment is manifestly one where the object is to equalize the forces of society when unfairly or dishonestly deranged. I think a case is made where such relief should be extended.

I have attempted to do this by offering the pending amendment. The structural propositions of this amendment are not numerous nor hard to understand. In the first place, it employs the taxing power to accomplish the purpose designed. In my humble opinion the effect of the operation of it, if adopted, will be to at once so completely deter the purely speculative or gambling element as to exclude them from the exchanges. It will prevent many fictitious and fabricated quotations. That part of the patrons of the exchange who resort to its floor for so-called protection will find themselves relieved greatly by being exempted from the intrigues that are invented and applied primarily to entrap the "sucker" or "lamb" element of the speculators. If this does not entirely relieve the dealers and manufacturers from the necessity of seeking protection by hedging, they will not be greatly oppressed by the payment of the comparatively small tax to secure financial commitments involved in their forward-delivery contracts. In the course of time the evolutionary forces of the newly created situation will demonstrate the fact that the exchanges can not exist without the profits derived from the purely gambling element, and will therefore leave with the dealers and spinners

the task of otherwise providing themselves with protection against the ordinary risks of their business. And the process of supervision will be a wholesome one and will give to the agencies of publicity a knowledge of that business and its methods that has heretofore been impossible of ascertainment. It is not an unwarranted prediction to say that the spinners and dealers may find that their business, once freed from the menace of this piratical organization, is no more uncertain than are the risks of commerce generally, and that, therefore, no hedging or other form of protection is required.

If the force of habit has become so strong that this sort of collateral aid in conducting their business is required, some sort of mutual arrangement similar to the company organized by the cotton spinners of the country to protect their plants against fire may be the outcome. Some organization will take the natural risk of the business, divested of the power to manipulate the price, which is the vicious and destructive power of the exchange against which I am directing my efforts. Already the spinners of New England have been discussing the feasibility of establishing a cotton exchange in New England, especially for spot cotton, to bring the planters and the spinners nearer together, and to have fixed standards and grades and sworn classers. We learn this from a communication which Postmaster General Burleson when a Member of Congress brought to the attention of the Committee on Agriculture at the hearing before that committee which I have referred to copiously in this address.

The taxing power is the only power that can be exerted by the National Government to aid in destroying the power for evil of the cotton exchange, as I shall hereafter attempt to show. Many of the old-school statesmen are averse to using the taxing power for any purpose other than raising revenue to be paid into the Treasury. The taxing power is one of the most comprehensive and flexible powers of the Government. It is the best means of regulation or suppression at its command, and has been frequently exercised for both purposes. It has been employed to prevent State banks from issuing notes to circulate money, and has been wrongfully employed, as I think, to suppress the use of oleomargarine by the people. However, this objection is not seriously urged against this amendment, for the reason that it is among the probabilities that for a time some revenue will be derived from its operation.

The amendment is directed against transactions involving the purchase or sale of contracts for the future delivery of cotton executed on the organized exchanges of the country or in accordance with their rules. It has no relation whatever to contracts made by anyone outside of these exchanges and their rules. Every person has a right to act independently on his own behalf outside of such exchanges or their rules with any other person for the purchase or sale of cotton for future delivery. The prohibitions of the bill are directed against the contracts that obtain on the exchanges or are made in accordance with their rules and system. Even as to these, while the tax is laid on all transactions for future delivery, provision is made for refunding the tax where actual delivery of the cotton described in the contract is made in good faith.

It is said by those who are opposed to any interference with the present business of the cotton exchanges that this is an attempt to legalize gambling. This statement is either recklessly made or is a mere means of expressing dissatisfaction with the provision, for those who make it entirely overlook the last section of the bill, which authorizes the several States to penalize or tax the business in any way they may see proper to do.

There is nothing original in the employment of the taxing power in the pending amendment to accomplish the purpose designed. It is a repetition of the effort made when the so-called Hatch bill came so near passing the Fifty-third Congress. That bill provided a tax on the sales of cotton for future delivery of 5 cents per pound, or $25 a bale. It passed the House of Representatives by a majority of more than 50, and passed the Senate, after having been amended in several particulars calculated to make its operation more effective, by a vote of 40 to 29.

When the bill in its amended form went back to the House, it reached there at such a late day of the session that it was impossible to consider it without a suspension of the rules, which required a two-thirds vote. The vote to suspend the rules and to take the bill up was disposed of in the House March 1, 1893, by an affirmative vote of 172 to a negative vote of 124, lacking the necessary two-thirds. Thus the bill failed. I believe it will not be out of place to say that every Senator and Representative still in public life voted in favor of the passage of that bill with the exception of one. The bill was supported in the Senate by the following-named Senators who still honor the Senate with their membership: Messrs. GALLINGER, PERKINS, and WARREN, and the following-named Senators who, as Members of the House of Representatives, supported the passage of the bill: Messrs. BANKHEAD, CLARK of Wyoming, and SHIVELY. The present Secretary of State, Mr. Bryan, was also among the supporters of the measure. It was exhaustively discussed both as to its policy and the constitutional power of Congress to pass it by the ablest men that have ever been identified with congressional life in this country. I have, therefore, simply borrowed the principle of the amendment from the distinguished Missouri Congressman, Mr. Hatch, who devoted 10 years of his life in his efforts to bring relief to his fellow farmers from the outrages perpetrated upon them by these gambling exchanges.

It is next objected to by the more aggressive and unreasonable element who oppose the adoption of this amendment that the tax will be collected from the farmers who produce cotton. The statement would be quite as interesting, and far more instructive, if those who make use of it would indicate just how this is to happen. In the first place, if the amendment works as its operation is reasonably forecasted, there will be no tax to collect from the pure speculators and gamblers, and in the course of a short time none whatever will be collected from the spinners and dealers who are resorting to the exchange for protection. Besides, these learned analysts of economic forces admit too much in making this assertion, when they concede that the only function of Congress is merely to fix the amount of a tax, and that this action can be supplemented by the New York Cotton Exchange by selecting persons upon whom the tax is to rest, for they thus disclose a very dangerous condition of affairs and one that calls for very prompt and radical action by Congress if they are correct in their conclusion. If there is in existence a combination of individuals that can so pervert the taxing power of this great Government, that fact ought to be known. If it is true that this particular tax can, by some process known to the cotton exchange, be transferred to the producers of cotton, even if the tax is never paid, then it is proper to ask if they are not now imposing upon the cotton producers of the country more than $10,000,000 that they annually collect for brokerage fees for transactions on the exchange. If these concerns can transfer the tax levied under national authority for revenue purposes, why can not they also transfer the tax levied by themselves on the commodity in the exercise of their gambling power? If the cotton-exchange gambling power is superior to the taxing power of the National Government, then this occasion is a fortunate one, for it will afford the means of making that fact known and demonstrating the result.

The statement is so broadly made as to be regarded as a protest rather than a serious statement of opinion. In the first place, out of a crop of 15,000,000 bales of cotton grown 10,000,000 are exported to be manufactured in foreign countries. I assume that spinners of this country are not concerned in hedging the part of the crop exported. The 5,000,000 bales that remain are manufactured to the extent of more than half by spinners whose financial strength renders them independent of any condition that can be created by the cotton exchange. I am wholly unable to discover how the tax on the cotton is to be transferred to the farmers' bales from these fictitious or phantom bales that are now sold by the gamblers by the million bales, but will not be sold when this amendment becomes operative. The case is very largely like the tax levied on State bank circulation and oleomargarine, which is not collected at all, and is therefore not assessed against anyone. There is no revenue collected from the tax on State bank circulation nor on oleomargarine, and there will be none on these future gambling contracts in cotton and very little from those who hedge.

Assuming that the effect of the adoption of the amendment will be as forecasted, then what is to be our remedy for the market readjustment of that which must follow? In the first place, the cotton growers have been for several years engaged in preparing themselves to become independent of existing market conditions as largely as it is possible to do so. This purpose has expressed itself in the erection of cooperative warehouses and in the improvement of the local credits. A very large part of the white farmers who grow cotton are virtually independent at the present time, and through their organizations are constantly becoming more so. The cooperative idea has taken a firm hold on those engaged in that industry, and the definite indications are that the progress of the movement will continue. Then the banking facilities of the section are greater than ever before, and as cotton is about the only product that involves the exercise of the banking function to any great extent it necessarily results that the banks are quite willing to assume their new responsibilities created by any readjustment that may take place. The pending legislation relating to the currency question

will increase the efficiency of the banking forces so far as these are intended to serve the agricultural community. Any suggestion that demoralization will result overlooks the collective initiative of about one-third of the people of this Republic, whose history and performances show that they excel in every field of human effort in which they ever engaged. They know the value of the cotton business to them, and they have financial strength enough to protect and improve it when the law shall take away from them the handicap that it imposes upon them by the failure of the New York Legislature to do for them what the legislatures of their own States have so promptly and effectively done.

Another important feature in the reform method of vending cotton will devolve increased activities upon the National Government. Already Congress has provided laws by which the grades of cotton have been rationally and honestly standardized. The weather service of the National Government is one of perfection as nearly as money and brains can make it, and this has been specialized in connection with the cotton crop. The most reliable reports that are now obtained concerning the weather in this connection are obtained through national channels. There has recently been organized a Bureau of Marketing, whose activity and scope can be extended to impart in authentic form reliable information concerning the growing crops and the remnants of the former crops available to supply the world's demand. In fact, the National Government now substantially furnishes all the information that is legitimately required. Wherever improvements in this behalf can be supplied by science and money the past policy of the Government justifies the belief that these will be supplied in the fullest measure.

It has been one of the chief claims of the exchanges' right to exist that they have collected and disseminate just such information as this. No pretense was made that it would ever be done so thoroughly as is now being done by the Government, and it is proper to say that there never was a time when those who thought they knew what they were talking about believed that it would be honestly disseminated. These reports and the sources from which they were derived were the private property of an organization protected from the scrutiny of others by repeated judgments of the courts of the land. I have no fear about what is to happen to the cotton crop when the demand of the cotton farmers of the country is responded to and the incubus of these cotton exchanges removed from the industry. They are self-respecting and independent American citizens, and they are perfectly willing to abide by the consequences of any act of theirs deliberately taken. The assumed guardianship of the cotton exchanges over their affairs is most offensive to them, and they never permit an opportunity to pass without expressing their resentment thereat.

I have said that the taxing power was the only way under the Constitution of the United States to reach this evil. I spoke advisedly and repeat that statement. Many plans of suppression have been discussed from time to time which involved the exercise of the power of Congress to regulate interstate commerce. The belief was very general that this power was completely adequate for the purpose intended. Among other proposed bills relating to the subject, what is known as the Scott bill was introduced in the House of Representatives in the Sixty-first Congress. It took its name from Mr. Scott, who was chairman of the Committee on Agriculture in that body during that session. Mr. Scott was then a Republican Member of Congress from the State of Kansas. He placed the cotton growers of the South under deep and lasting obligations to him by the activity he displayed in his efforts to relieve them of the impositions that were being wrongfully imposed upon them, and it is a matter of some pleasure to me now to make that acknowledgment here. When the bill reached the Senate it was referred to the Committee on Interstate and Foreign Commerce, where it rested serenely for many months. Being interested in the subject to which it related then, as I am now, I brought it to the attention of the Democratic steering committee, and there being a vacancy on the committee having the matter in charge I was assigned to service there by the Democratic steering committee for the sole and exclusive purpose of urging a report by the committee on that bill. I undertook the service assigned to me, and, as a result, I was authorized to report the bill on behalf of the committee, which I did on the 17th of February, 1911. The supporters of the bill were not able to get a favorable report in its behalf, for there developed much opposition to it in the committee. The best that we could do at that time was to secure a report that would place the bill on the calendar, without recommendation of its passage, and leave for discussion and consideration in the open Senate the final terms of the bill. The time remaining after the bill reached the Senate was so short that it was impossible to get the necessary consent for its consideration, due largely to the fact that the session was one known as the short session, and the constant consideration of appropriation bills made it easy for those who were interested in doing so to object to its consideration. A copy of that bill is here presented.

I ask permission at this point to insert a copy of the Scott bill.

The VICE PRESIDENT. In the absence of objection, permission is granted.

The bill referred to is as follows:

A bill (H. R. 24073) to prohibit interference with commerce among the States and Territories and with foreign nations, and to remove obstructions thereto, and to prohibit the transmission of certain messages by telegraph, telephone, cable, or other means of communication between States and Territories and foreign nations.

Be it enacted, etc., That certain words used in this act and in proceedings pursuant hereto shall, unless the same be inconsistent with the context, be construed as follows: The word "message" shall mean any communication by telegraph, telephone, wireless telegraph, cable, or other means of communication from one State or Territory of the United States or the District of Columbia to any other State or Territory of the United States or the District of Columbia or to any foreign country. The word "person" shall mean any person, partnership, joint-stock company, society, association, or corporation, their managers and officers, and when used with reference to the commission of acts which are herein required or forbidden shall include persons who are participants in the required or forbidden acts, and the agents, officers, and members of the boards of directors and trustees, or other similar controlling or directing bodies of partnerships, joint-stock companies, societies, associations, and corporations. And words importing the plural number, wherever used, may be applied to or mean only a single person or thing, and words importing the singular number may be applied to or mean several persons or things.

SEC. 2. That it shall be unlawful for any person to send or cause to be sent any message offering to make or enter into a contract for the purchase or sale for future delivery of cotton without intending that such cotton shall be actually delivered or received, or offering to make or enter into a contract whereby any party thereto or any party for whom or in whose behalf such contract is made acquires the right or privilege to demand in the future the acceptance or delivery of cotton without being thereby obligated to accept or to deliver such cotton; and the transmission of any message relating to any such transaction is hereby declared to be an interference with commerce among the States and Territories and with foreign nations. Any person who shall be guilty of violating this section shall, upon conviction thereof, be fined in any sum not more than $1,000 nor less than $100, or shall be imprisoned for not more than six months nor less than one month, or by both such fine and imprisonment, and the sending or causing to be sent of each such message shall constitute a separate offense.

SEC. 3. That it shall be the duty of any person sending any message relating to a contract or to the making of a contract for future delivery of cotton to furnish to the person transmitting such message an affidavit stating that he is the owner of such cotton and that he has the intention to deliver such cotton; or that such cotton is at the time in actual course of growth on land owned, controlled, or cultivated by him and that he has the intention to deliver such cotton; or that he is, at the time, legally entitled to the right of future possession of such cotton under and by authority of a contract for the sale and future delivery thereof previously made by the owner of such cotton, giving the name of the party or names of parties to such contract and the time when and the place where such contract was made and the price therein stipulated, and that he has the intention to deliver such cotton, or that he has the intention to acquire and deliver such cotton, or that he has the intention to receive and pay for such cotton: *Provided*, That any person electing to do so may file with the telegraph, telephone, wireless telegraph, or cable company an affidavit stating that the message or messages being sent, or to be sent, for the six months next ensuing by such person do not and will not relate to any such contract or offers to contract as are described in section 2 of this act, and any such company shall issue thereupon a certificate evidencing the fact that such affidavit has been duly filed, and such certificate shall be accepted in lieu of the affidavit herein required at all the transmitting offices of such company during the life of said affidavit. Any person who knowingly shall make a false statement in any affidavit provided for in this act shall be punished by a fine of not more than $5,000 nor less than $500 or shall be imprisoned for not more than two years nor less than one year, or by both such fine and imprisonment. And in any prosecution under the provisions of section 2 or 3 of this act the proof of failure to make any affidavit herein required shall be prima facie evidence that said message or messages related to a contract prohibited by section 2 of this act, and the proof of failure to deliver or receive the cotton called for in any contract for future delivery of cotton shall be prima facie evidence that there was no intention to deliver or receive such cotton when said contract was made.

SEC. 4. That any agent of any telegraph, telephone, wireless telegraph, or cable company to whom messages herein described may be tendered is hereby required, empowered, and authorized to administer any oath required to be made under the provisions of this act with like effect and force as officers having a seal, and such oath shall be administered without any charge therefor.

SEC. 5. That it shall be unlawful for any person owning or operating any telegraph or telephone line, wireless telegraph, cable, or other means of communication, or any officer, agent, or employee of such person, knowingly to use such property or knowingly to allow such property to be used for the transmission of any message relating to such contracts as are described in section 2 of this act. Any person who shall be guilty of violating this section shall, upon conviction thereof, be punished for each offense by a fine of not more than $1,000 nor less than $500, and the sending of each message in violation of the provisions of this section shall constitute a separate offense.

SEC. 6. That every book, newspaper, pamphlet, letter, writing, or other publication containing matter tending to induce or promote the making of such contracts as are described in section 2 of this act is hereby declared to be nonmailable matter, and shall not be carried in the mail or delivered by any postmaster or letter carrier. Any person who shall knowingly deposit or knowingly cause to be deposited for mailing or delivery any matter declared by this section to be nonmailable, or shall knowingly take or cause the same to be taken from the mails for the purpose of circulating or disposing thereof, or of aiding in the circulation or disposition thereof, shall be fined not more than $5,000 nor less than $500 or shall be imprisoned not more than five years nor less

than one year, or both. Any person violating any of the provisions of this section may be proceeded against by information or indictment and tried and punished either in the district at which the unlawful publication was mailed or to which it is carried by mail for delivery according to the direction thereof, or at which it is caused to be delivered by mail to the person to whom it is addressed.

SEC. 7. That the Postmaster General, upon evidence satisfactory to himself that any person is sending through the mails of the United States any matter declared by section 6 of this act to be nonmailable, may instruct the postmasters in the post offices at which such mail arrives to return all such mail to the postmaster in the post office at which it was originally mailed, with the word "unlawful" plainly written or stamped upon the outside thereof, and all such mail, when returned to said postmaster, shall be returned to the sender or publisher thereof under such regulations as the Postmaster General may prescribe.

SEC. 8. That in any proceeding under this act all persons may be required to testify and to produce books and papers, and the claim that such testimony or evidence may tend to criminate the persons giving such testimony or producing such evidence shall not excuse such person from testifying or producing such books and papers; but no person shall be prosecuted or subjected to any penalty or punishment whatever for or on account of any transaction, matter, or thing concerning which he may testify or produce evidence of any character whatever.

Mr. CLARKE of Arkansas. It will be observed that the plan of suppression contemplated by it was the denial of the right to use the mails and the telegraph for the interstate transmission of offers to enter into contracts for the future delivery of cotton. I was always apprehensive about the power of Congress to declare the contracts entered into on the New York Cotton Exchange to be interstate commerce, and therefore subject to be controlled by national legislation. I was, however, willing to give to the bill the benefit of every doubt. I was not at that time aware of the decision of the Supreme Court in the case of Ware & Leland against Mobile County (209 U. S., 411). My purpose was then, as it is now, to be active and helpful to the extent of my humble capacity in aiding those whose purpose it is to suppress this business. I have no preference about the names of bills nor the methods that they employ, just so they are effective for the purpose. I have no sympathy with the business as conducted by the cotton exchanges, and I am the voluntary ally of anybody who will take upon himself the business of putting a stop to it. I have at all times been willing to vote for any bill championed by any Member of the Senate or House whose object is to accomplish what I so much desire in some effective and legal way. In this connection I call attention to the decision of the Supreme Court of the United States in the case of Ware & Leland against Mobile County (209 U. S., 411). The case is so applicable to the matter under consideration that I shall include in my remarks a complete statement of the facts and the material parts of the opinion of the court, in which it is declared that these cotton-exchange contracts are not interstate commerce and that they do not become so because orders are transmitted by telegraph from States other than New York, which orders result in the making of such contracts.

I have here an agreed statement of the facts, setting out in the most perfect detail the several steps that are necessary to consummate a contract transmitted from another State to New York. There is nothing omitted; the fact is that more is admitted than can be proven. The evident purpose was to make a test case, which would eternally and forever put at rest agitation as to the scope of national authority under the commerce clause of the Constitution. The court in disposing of that question rendered an opinion about half a page long, and I will tax the patience of the Senate further to read it.

I read from the decision of the Supreme Court of the United States in the case of Ware & Leland *v.* Mobile County (209 U. S., 405):

AGREED STATEMENT OF FACTS.

During the whole of the year 1903 defendant had an office in the city of Mobile, in the county of Mobile and State of Alabama; they also had offices in the city of New York, in the State of New York, and in the city of New Orleans, in the State of Louisiana, and in the city of Chicago, in the State of Illinois, each of which offices was connected by private telegraph wires with said Mobile office. Said Mobile (Ala.) office was in the charge of their agent, one Robbins, and was engaged in the business of buying and selling cotton for future delivery on commission for the public generally and for special customers, said business being conducted in the following way and in no other way: They would undertake, through their agent, to buy or sell a cotton-future contract for a customer in the Cotton Exchange in New York or in New Orleans, as he might select, he making at the time a deposit of money with them as a margin to protect them against loss in making such transaction for him. When the customer gave the order to Ware & Leland, either for a sale or purchase of a future contract, it was not usual for anything to be said between them about an actual delivery of the cotton, but when the transaction was commenced by a purchase or sale of the cotton Ware & Leland would immediately furnish to the customer a memorandum thereof, partly written and partly printed, upon which the following stipulations were printed: "On all marginal business we reserve the right to close transactions without further notice when margins are about exhausted, and to settle contracts in accordance with the rules and customs of the exchange on which the order is placed, it being understood and agreed in all trades that actual delivery is contemplated," and "All purchases and sales made by us for you are made in accordance with and subject to the rules, regulations, and customs of the exchange on which the order is placed and the rules, regulations, and requirements of the board of managers of said exchange, and all amendments that may be made thereto." Such agent would thereupon transmit such order by their private telegraph line to the defendant's office in the city without the State of Alabama selected for such transaction; that such order would be thereupon executed by defendants by the purchase or sale, as directed, of a future cotton contract for such customer in the cotton exchange of the city to which such order was sent, and subject to the rules and regulations of such cotton exchange, which rules and regulations may be introduced in evidence by defendants in this cause; that said contract would be held by defendants for such customer until he ordered the same closed out, when they would sell or buy another cotton contract against it as might be necessary to cover the same or close it out, or receive or deliver the cotton on said contract. If a profit was made on the transaction defendants remitted the same to its agent in Mobile, who paid it over to the customer; if a loss was made it was taken by the agent out of the customer's margin, or, if that was insufficient therefor, the customer was called upon for the balance. Said business was done on a commission paid defendants by the customers.

No actual delivery of cotton or grain was ever made on any such contracts, except in a few instances, when such deliveries were made where the contracts were executed, to wit, in New York, N. Y., or in New Orleans, La., or Chicago, Ill. When any such delivery of cotton was made to defendants for the customer on a purchase by him it was held by the defendants for account of the customer at the place of delivery, either in New York, N. Y., or in New Orleans, La., until ordered sold by the customer, and the proceeds accounted for by them to such customer. When they made delivery of cotton on a sale of futures made by them for a customer, the cotton was shipped by the customer for whom such sale was made from Alabama to the place of sale and there delivered through defendants to the buyer.

A similar future grain business was done by defendants at their said office in Mobile, Ala., for customers through their office in Chicago, in the State of Illinois, said orders being executed on the Chicago (Ill.), Board of Trade and subject to its rules and regulations, which contemplated and provided for the actual receipt or delivery of grain bought or sold therein, such delivery to be made in Chicago, Ill. * * *

Upon trial of the action, in addition to the foregoing agreed facts, the counsel for the plaintiff admitted that the rules and regulations of the New York Cotton Exchange, New Orleans Cotton Exchange, and Chicago Board of Trade, respectively, provided "that contracts executed therein should be in writing"; and also provided that "in every cotton or grain contract for future delivery executed and entered into in said exchange or board of trade, it should be stipulated, agreed, and understood that an actual receipt and delivery of the cotton or grain was to be had, and that said contracts were transferable and assignable."

OPINION OF THE COURT.

The sole question here presented is whether the statute in question is an attempt to regulate interstate commerce, for if the plaintiffs in error are shown by the foregoing agreed facts to be engaged in interstate commerce, then the statute is void, as an attempt by a State to regulate the commerce which the Constitution of the United States places within the exclusive control of Federal authority.

Interstate commerce must be such as takes place between States as differentiated from commerce wholly within a State. It must have reference to interstate trade or dealing, and if the regulation is not such, and comprehends only commerce which is internal, the State may legislate concerning it. In each case the recurring question is, on which side of the line does the commerce under investigation fall? * * *

But how stands the present case upon the facts stipulated? The appellants are brokers who take orders and transmit them to other States for the purchase and sale of grain or cotton upon speculation. They are in no just sense common carriers of messages, as are telegraph companies. For that part of the transactions, merely speculative and followed by no actual delivery, it can not be fairly contended that such contracts are the subject of interstate commerce; and concerning such of the contracts for purchases for future delivery as result in actual delivery of the grain or cotton, the stipulated facts show that when the orders transmitted are received in the foreign State the property is bought in that State and there held for the purchaser.

All contracts made on the New York Cotton Exchange are to be satisfied by a delivery in the licensed warehouses in New York City of cotton that has been inspected and certificated prior to that time.

The transaction was thus closed by a contract completed and executed in the foreign State, although the orders were received from another State. When the delivery was upon a contract of sale made by the broker, the seller was at liberty to acquire the cotton in the market where the delivery was required or elsewhere. He did not contract to ship it from one State to the place of delivery in another State. And though it is stipulated that shipments were made from Alabama to the foreign State in some instances, that was not because of any contractural obligation so to do. In neither class of contracts, for sale or purchase, was there necessarily any movement of commodities in interstate traffic, because of the contracts made by the brokers.

These contracts are not, therefore, the subjects of interstate commerce any more than in the insurance cases, where the policies are ordered and delivered in another State than that of the residence and office of the company. The delivery, when one was made, was not because of any contract obliging an interstate shipment, and the fact that the purchaser might thereafter transmit the subject matter of purchase by means of interstate carriage did not make the contracts as made and executed the subjects of interstate commerce.

It will be noticed that this decision is comprehensive and decisive of the question to the utmost point of conclusiveness. The statement of facts really admits more than ordinarily it is possible to prove against these exchanges. It is evident that the case was prepared with the view to its becoming a test case, in the decision of which every disputed question would be squarely presented and considered and finally and decisively disposed of. There is no room for attempting to distinguish the case from any other. Hereafter those interested in the question must accept it as a final disposition of the matter or seek its reversal. There is no ambiguity or hesitation about the text of the opinion. In view of this unanimous decision any attempt to direct legislation against these exchanges under the power contained in the commerce clause

of the Constitution of the United States is wholly useless. The taxing power is the only one that is left, being the only one that can be employed for the purpose, and in my opinion is the one that has always been best adapted to the service.

In making the observation that it will be hereafter impossible to pass legislation against these institutions under the commerce clause of the Constitution I did not overlook the decision of the court in the so-called Lottery case nor the contention of those who insist that the business of transmitting messages over the telegraph systems of the country from one State to another is interstate commerce. The Lottery case was based upon the fact that the lottery ticket was a tangible thing that represented ownership of property and could be physically transported from one State to another. In the case of transactions on the cotton exchange there is no such article to be transported. The state of public opinion at the present time has not progressed to a point where these transactions are universally deemed immoral or declared illegal. In the Lottery case the law of every State made it a criminal offense to carry on the business. In the case of the cotton exchanges the Legislatures of Louisiana and New York have affirmatively authorized their business and existence by granting legal charters therefor. Besides that the Supreme Court of the United States, in the case of Bibb *v.* Allen (149 U. S., 490), has solemnly adjudged that the charter and rules of the New York Cotton Exchange constitute valid regulations and that a judgment will be entered and enforced against persons who deal thereon and incur liabilities in accordance with these rules. Thus the business of the cotton exchange is not locally nor by the United States Supreme Court deemed immoral nor illegal.

It appears from the statement of facts in the Ware case that the orders were transmitted from Alabama to the New York Cotton Exchange by means of a private wire, which the Supreme Court expressly holds is not a common carrier of messages as is an ordinary telegraph company in reference to general business. The decision in that case indicates that a private wire, over which the public has no right to transmit messages, is not an instrumentality of interstate commerce. In fact, the cotton-exchange business can not be conducted without the use of privately controlled telegraph wires. Its movements are so suddenly developed that it often becomes necessary to communicate instantly with their confederates at distant points and without subjecting their movements to the scrutiny of the large number of persons employed in the receiving and delivery of ordinary messages.

In the recent case of Hunt *v.* New York Cotton Exchange (205 U. S., 322) one witness testified that there were a number of private wires running out of New York from its exchanges to different parts of the country and that one of these had on its lines as many as 120 towns and cities. It will thus be seen that those who deal with the exchange have quite completely fortified themselves against any prohibitory congressional legislation based on the commerce clause.

Even if the exchanges did not have the right to construct a private line for the purpose of transmitting their own messages from State to State, as they are now declared to have under this decision of the Supreme Court, and thus place their business beyond national interference, there is no room for assuming that Congress is willing to pass a law excluding them from the right to use the ordinary telegraph company as a common carrier of messages—and therefore an instrumentality of interstate commerce—messages relating to a business which is recognized as legitimate in the State of its existence and one which is purely State commerce. The Supreme Court virtually said as much in the case of Board of Trade *v.* Christie (198 U. S., 248) when the contention was made that the grain exchange was not entitled to have its privately collected information and market quotations protected by injunction, since the proof showed that it permitted gambling in grain to take place on its floors. The court said:

> When the Chicago Board of Trade was incorporated we can not doubt that it was expected to afford a market for future as well as present sales, with the necessary incidents of such a market, and while the State of Illinois allows that charter to stand, we can not believe that the pits merely as places where future sales are made, are forbidden by law.

The proposition to ask Congress to exclude from the use of the telegraph as a common carrier, communications concerning a business which is strictly State commerce and locally recognized as legitimate is a step beyond any that has heretofore been taken. It is not even now done in the case of whisky legislation known as the Wilson bill, nor the bill subsequently passed and known as the Webb bill. These restrictions are always based upon the idea that the business is locally declared illegal. It would be adopting what might become a very dangerous precedent to pass any such legislation even if the power existed. We might thus turn loose a principle of constitutional law that will in time devour all State control over purely State commerce. I therefore feel entirely confident that the plan that we have adopted in the present case is the only undisputed and effective means of accomplishing the purpose that many of us have in view.

Some days since I received a message from Mr. Mobley, president of the Farmers' Union in the State of Arkansas, in which he said:

> The Scott bill, with which you are acquainted, will absolutely, and not probably, prevent dealing in futures. This is the bill this organization stands for.

I have very great respect for the judgment of the officials of this organization in my State, but on this occasion it is a question of opportunity of doing what all of us desire to do. The statements in this telegram indicate that the representatives of this great organization in our State do not believe that the pending amendment is sufficiently drastic in its terms in dealing with this pernicious business, and that in some way we are confronted with a choice between this method and the one provided in the so-called Scott bill. If there were such an alternative presented to me, and the Scott bill was the better one to adopt, I would not hesitate for a single minute to vote for that, or any other bill that will accomplish the suppression of this business. What I want, and what the Farmers' Union in Arkansas wants, is to put a stop to this business. We are both committed to this most desirable end, and differences of opinion about mere methods must be subordinated to the accomplishment of the larger purpose. The Scott bill is not up for a vote in Congress now, and it may never be. The pending amendment is now under consideration, and within possible reach of enactment. It will accomplish everything that the Scott bill could accomplish, if valid, and will do so in a way that is absolutely free from any doubt as to its effectiveness or constitutionality.

I have interpreted the attitude of the officers of the Farmers' Union to mean that they want the business of dealing in futures in cotton abolished at the earliest possible date, and by the most drastic measure that can be framed for this purpose. I quite agree with them about that. If I had any choice between this measure and a more effective one, I should voluntarily join with them in their desire without any suggestion to do so. No such situation is presented. It is either the pending amendment or nothing at this session, and probably forever. This amendment will put an end to the business entirely in all probability, and certainly to the most detrimental features of it.

Mr. SIMMONS. Mr. President, I should like to inquire of the Senator whether or not the Scott bill, to which he has just referred, sought to suppress this traffic by denying to those engaged in it the use of the mails, the telegraph, and the telephone?

Mr. CLARKE of Arkansas. That was the principle on which the bill was framed; yes.

Mr. SIMMONS. That was the method of suppression?

Mr. CLARKE of Arkansas. Yes.

Mr. SIMMONS. I understand the Senator to say that it is his opinion that the decision of the Supreme Court to which he has just referred holds that this is not interstate commerce, and that it is not competent for the Congress to prohibit the use of the mails and the telephones and the telegraphs for that purpose?

Mr. CLARKE of Arkansas. There is no reference to the mails in the opinion. There is a reference to the telegraphs.

Mr. THOMPSON. Mr. President, I should like to ask the Senator from Arkansas, who has given such close study to this matter, and has furnished us this morning with such an exhaustive presentation of the subject, whether there is any reason why the other products of the farmer—wheat, corn, oats, barley, and rye—which are used as subjects of speculation and gambling on the board of trade the same as cotton, can not be included in this amendment in some form?

Mr. CLARKE of Arkansas. As a matter of principle there is not any distinction, and there is not any reason why relief should be granted to one class of agriculture and denied to others. It was a mere matter of policy. I understood the cotton business. I did not understand the grain business. I thought some one interested in that particular branch of agriculture would join us in this effort.

Mr. WILLIAMS. It is not carried on in the same way.

Mr. CLARKE of Arkansas. I stated as much. I am perfectly willing to vote, at any time or under any conditions, to extend the relief that I contemplate in this amendment to the cotton raisers and the grain raisers, or any other class of agriculture in the country.

Mr. THOMPSON. I have frequently talked about this matter with Congressman SCOTT, whom the Senator has mentioned, and who was a neighbor of mine at one time. Did not his bill contemplate also the inclusion of grain?

Mr. CLARKE of Arkansas. I am not prepared to say what it originally included, but when it reached the Senate it related to cotton only.

Mr. THOMPSON. Will the Senator present to the Finance Committee the idea of including the grains which I have mentioned?

Mr. CLARKE of Arkansas. I should think that ought to proceed from the Senators from the grain-growing regions. I would not assume to represent them in the matter.

Mr. THOMPSON. I think it is just as important that grain should be included as that cotton should be included.

Mr. SMITH of South Carolina. Mr. President, I wish to submit some remarks in reference to the amendment offered by the Senator from Arkansas [Mr. CLARKE].

I desire to say in the beginning that I am heartily in favor of the principle involved in his amendment. I wish to state to the Senate, however, in order that its Members may thoroughly understand this question, that the thing about which the cotton raisers of the South are complaining is the nature of the contracts on the exchange. The matter is a technical one, and therefore it will require some little explanation.

Under the terms of the New York contract there are 15 or more grades. They did have at one time, I believe, 37 grades. In the middle of those grades there is a grade known as "middling." They would sell a contract, basis middling, with a proviso in the contract that the seller of the contract might have the option of delivering on that contract anything from the lowest and most uncommercial to the highest and finest grade of cotton. The consequence was that the purchaser of the contract never would know what grade of cotton he was going to get.

The practical working of the matter is that the grade committee in New York, and at one time in New Orleans, meet and arbitrarily fix the difference between middling and the grades above and the grades below for 90 days. The result is that if an individual bid 10 cents, basis middling, and the committee had fixed the difference between that and ordinary at 1 cent, when the purchaser came to demand the specific fulfillment of his contract he would get ordinary delivered to him at 9 cents. He bid 10 cents for middling, and he would get ordinary, at the option of the seller.

The result was that if the general trade would not accept his ordinary at 9 cents, but would give him only 8, he lost $5 a bale. The result was that the next time he bid on middling he bid without reference to the value of middling—without reference to the law of supply and demand for middling—but bid with reference to what he was probably going to get, which was ordinary, at a fixed, arbitrary difference between what he bid on middling and what he got ordinary for. Therefore he bid 9 cents for middling without regard to its real value.

I can submit papers to the Senate to show that middling cotton on the board in New York for a long period of time was quoted, say, at 10 cents a pound, when the spot middling in the warehouses, where the buyer would have the right to go and sample each bale and select his 100 bales of middling, was from a cent to a cent and a half above the board price.

It is that demoralization from which the farmers of the South beg relief. I introduced a bill requiring that each and every contract for the future delivery of cotton should specify the particular grade contracted for and that such grades as were contracted for should be delivered. Upon investigation I found that what the Senator from Arkansas says is largely true—perhaps entirely so—that the courts have ruled that a contract originating in one State entered into by citizens of another State is not a subject of interstate commerce.

I then took occasion to write to the farmers of the different cotton-growing States and submitted to them the amendment proposed by the Senator from Arkansas.

They claim that all they desire in the world is that if there is a contract for the future delivery of cotton the grade shall be specified in the contract, and, upon demand, shall be delivered. They say that if that were done, as the Government has standardized nine grades, each grade being a distinct commercial commodity, as much so as if it were a different article, no man would go short, and there would be no complaint of this manipulation of the market.

I wrote letters on the subject to a number of farmers' organizations, and in response I got a letter, which I will read, from the Farmers' Union. I just want to show their attitude in reference to the matter.

The Clarke amendment taxes all contracts. Therefore, no matter who sells a contract, whether basis or specific, if for any reason he can not fulfill the contract, no matter how honest he may be when he makes it, he has to pay this tax under the Clarke amendment. But we farmers—and that is my occupation—say, if you can, eliminate the bad contract from the good, so that if you do not conform to a specific grade in your contract you shall pay this tax. The reason is that it is unfair; it is gambling not to specify the grade; it is a pure case of collusion for the purpose of buying and selling at your own sweet will thousands and millions of bales of cotton that never were in existence. But you do not dare to sell a specific contract under those circumstances, because were you to sell it to me at a specified price, say 11 cents, and it specified middling according to Government standardization, I could take that and sell it to a miller, and under the law he could demand fulfillment of the contract.

Without explaining any of this, I wrote to these men and asked them their opinion. I believe that if the Clarke amendment were amended so that where the specific grades were named the seller must undertake to deliver as every spot purchaser does to-day, you would eliminate this confusion, and put trading in cotton upon a legitimate basis, upon which it is rightfully entitled to stand.

I wrote to the different farmers' organizations this letter:

DEAR SIR: I am sending you a copy of an amendment to the tariff bill proposed by Senator CLARKE of Arkansas.

I want you to study the provisions therein and write me fully as to whether or not you think it would be beneficial to the cotton growers.

It might be well that you discuss this with your neighbors.

I have been endeavoring to do all I could for the benefit of those who produce the cotton, and I do not desire that any legislation, however beneficial it may seem, to pass which in its practical operation would put another burden upon us.

Awaiting your early reply, I am,

Sincerely, yours, E. D. SMITH.

I telegraphed on one occasion the exact purport of that letter to the Farmers' Union of South Carolina, in convention assembled at Isle of Palms, Charleston, and received this reply:

CHARLESTON, S. C., *July 25, 1913.*

E. D. SMITH,
United States Senator, Washington, D. C.:

Your wire received. South Carolina Farmers' Union unanimously indorse your bill requiring cotton to be delivered by grades specified in the contract. Rejected. Disapproved of the Clarke amendment. Letter will explain fully in a day or two.

E. W. DABBS,
President South Carolina State Farmers' Union.

Here is another letter, and these I am going to ask to have put in the RECORD. Here is one from a farmer of Chester, S. C.

CHESTER, S. C., R. F. D. 2, *August 4, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SENATOR: Yours of July 26 to hand, in reference to Senator CLARKE'S proposed amendment to tariff bill. I am no expert on this matter, but think the tax will come off the producer. You know the exchange's cotton factors, mill men, and merchants, who buy contracts to protect themselves, will deduct the one-tenth of 1 per cent from price paid the producer. Hoping you will be successful in your next campaign, I am,

Yours, very truly, C. A. MCLURKIN.

I have another here from a different part of the State:

FORT LAWN, S. C., *August 4, 1913.*

Hon. E. D. SMITH,
United States Senate, Washington, D. C.

DEAR SIR: Your communication of July 26 received; also, copy of amendment to tariff bill as proposed by Senator CLARKE. I would have written you sooner, but wished to talk the matter over with some of the most prominent farmers and business men of the community and get their views before writing you. Without exception the people with whom I have talked over this matter are of the opinion that the amendment will do us as cotton growers more harm than good; in fact, as we see it, we are very doubtful about its doing any good at all, while we as farmers will in an indirect way have the tax to pay—as we do in the 30 pounds tare per bale. Should this amendment come before the Senate we trust you may see your way clear to vote against its passage and to do all you can to have the amendment killed.

Thanking you for writing me and for copy of amendment, I am,

Very truly, yours, W. C. MCFADDEN.

That is practically the tenor of quite a number of letters which I shall ask to have put in the RECORD, along with these telegrams.

I want to say that the farmers do not believe any harm can be done to them if the contracts are so made as to specify the grade contracted for and the grade that is contracted for is made according to Government standardization. The Government has now for the first time in the history of cotton growing standardized the grades. I propose as an amendment to the amendment proposed by the Senator from Arkansas [Mr. CLARKE] that the contracts hereafter shall specify the grade or grades contracted for and such grades as are contracted for

shall be according to the Government standardization. And such contracts as conform to this shall be exempt from taxation. If this is done it will guarantee an approximately honest market. It will give the man who produces cotton a market in which he can sell his cotton at any time if he wishes to do so. He can name the grade or grades and deliver these grades without having to pay a tax in case he is unable by any reason to make deliveries. Under the present system it is the latitude given the seller that has caused all the trouble and dissatisfaction. Under the present form of contract on the exchanges the seller has the option of delivering anything on this contract from the lowest to the highest grade. The Senator from Arkansas has quoted Mr. Lewis W. Parker as saying he would not demand delivery on a New York contract, but would run from it. The reason for this is, as I have stated before, that the seller of that contract in New York would not be likely to deliver spinnable cotton, but would deliver some low-grade stuff overvalued, which Mr. Parker could not take at the price tendered and spin or sell without a loss. Under the amendment I propose the grade would be specified, and Mr. Parker or any other buyer in demanding deliveries would get what he bought and no harm would be done.

Mr. ROBINSON. If the Senator will find it convenient, I would be glad to have him discuss the proposition as to the power of Congress under the Constitution to prescribe the forms of contract which shall be entered into upon the exchange.

Mr. SMITH of South Carolina. I am under obligation to the Senator from Arkansas [Mr. CLARKE] for having solved this problem. I give him all credit for suggesting to bring it under the taxing power of the Government.

By this means we can place a nominal tax on the legitimate contract and a heavy prohibitive tax on the present form of contract that has brought about all this deception and fraud.

Mr. CLARKE of Arkansas. Will the Senator permit me to ask him how you would distinguish and define the difference between him and myself. I agree that a specific contract is vastly better for the buyer, but I can not see that it has any influence whatever in preventing manipulation or preventing fluctuations that will affect the price. The price quotation now is based on one grade, and that is middling. In the Liverpool Exchange they are confined in making deliveries to four grades of good cotton, and fluctuation takes place there. In the grain business they are confined to four grades, and it is substantially similar. It was proved in the Christy case which I cited in my remarks that I submitted to-day that 95 per cent of the products dealt in there were purely speculative. The relief you propose is of great advantage to those who go to the New York Exchange and buy middling cotton. For instance, take a spinner hedging. He buys a lot of cotton in order to protect himself against the uncertainty of the market growing out of the manipulation of the exchanges. He goes upon the exchange and sells an amount of cotton equal to the amount of cotton bought, not with a view of delivering the cotton, but simply to prevent the manufactured fluctuations in price from causing him loss on his actual cotton.

Mr. SMITH of South Carolina. If the Senator will allow me, the reason why they do not go to New York is because New York understands, by years of study from day to day, how to formulate a contract that would eliminate any spot transaction and drive the seller and buyer away who would put it upon a legitimate basis to do spot business.

Mr. BRANDEGEE. Mr. President——

The PRESIDING OFFICER (Mr. SAULSBURY in the chair). Does the Senator from South Carolina yield to the Senator from Connecticut?

Mr. BRANDEGEE. I do not ask to have anyone yield. I rose to make a parliamentary inquiry. What is the regular order?

The PRESIDING OFFICER. The Chair thinks the amendment of the committee, which the Senator from Arkansas discussed.

Mr. THOMAS and others addressed the Chair.

Mr. SMITH of South Carolina. I yield to the Senator from Colorado. He addressed me before others.

Mr. THOMAS. I merely wanted to ask the Senator why these contracts, so called, which have been the subject of discussion this morning, are called gambling contracts? My understanding of a gambling contract is that it has invariably some element of chance.

Mr. SMITH of South Carolina. There is no element of chance in this. It is heads I win and tails you lose.

Mr. THOMAS. Instead of being called a gambling contract it should be called a thimble-rigging contract or a bunko game——

Mr. SMITH of South Carolina. That is near it.

Mr. THOMAS. In which no one except the cotton-exchange man who makes the contract has any possible opportunity of getting out.

Mr. SMITH of South Carolina. That is true. The Senator from Arkansas referred to the matter of contracts which my friend Parker was speaking about. Here is an illustration to the point. I think Senators will see the pertinency of this illustration. Sparrows migrate to my section of the country in the winter. The grass seed are thrown down by the frosts. This is their food. Sometimes there comes a snow, which covers their food for days at a time. These little birds are unable to scratch the snow away and soon face starvation. Under these circumstances I used to go out in the old vegetable garden at home, rake the snow away from a place, say 12 inches square, get a good heavy board, about the same size, place a stick as a prop under one end and tie a string to the stick, have the string long enough to lead to an old out house. I would then scatter grits or other food under this deadfall, get in the old house and hold the string and watch. At first one or two of the hungry birds would come and, forced by hunger, would hop under this deadfall and fill themselves with the food I had placed there. I did not attempt to catch these first ones. I used them as decoys. They would fill themselves, and other hungry, starving ones, emboldened by what they saw these do, would then crowd under the deadfall, and when I thought as many were under as were coming, I would jerk the string and pull the prop from under the deadfall and get the whole crowd. This is what the exchanges do under the present system. They allow a few to buy contracts and make some money. This entices others to come, and when they think they have about as many as are likely to come with this bait they pull the prop from under the market and catch the suckers as I caught the sparrows.

Mr. THOMAS. I should like also to inquire before the Senator takes his seat, because my memory is not entirely clear about it, whether some members of this exchange or the exchange itself were not two or three years ago detected in filching information from the Agricultural Department in reference to the prospect of the cotton crop, and using that also for the purpose of making their sure gain surer?

Mr. SMITH of South Carolina. We had information to that effect. I happened to be a member of the organization, a member of which detected it, and he said that there was a certain window-curtain telegram acting here in Washington where they got that information, and the information was sold.

But, Mr. President, I want to repeat that I am heartily in sympathy with the amendment proposed by the Senator from Arkansas, in so far as it will affect the unlimited contract; if he will just make a differentiation between the unlimited contract, as now sold on the New York exchange, and in a measure on the New Orleans exchange as well, and a specific contract, I think the legislation will be as near perfect as we can make it. If, as I have suggested, he will differentiate between the two, those that specify the grade, and the grades specified be according to Government standardization, be practically without a tax, and place the tax proposed upon those contracts that do not specify the grade to bear the tax that he proposes, then I am sure the farmer will be satisfied and will get what he is entitled to.

It has been suggested in this debate that the millman, the mill owner, desires the modification that I am advocating. The farmers do not want to be placed at the mercy of the mill owner, for the reason that he would be in a position to dictate prices in a measure as mercilessly as the exchanges do. I do not care who buys my cotton so long as he is willing to buy it fair and give me a price which is fair, which is according to the real value of the cotton. I and the other farmers in this country here and now protest against being put up against a bunco game if there can be any legislation to relieve us. We do not want, however, to jump out of the frying pan into the fire and in getting rid of the gamblers on the exchange force ourselves into the hands of the millmen. All we ask is a fair, square deal, force the seller to deliver what he sells, and not allow him to sell basis middling and deliver dog tail.

Mr. RANSDELL. Before we get through this subject I should like to ask the Senator from Arkansas a question.

Mr. SMITH of South Carolina. I should like to conclude my remarks, unless the Senator wishes to ask it in my time.

Mr. RANSDELL. No; I thought the Senator was through.

Mr. SMITH of South Carolina. Mr. President, I think the Senate will see that I am heartily in accord with the Senator from Arkansas. The only objection I have to the Clarke amendment is that it does not do like the Hatch bill, put $25 a bale on unlimited contracts and put it out of existence at once. Why try to raise a revenue out of the gambling processes of the

New York Cotton Exchange without relieving the suffering, toiling American farmer? Why not come out with courage and say we will put a stop to this iniquitous practice, we will tax it out of existence, and not attempt to raise a revenue out of this iniquitous oppression of the people?

Mr. CLARKE of Arkansas. The Senator from South Carolina seems to be addressing his remarks to me.

Mr. SMITH of South Carolina. No; I am not. But the question is whether you put a tax of $25 on that form.

Mr. CLARKE of Arkansas. What form?

Mr. SMITH of South Carolina. The form of contract as it exists.

Mr. CLARKE of Arkansas. It does not deal with it at all. I think it is a natural evolution of the business. I think these restrictions were intended to prevent persons from carrying on the business. They are not engaged in delivering cotton. They do not buy cotton. The contract you are insisting upon is to help the bulls in their fight with the bears. What I want to do is to prevent manipulation on the New York Cotton Exchange that will reach back to the producers. We are not now putting a tax of $25 a bale. If there was any chance to have had it considered at this session, I would put $25 or any other number of dollars that would stop the business.

Mr. SMITH of South Carolina. Mr. President, I merely wish to say, in reference to the insinuation about bulls and bears, as a matter of course every fair-minded man wants whatever commodity is put upon the market to be measured as near as possible by the law of supply and demand. For the last 60 years we have not got anything like a fair price for cotton. I believe that the cotton growers of the South to-day would be independent and have good homes and educated children if it had not been for that miserable iniquity in New York. I am trying to break up that iniquity, and in putting it out of business I would——

Mr. CLARKE of Arkansas. The Senator seems to be confident of his views. Permit me to ask him a question. I wish he would explain, so we can understand how it happens, if speculators are deterred from going to the cotton exchange how anybody is going to pay that tax.

Mr. SMITH of South Carolina. It is not deterred. A man goes in with an iniquitous proposition of hedging. What do we want with hedging?

Mr. CLARKE of Arkansas. I am asking a question.

Mr. SMITH of South Carolina. I am answering the question.

Mr. CLARKE of Arkansas. I asked the Senator a question which I suppose is proper. I hope the Senator will answer it or make some rational explanation that would be accepted by those who understand the matter. How are they going to transfer to the cotton producer of the South a tax that is never paid?

Mr. SMITH of South Carolina. I will answer the Senator, if he will allow me, categorically. Say, for instance, I am the manufacturer. I say to you I want a thousand bales delivered at current prices, say at 10 cents a pound. You say, "I will deliver a thousand bales of middling in October." You go into the exchange to hedge. The exchange says you have got to pay a tax of $50 for this lot and $15 commission, making $65, and the exchange will lower the Liverpool price from what it is down to cover that end——

Mr. CLARKE of Arkansas. Does the Senator concede, therefore, the exchanges can fix the price they pay for that cotton?

Mr. SMITH of South Carolina. I think that within reasonable limits they are doing it now.

Mr. CLARKE of Arkansas. Then the Senator thinks there should be a specific contract made that would continue them in the business.

Mr. SMITH of South Carolina. It ought not to continue them in business unless the term is specific and without——

Mr. CLARKE of Arkansas. Why do we have the cotton exchanges at all then?

Mr. SMITH of South Carolina. I say if a man was in a legitimate business——

Mr. CLARKE of Arkansas. I do not think there is any legitimate dealing because the person never expects that it can be legitimate.

Mr. SMITH of South Carolina. I am trying to eliminate the middleman, and if the exchange exists let it exist legitimately.

Mr. WILLIAMS. I should like to ask the Senator from South Carolina, if it be true that this 50 cents per bale can be shifted to the cotton producer, can he make that appear by any argument whatever which does not make it equally clear that all speculative expenses now incurred upon a man are shifted to the producers?

Mr. SMITH of South Carolina. I have claimed that all along, and that is what I am trying to get rid of.

Mr. WILLIAMS. If that be true, does not the Senator admit that this bill will to some extent decrease the amount of speculation, and therefore decrease the amount of future business, and therefore decrease the amount of expense which could be shifted to the producer?

Mr. SMITH of South Carolina. That might be, but the amount decreased might be offset by the burden he bears in paying the 50 cents a bale on his hedge, whereas if you deliver a specific contract, what is the use of hedging?

Mr. WILLIAMS. There is one more question I want to ask the Senator. It is if in his opinion this bill will not increase the number of actual deliveries of cotton purchased for future delivery?

Mr. SMITH of South Carolina. If you will amend it by putting in a contract that is legitimate and fair and square and honest, I think you will eliminate the unlimited contracts.

Mr. WILLIAMS. I did not ask what would be done if amended. I asked the Senator if this bill as it is now will not have the tendency of increasing the number of deliveries actually made of cotton bought for future delivery, and will not the refunding of 50 cents tax upon the actual delivery have the effect of increasing the number of deliveries, and if it have the effect of increasing the number of deliveries, will it not have the effect of increasing the number of bales the cotton man makes, and if it increases the number of bales of cotton that must be actually purchased, does not that increase the demand and has not that a tendency to increase the price?

Mr. SMITH of South Carolina. The Senator from Mississippi is too familiar with the cotton market to ask me seriously that question, for the reason that with the unlimited contract as it is now what would hinder these individuals from specifically delivering, but delivering, as they do now, dog tail on the middling contract?

Mr. WILLIAMS. Suppose they deliver dog tail; there would still be an increased number of actual sales of cotton of some sort delivered, and of course if your dog tail would be exhausted you would have to buy some other cotton.

Mr. SMITH of South Carolina. When a man receives this undesirable cotton and finds he can not dispose of it he will retender it, and if there are 50,000 bales of that kind of cotton he can settle a million-bale contract.

Mr. CLARKE of Arkansas. Or an infinite number of bales.

Mr. SMITH of South Carolina. Yes; he can take 50,000 bales of this unmerchantable cotton and settle a 50,000,000-bale contract against it, because a purchaser of one of these contracts when tendered this undesirable stuff can receive it and then retender it. The seller then says, "I have actually delivered your cotton, you have accepted delivery," and therefore he avoids the tax. And in this way I believe they could avoid in a large measure the operation of the law. What I want to do is to force them to sell a specific thing and deliver the thing they sell.

Mr. CLARKE of Arkansas. Before the Senator leaves that point I wish to ask him a question. The Senator says there are a great many grades that you find in a contract.

Mr. SMITH of South Carolina. I would define the grades.

Mr. CLARKE of Arkansas. You would put on a penalty of 50 cents a bale if they failed to carry out the contract.

Mr. SIMMONS. I wish to ask the Senator a question. I do not know that I understand exactly the amendment that he proposes. Upon what conditions does he propose to tax the transaction?

Mr. SMITH of South Carolina. To tax the present form of contract, which is practically done by the amendment of the Senator from Arkansas, and to add a proviso to that amendment exempting from taxation those contracts which specify the grades according to Government standardization, thereby making the law constitutional.

Mr. SIMMONS. The Senator does not understand me. Suppose this contract is drawn according to the form you suggest. Must there be an actual delivery in order to escape the tax?

Mr. SMITH of South Carolina. Oh, no.

Mr. SIMMONS. Then, if I understand the Senator, if there is a contract in the form he has described here there would be no tax.

Mr. SMITH of South Carolina. Practically none.

Mr. SIMMONS. There would be practically no tax. Now, let me ask the Senator this question: What per cent of those dealing in these futures actually demand a delivery?

Mr. SMITH of South Carolina. The Senator from North Carolina misapprehends the nature of the contract. Where the contract is made specific rather than basic, no millman would go to the expense of employing a broker to purchase for him when he could go on the exchange and purchase as specifically

as he does from the broker. Therefore you would have the exchange as the actual medium through which cotton was bought and sold, spot cotton.

Mr. SIMMONS. Yes; but I understand the Senator to say that his proposition is that if the contract specifies that there is to be a delivery within one or two grades——

Mr. SMITH of South Carolina. No; a specific grade.

Mr. SIMMONS. Yes, within one or two. If there is a delivery made it must be made in accordance with the terms of the contract.

Mr. SMITH of South Carolina. It must be made of that grade.

Mr. SIMMONS. My understanding is that about 10 per cent of those who buy these contracts probably ask for a delivery.

Mr. SMITH of South Carolina. Under the present contracts?

Mr. SIMMONS. Under the present contracts.

Mr. SMITH of South Carolina. Ninety per cent buy without any view of delivery at all.

Mr. SIMMONS. If the Senator from South Carolina will allow me, the reason——

Mr. SMITH of South Carolina. Just one minute. They do not buy them with any purpose of ever asking for a delivery.

Mr. SIMMONS. Now, how will you stop this 90 per cent of speculative dealings by prescribing a more drastic form of contract?

Mr. SMITH of South Carolina. For the simple reason that anyone on the floor of the Senate knows that as long as the seller has the option of delivering anything within 27 grades regardless of the law of supply and demand, at a difference fixed by himself, he has got an open-and-shut game; but when he sells a specific commodity short he may get himself squeezed, and he takes no such option. Besides, the millman will not buy on the exchange to-day for this very reason, that he does not know what he is to get. Mr. Parker said they would do nothing of that kind because they can not buy middling and get middling.

Mr. SIMMONS. I can understand, I think, readily how this would be a relief to the miller, how it would enable him to require delivery according to the terms of the contract. It would be helpful to him, no doubt; but what I understand the Senator from South Carolina wants to do is not only to protect the miller, the man who wants to enter into a legitimate contract, who expects delivery and who wants delivery, but he wants to suppress this fictitious dealing on the part of those who buy without any purpose of ever demanding delivery.

Mr. SMITH of South Carolina. That is what I understand.

Mr. SIMMONS. There we have one man selling with no expectation of ever being called upon to deliver. We have another man buying with no expectation of ever intending to call for a delivery. Now, how are you going to stop it? How would it tend to stop that kind of dealing in cotton futures by simply saying if you prepare a contract with certain specifications in it there will be no tax on it and it will be a legitimate contract?

Mr. SMITH of South Carolina. For the simple reason, Mr. President, that, as I take it now, if I buy a lot in the city of Washington and put up an option no law in this country can prohibit me from forfeiting my option and canceling the contract. But there is the lot specified. I know what I am doing. But what sort of a contract would it be if I might buy a lot in the city of Washington for a stipulated price, and the seller of that lot was to specify in the contract that he was to deliver me any other lot that he pleases and fix the difference between the one he sold me and the one that he was going to deliver. What kind of a contract would that be, unless I go into it as a speculative venture on a general rise of real estate in Washington?

Mr. SIMMONS. I ask the Senator if he does not think at present that 90 per cent of these contracts are of that nature, that both parties to the transaction understand it to be of that nature, that they will enter into that, and do not care what the form of the contract is, and you will not, by making a more specific contract than is now required or taking the sole option away from the seller and giving the buyer an option, stop that kind of a contract, because they will get out of it in time.

Mr. SMITH of South Carolina. Before I take my seat I wish to correct the Senator.

Mr. SIMMONS. I do not profess to understand it thoroughly.

Mr. SMITH of South Carolina. The Senator is demonstrating that he does not.

Mr. SIMMONS. The Senator had experience and does know a great deal about it, and I wish to get his view on the subject.

Mr. SMITH of South Carolina. Here are some of the letters that I have received from farmers on this subject:

OWINGS, S. C., R. F. D., *August 1, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Yours in reference to Senator CLARKE'S tariff amendment received.

I have advocated a policy to not hamper capitalists in developing the resources of our country, but at the same time to protect the people against oppression of capitalists.

If the exchanges' future trading in cotton are made to deliver the cotton in grade, etc., I rather think they are a protection to the farmer.

Very truly, yours,

WM. P. HARRIS.

—

GAFFNEY, S. C., *August 4, 1913.*

Mr. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Your letter of July 26 received, with Mr. CLARKE'S amendment inclosed. Both have been carefully read, and, in reply, will say that we, the citizens of White Plains section, deem it best for the interest of the country to have free cotton.

We heartily indorse your stand in regard to this amendment.

Respectfully,

M. C. LIPSCOMB.

—

WINNSBORO, S. C., *August 22, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: I notice that the Clarke amendment to the tariff bill will be up for consideration in a few days. To my mind this is a rather drastic measure, and is not the remedy for the evils of the cotton-exchange system.

I think its passage will so upset the whole cotton business that prices will be seriously affected. I do believe that the exchanges should be forced to adopt the Government standard of types or grades, having middling cotton as a basis, and not be allowed to deliver any cotton contracts below a certain grade, and that grade should always be of spinnable cotton. In this way a few thousand bales of unmerchantable cotton could not so seriously affect the price of the whole cotton production.

* * * * * * *

Very respectfully,

R. Y. TURNER.

—

GAFFNEY, S. C., *August 25, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Your letter and amendment to the tariff bill received, and, after careful consideration, I am unable to see wherein the farmer would be materially benefited in the passage of said amendment, because if a tax was put on transaction of cotton in this manner the farmer would have to foot the bill after all, and the people who have the money usually carry things their way.

Yours, very truly,

T. H. LOCKHART.

—

SUMMERTON, S. C., *August 9, 1913.*

Hon. E. D. SMITH,
United States Senate, Washington, D. C.

DEAR SIR: I am in receipt of yours of some days ago in reference to license on cotton futures, together with a license on all sales of cotton. Now, I will frankly admit my inability to suggest a proper course to pursue; but it seems to me I see considerable red tape around getting the tax back on legitimate sales and delivery of the actual cotton; and I think we best go slow on all matters like this, and even if we tax cotton futures alone, we don't know what effect it would have on the great cotton markets of the world. Therefore, I don't look upon the bill with much favor.

* * * * * * *

Yours, sincerely,

O. C. SCARBOROGH.

—

MONTGOMERY, ALA., *July 24, 1913.*

Senator E. D. SMITH, *Washington, D. C.*

DEAR FRIEND: In reply to yours 18th July, I understand in case the Clarke amendment to tariff bill passes and goes into effect the cotton people propose to operate in Canada or Liverpool or both.

It seems to me, to make matters effective, both yours and the Clarke bill should pass. I like your bill excepting as to the delivery of grades, two above or below on any contract, say, above low middling, and only one below low middling; that is, one grade above or one below on low grades.

* * * * * * *

Yours, truly,

CHAS. L. GAY.

—

CAMDEN, S. C., *July 28, 1913.*

Senator E. D. SMITH, *Washington, D. C.*

DEAR SIR: In reply to your favor of the 26th instant relative to the Clarke amendment to the tariff bill, I beg to say that in my opinion it will, if passed, work a hardship on the cotton grower. It will leave the price in the hands of powerful mill syndicates and strong spot men, which will naturally have a depressing influence.

Yours, truly,

W. L. DE PASS.

—

WISACKY, S. C., *July 30, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR MR. SMITH: As far as my limited judgment goes, I am of the opinion that the Clarke bill will be against the best interest of the South.

At our State union last week at the Isle of Palms we had an encouraging meeting. It was well attended.

The union placed itself on record as opposing the Clarke bill, but indorsed your bill regulating the cotton exchange on future contracts as regards grades, etc. The cotton belt needs for the Government to standardize grades and enforce its standardization.

Wishing you much success, I am,

Yours, very truly,

ROBT. M. COOPER.

KEMPER, S. C., *July 30, 1913.*

Hon. E. D. SMITH,
United States Senate, Washington, D. C.

DEAR SIR: Yours of 26th to hand. I don't think that I know enough about dealing in cotton futures to offer any suggestion as to Mr. CLARKE'S proposed amendment. I am not much in favor of selling cotton for future delivery. But, Mr. SMITH, there is one thing in regard to the sale of cotton that I am anxious to see. That is a standard grade, so that every buyer and every farmer can tell what his cotton is. In other words, if a bale of cotton will grade middling in Wilmington, N. C., or Norfolk, Va., it ought to grade middling in Charleston, S. C., or New York or anywhere else. But this does not seem to be the case, and the local cotton buyer is at a loss how to grade the cotton to suit the different exporters. This is not only hard on the buyer, but the farmer, the man that toils and produces the cotton, is not getting what justly and honestly belongs to him, and it seems to me that there ought to be a standard adopted by the National Government whereby every intelligent farmer could know just what his cotton was. I think this would also be an inducement to the producer, let him be landlord or tenant, to try to take better care of his cotton in gathering it. Let him know that his cotton would be sold on its merits, that he would get what it was actually worth at the time he made a sale.

Would be glad to hear from you on this subject. Let me know what you think about it.

Very respectfully,

C. P. HAYES.

BURTON, S. C., *July 31, 1913.*

Hon. E. D SMITH, *Washington, D. C.*

DEAR SIR: Your letter of 26th instant inclosing amendment to bill H. R. 3321 was received and carefully considered. While we know that our people lose a good deal by dealing in cotton futures, still it seems to me that such restrictions as are proposed to be placed on even bona fide sales for future delivery would have a decided tendency to reduce the price of cotton. Having to pay the tax and have it refunded later would prevent many sales. Anyway the whole thing would have a depressing effect on the cotton market, in my opinion.

I think we owe more to the cotton growers than to the foolish investors in cotton futures. Better let the speculators take care of themselves.

Yours, very truly,

W. R. EVE.

ABBEVILLE, S. C., *August 1, 1913.*

Mr. E. D. SMITH.

DEAR SIR: Your letter received and, after thinking the matter over, I don't believe it would be of any benefit to the people, as not more than one-third of the people own land. It would be great to the land owners.

Very truly, yours,

J. H. LINK.

LAURENS, S. C., *July 31, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

MY DEAR SIR: Your letter to several of your friends in regard to the Clarke amendment has been called to my attention, and the amendment is regarded by all well-informed business men and farmers among them as a direct tax of 50 cents per bale on every bale of cotton grown and sold from the fields of the South. My main source of income is from the farm; all that I have is practically invested in farm lands, and I would regret to see any legislation put into effect that would handicap the great underlying product of the southern farm. Of course, it would work all right for the large cotton corporation or large manufacturing corporation, who would be glad to bear cotton to the lowest possible price and buy in their supply without regard to even the cost of production. They would be able to command capital when the smaller cotton merchant and the conservative cotton man who is not "nervy" enough to take his chance without some kind of insurance such as is given by the Cotton Exchanges of New York and New Orleans, thus taking out of our market the element of competition, which is the life of all trade. The result would be the whole business would be transferred to Liverpool and other foreign markets of the world, with the discrimination against us of the above amount. I am satisfied that you appreciate the situation and will look after the interest of the farmer in the premises. With best wishes, I am, as ever,

Yours, truly,

W. T. GRAY.

GAFFNEY, S. C., *July 13, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: In reply to your request of my opinion of Senator CLARKE'S amendment to the tariff bill I will say that I am willing to trust any legislation affecting cotton and the cotton grower to your judgment.

* * * * * * *

Truly,

E. J. CLARY.

CHESTER, S. C., *July 30, 1913.*

Hon. E. D. SMITH,
Senate Chamber, Washington, D. C.

DEAR SIR: Replying to your letter of July 26, requesting an opinion upon the amendment to the tariff bill proposed by Senator CLARKE of Arkansas placing a tax on the buying and selling of cotton for future delivery, I beg to say that I have given the measure careful thought for some time since its introduction and as yet have failed to see any good reason brought forward to justify its passage. I suppose though that there is plenty of ground for a difference of opinion as to the exact results that would be brought about by this amendment, but I am unable to see why cotton alone should be singled out for the trial while all other commodities are left as they are. Living in the cotton belt as I do, I wish to see cotton bring as much as possible, and I am persuaded that any commodity is better off when not interfered with by the Government. For this reason I am opposed to the amendment.

* * * * * * *

Most sincerely,

J. R. HAMILTON.

OLAR, S. C., *August 1, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: I am opposed to dealing in cotton futures at all. If people want to speculate on cotton, let them buy and sell actual, not imaginary, cotton.

I know you are trying to legislate to help the farmers, and I hope you will be able to do so.

Yours, very truly,

H. W. CHILTY.

BENNETTSVILLE, S. C., *July 31, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SENATOR: Your copy of the Clarke amendment received, and in reply will say that several years ago it was the common custom to put on our cotton 9 yards of bagging, and there was nothing said or thought about it. Then the buyers decided that they only wanted 7 yards. If the cotton had more than that they deducted 50 cents per bale. Then, to remedy the matter, our legislature made it a misdemeanor to deduct the said 50 cents. What did the buyers do? They deducted it when they priced the cotton, and we still have to put on the 7 yards or pay that same old 50 cents.

Now, Senator, if the Clarke amendment becomes law, I know who will have to pay that one-tenth cent. It will be you and I.

Frankly, I think that it would be rather premature to adopt that amendment just now. Were we able to name the price of our cotton it would be a good thing to adopt the proposed legislation; but such not being the case, I think we had better not wave the red flag in the face of the financial bull too much.

* * * * * * *

I and, I think, all intelligent people are aware of what you are doing and have done for the cotton farmer. Wish to thank you for it. * * * Here's hoping that you can defeat the Clarke amendment.

I beg to remain, as ever, yours,

T. C. COVINGTON.

ABBEVILLE, S. C., *July 29, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: I have your favor of the 26th in regard to the Clarke amendment to the tariff bill. I have decided views as to its result; it will hurt the cotton grower. * * *

Yours, truly,

J. L. MCMILLAN.

LAURENS, S. C., *July 29, 1913.*

Mr. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Your letter of the 26th to hand and noted.

I am not posted or not enough up on the matter to tell whether or not this amendment would be beneficial or not to the cotton grower's interest. All I can say that you look to our best interest and do what you think would be best for us, as I know that you are better posted to these affairs than we are. I know that you are wide awake and will do what you think best for our interest. * * *

Yours, truly,

P. B. BAILEY.

BISHOPVILLE, *S. C., July 30, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Replying to your letter of the 26th, containing a copy of an amendment to the tariff bill proposed by Senator CLARKE of Arkansas, beg to say that I have looked over the provisions contained therein, but owing to the fact that I have only a superficial knowledge of the operations of the future-contract business, I am not in a position to give you an intelligent opinion regarding the matter.

I would venture to say, however, that notwithstanding the fact that the cotton producer has to sustain a great loss by the operation of future contracts and the nondelivery of actual cotton on same, I think we had better go slow and be sure of our ground before taxing future contracts to provide revenue for the Government, else we might have to sustain a greater loss by the taxing of future contracts as called for in these provisions proposed by Senator CLARKE.

Something should be done and done at the earliest possible moment to relieve us of this burden. * * *

Very truly, yours,

E. H. HEARON.

MARTINS POINT, S. C., *July 28, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Your letter and copy of Mr. CLARKE'S bill to hand and fully noted. I have read the bill with considerable disgust as a farmer. You must know that every duty placed on cotton must fall on the grower. I am satisfied that if this amendment was tested and thoroughly explained to the growers of cotton that it would not get one vote. I with my friends say kill this amendment if possible and you will have turned a good trick in favor of all cotton growers.

It seems to me that some of our Democrat friends want to monkey with the tariff till there will not be revenue enough, and then place a tax on our southern friends to make good.

This kind of Democracy is very thin skinned, to say the least of it. Do the best you can for us.

Yours, sincerely,

F. W. TOWLES.

DILLON, S. C., *July 30, 1913.*

Mr. E. D. SMITH, *Washington, D. C.*

DEAR SIR: I think the Clarke amendment to be inserted in the tariff law is a bad proposition for cotton farmers. I have talked with you personally, and you and myself were in full accord that the cotton exchange should be required to deliver specific grades of cotton on contract. I was talking with a prominent cotton manufacturer to-day who said that the cotton-future market at present was no safeguard to him as a manufacturer, and that he did not try to hedge. He said, however, that if he could make a contract and could call for spot cotton running three grades, one above and one below the grade mentioned, that it would be of some service to him. For instance, he spins strict middling cotton. He would be willing to take good middling, strict middling, and middling on this contract, but no other grades.

I wish to emphasize what I wrote you some days ago, that whatever is done in this matter should be done very promptly. If this agitation is continued till new cotton goes on the market, I believe it is going to adversely affect prices this fall.

Hoping that Congress and the Senate will be able to dispose of this matter at a very early date, and with kind regards, I am,

Very truly, yours,

WADE STACKHOUSE.

CHESTER, S. C., R. F. D. 2, *July 30, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Yours to hand and noted, and in reply would say I'm opposed to the passage of any act that would put a tax on cotton in any shape or form, for the farmers would be the ones to suffer.

I think speculation is the only way to handle crops of any kind; the law of supply and demand is no good.

Yours, very truly,

W. S. DURHAM.

SENECA, S. C., *July 28, 1913.*

Senator E. D. SMITH, *Washington, D. C.*

DEAR SIR: Being interested in cotton, both as growers and buyers, we write you in reference to the Clarke amendment to the tariff bill. In our opinion this measure will be hurtful instead of helpful to the cotton growers of the South. Through the medium of this letter we can hardly give all our reasons for our opinion, but we believe the foreigners, big cotton merchants and cotton mills, will be the gainers, from the fact that small dealers will be badly handicapped or driven out of the business if this measure becomes law.

We do not lose sight of the evils of speculation in cotton or any other commodity as a gamble, pure and simple, and make no defense of this from a moral or any other standpoint; but we do believe there are legitimate uses for the purchase and sale of cotton contracts, and in this branch of the business we are interested. The laws of trade and common sense are conclusive to us that competition in any line of business is beneficial to the seller, and if this measure does not destroy competition we do not catch the meaning of the bill.

That there are evils and abuses of the present system in New York we fully recognize and would like to see corrected, but we do not believe the Clarke measure will give the relief needed.

In our opinion your bill requiring the naming of grades sold is the right solution of this matter. We would suggest one amendment to this bill stipulating that no grade below that recognized by the Government standard should be deliverable on contract. We believe if this is done all interests will be protected.

For some reasons we should be glad for the Clarke measure to be tried, mainly because a large number of farmers believe speculation in cotton is always against the grower, which opinion we do not share.

As constituents of yours we write you this letter and trust you may take our view of this matter and use your influence to defeat the Clarke amendment.

Very truly, yours,

G. W. GIGNILLIAT.
F. M. CARY.

ABBEVILLE, S. C., *July 28, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Your letter inclosing proposed amendment of Senator CLARKE to tariff bill came duly to hand. I am afraid that the result of the passage of that bill, or, rather, that amendment, will injure the cotton growers rather than help them. My observation has been that speculation keeps up the price of cotton. I am satisfied that if a tax is put on every cotton transaction for future delivery, that the cotton mills of the South will combine and will lower the price of cotton. In any town in this State having a cotton mill, only one buyer, the one for the local mill, is put in by any mill, and if it were not for the export buyers the cotton growers would suffer. My idea is that a tax should be put on the exchanges so as to insure only reliable people entering into the business, but I doubt very seriously the good of putting a tax on each sale. All of our southern mills buy largely for future delivery, and to hamper them with a tax will not only put the mills to great inconvenience but, in my judgment, will have a tendency to lower the price of cotton. Every bale of cotton sold would be bought by the buyers with the idea of a tax on it and the farmers would get just that much less for his cotton. I do not believe the amendment will have the effect that is thought by its author it will have, and I am afraid that it will have the opposite effect. With best wishes,

Yours, very truly,

WM. N. GRAYDON.

GAFFNEY, S. C., *July 28, 1913.*

Senator E. D. SMITH, *Washington, D. C.*

DEAR SENATOR: Yours of the 26th received and noted. I have read the Clarke amendment carefully and in my opinion as a farmer and a merchant, I believe that the amendment would be detrimental to both classes, especially so to the farmer, and of course the farmer's interest is the merchant's interest. If this amendment should become a law the cotton crop will be contracted for by a few strong cotton people and manufacturers, and I would consider such a very dangerous law. In my opinion it would be much better to abolish the cotton exchange altogether than to have this amendment become a law.

I think if the New York Cotton Exchange would be governed by the same rules and regulations as the New Orleans Cotton Exchange it would be better.

I think if the Clarke amendment becomes a law the supply and demand will have very little to do with prices.

Yours, very truly,

J. A. CARROLL.

COLUMBIA, S. C., *August 1, 1913.*

Mr. E. D. SMITH, *Washington, D. C.*

DEAR MR. SMITH: Your letter of 26th to hand, relative to the proposed amendment to bill H. R. 3321. Will say that I have consulted some three or four neighbors, and after a careful study of said amendment it is the opinion of the others, as well as myself, that the amendment will be a burden rather than a beneficial amendment to the grower of cotton.

* * * * * * *

Yours, truly,

J. E. POAG.

BENNETTSVILLE, S. C., *August 15, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: * * * I do not believe the passing of the Clarke amendment to the tariff bill will be of any advantage to the cotton growers of the South, though a great many seem to hold to the contrary opinion. I am,

Yours, respectfully,

JOHN W. DRAKE.

CHESTER, S. C., *August 13, 1913.*

Hon. E. D. SMITH.

DEAR SIR:

* * * * * * *

As regards the amendment to the tariff bill as proposed by Senator CLARKE, I think it is of doubtful wisdom at the present time. * * * I think the Clarke amendment is inopportune. The marketing of the new crop is just opening and legislation should be avoided, as it tends to create uncertainty in the minds of dealers and consumers and to throw a damper over the movement of the crop. As much freedom in actual cotton transactions should be given the farmer and manufacturer as possible, but speculators and cotton exchanges should be regulated in the future by some judicious legislation restraining them from their enormous transactions in order to control the market price of the staple.

Appreciating your efforts in behalf of the farmer, I am,

Yours, truly,

J. J. STRINGFELLOW.

BURTON, S. C., *August 11, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Replying to yours of the 26th ultimo, I would say that I have grave doubts of H. R. 3321 amendment being to the advantage of the State of South Carolina.

We have 400,000 people working in our mills and many thousands of dollars invested in them, and anything that we do that will diminish the value of their product will reflect on the interests of those 400,000 people.

Now, it is a fact that the prosperity of our mills depends on the sagacity of the president or agent who buys the cotton used in the mill. Cut off his ability to use it and most of his value is gone, and much of the profit of the mill with it.

As you well know, the cotton market is not steady, therefore the effort of the agent is to buy for future delivery when cotton is low. As no man can foresee the market with absolute certainty, it becomes necessary that large buyers should have some means of protecting themselves against a great decline in the market or they can not take the risk of buying.

The buyer's protection is the sale of futures when he believes he has made a purchase of futures at a price that will be higher than the market will be at the date of that future delivery.

This bill, therefore, strikes at the prosperity of every mill that has a man smart enough to make it a prosperous institution, and through the mill at the 400,000 employees, at a time when the knife has been put into their profits by the revision of the tariff in the most radical manner. Can they stand it and live? This question, I believe, is of importance to the State.

Although I am only a farmer, I can see that an interest as great as that of the mills of this State carries with it the interest of the farmer who raises the cotton and the food for these workers who do not produce these things.

Very truly, yours,

S. C. PRICE.

PLEASANT LANE, S. C., *August 4, 1913.*

Hon. E. D. SMITH,
United States Senator, Washington, D. C.

DEAR FRIEND SMITH: Replying to yours of a few days since, asking me to give my views on the Clarke amendment to House bill No. 3321, will say that, in my opinion, dealing in futures should be prohibited entirely. As to the amendment providing for a tax levy of so much per pound on each agreement to purchase or sell will result as did our tag tax on fertilizers, viz, figure in the price of the product; in other words, the price will be fixed with an eye single to the payment of the tax. Our prices being fixed, I am sorry to say, by the speculator and not by us, the producers, as it should be.

I have been reading very carefully the acts and doings of the present session of Congress, as every man who has the welfare of his country at heart should do, and we farmers should congratulate ourselves that we have succeeded at last in having a man to represent us in our National Government who is looking after our interest, and we should thank you for each and every one of your many able efforts in our behalf.

Your fight against the approach on us of the boll weevil is grand. I sincerely hope that you will be crowned with success in this, as well as in all of the many other good measures advocated by you.

With kind regards,

I am, your friend, truly,

W. A. STROM.

CAMDEN, S. C., *August 9, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: I received your letter of July 26, inclosing copy of Mr. CLARKE'S proposed amendment, and have read the amendment carefully. Just what effect a tax of 50 cents per bale, or $50 per contract, would have on dealing in cotton futures is problematic, but I am of the opinion that the operators would simply take the additional risk and continue to do business. Of course many of the smaller operators would probably not take the risk and would not operate altogether as much as now. Whether or not this law would affect future trading in cotton to the extent that the exchanges would be put out of business is yet to be seen, and I doubt very much if it would have sufficient effect to do this.

In regard to spot cotton would say that inasmuch as the exchange fixes the price they most assuredly would quote the price 10 points below its actual market value, and thereby put the burden of the tax upon the farmer to the extent of production. This much seems clear to me. Mr. CLARKE evidently means to try to do something in the interest of the farmer, but I am unable to see where there is much benefit in this law for them. It seems to me that a law along the line I suggested some time ago covering future transactions of every kind is what we need.

We want legitimate business and plenty of it, and therefore do not want to hamper legitimate trading, but we do want to stop speculating and gambling as it is now carried on. In every business deal that has any future attached there is always more or less speculation, so we need a law to leave legitimate transactions open and unhampered. Briefly, a law such as I suggested requiring the actual delivery and receipt of everything sold for future delivery could be more successfully enforced if all of the important nations of the world had a similar law. Suppose you talk the matter over with Mr. Bryan and see what he thinks of making a suggestion along this line to all of the larger commercial nations. As I see it, the business as now allowed carried on by our Government is wrong in principle, and I believe we now have the proper men at the head of our Government to correct this evil.

Yours, truly,

JOHN T. MACKEY.

CHESTER, S. C., *August 9, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Hon. J. H. McDaniel, probate judge of this county, has kindly referred a communication of yours in regard to taxing dealings in cotton futures to me for expression of opinion by farmers and business men on the same. Now, my dear Senator, I have not the time or ability to go into a discussion of this measure, but from the fact

that everything that the southern farmer buys is left out of the bill and the only thing that he sells is enough to warn me of the old saw, "Beware of Trojans bearing gifts."

Yours, truly,

W. O. GUY.

—

MARION, S. C., *August 9, 1913.*

Hon. E. D. SMITH,
United States Senate, Washington, D. C.

DEAR SIR: Your letter of July 26 received, and should have had an earlier reply, but the writer has been away on a little vacation. You ask if I think the Clarke bill would be beneficial to the cotton grower. I most assuredly do not. In fact, I think the producer would be hurt more than anyone else.

If the Clarke bill becomes a law, who will pay this tax. Ultimately it will come out of the producer, and will simply mean the Government putting a tax of 50 cents per bale on the farmer's cotton—not directly, but indirectly. It will be figured in the price of his cotton. I know some people take the stand that the cotton exchange should be abolished altogether. As a producer I can not see it that way, for I believe the cotton exchange run properly is a good thing for the farmer. I am connected with the cotton mill here as superintendent, and I am also a farmer—cotton my principal crop.

For the past few years I have bought a good part of the cotton the mill uses and have kept up pretty closely with the spot and future market. From my experience I honestly believe the farmer derives more benefit from the cotton exchange than the manufacturer. To go into details to explain my position would make a letter too long. Please don't understand that I think the cotton exchange is all right in every particular, for I do not. But I do believe if some measure were passed to regulate the exchange and not tax or abolish it, it would be the best thing that could be done for the producer

Yours, very truly,

W. K. DAVIS.

—

BLACKVILLE, S. C., *August 20, 1913.*

Senator E. D. SMITH, *Washington, D. C.*

DEAR SIR: I expect to gather this year 800 to 1,000 bales of cotton, and to-day sold through Messrs. R. H Rountree & Co., of New York City, 200 bales for October delivery. They charge me 15 cents per bale. The Augusta factors charge me 85 cents to $1 per bale. I do not expect to make delivery of this cotton to Messrs. Rountree & Co., but do expect to keep these 200 bales sold with them until I make delivery in October of the actual cotton to the mill or exporter paying the best price on day of delivery. Of course, I have the option of either covering these 200 bales on the exchange in New York or of shipping the cotton to Messrs. Rountree & Co. and making delivery to them. In the past it has proved more profitable to cover on the exchange and then sell the 200 bales to the local mill broker or exporter paying best prices on day of delivery. Should I sell these 200 bales through a factor or mill broker or exporter, they would charge me a premium of $70 to $85 more than Messrs. Rountree & Co. on each 100 bales. Besides, if I sell through a factor or broker, I have no option, but must make delivery, although some other buyer on day of delivery might be paying one-fourth cent higher basis. Besides losing this one-fourth cent, or $125 on each 100 bales, I would also be paying the factor $70 to $85 more per 100 bales than I am now charged on the New York Cotton Exchange. In other words, a tax on cotton futures will be a distinct loss to the business men here. I hope you will kill the bill.

Yours, truly,

J. M. FARRELL.

—

LUGOFF, S. C., *August 2, 1913.*

Hon. E. D. SMITH.

MY DEAR SIR: I have studied this amendment and have shown it to some of my neighbors. If a tariff or tax is put on those cotton buyers or dealers, they will make us as farmers pay all tax put on them; and, on the other side of it, if that would have any effect or be the means of stopping so much gambling on cotton it may do some good. But we all know that you will do all you can for us, so we decided to leave it all to you and not make any proposal whatever as to that amendment, as we all know you are the right man in the right place and will do the right thing for us.

* * * * * * *

Yours, truly,

JOHN S. HAMMOND.

—

CHESTERFIELD, S. C., R. No. 3, *August 2, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

MY DEAR SIR: Replying to your inquiry of July 28 as to the wishes of cotton growers as to H. R. 3321, I had already noted same in daily papers, and probably have a unique opinion as to same, to wit:

I believe it a crime against the cotton growers and should be made so by law to allow cotton exchanges or others to sell futures, never intending to deliver the actual cotton or commodity sold.

Therefore I think same should be punished by fine or imprisonment, and not licensed nor allowed under any circumstances. On the other hand, where sales are made in good faith and deliveries only can be made, I feel that it is nontaxable, or should be.

I wish to personally thank you for the efforts you seem to be making for we cotton growers. We can feel that we have some one at headquarters to see that we get what is coming to us at last.

Yours, truly,

W. J. ODOM.

—

SELMA, N. C., *August 4, 1913.*

Hon. E. D. SMITH,
United States Senate, Washington, D. C.

MY DEAR MR. SMITH: I received, just before leaving home for a visit to North Carolina, your valued communication, and thank you for the compliment you have paid me in sending it to me.

My rule in attending to my business is, if I have a good man to do it, to leave it to him to do and get at some other work myself. Now, I feel we have our best men in Congress, and that they have a hard row to hoe, and that they are doing it well; so we had better let them hoe it themselves, and let us hoe the cotton row at this end. So go ahead, boys; do the best you can; "angels can do no more."

Several months ago, at a meeting of our agricultural society on Edesto Island, one member thought we, through him, could instruct Congress on the tariff; but we thought you all knew best, so we sat down upon him. I now do not think any of us have had cause to change our minds since then.

I am glad and feel proud of the prominent part you are taking in Congress. Now, do not say and do as one of our generals said and did not do, which made us lose the Battle of Gettysburg, "We have had honor enough for one day," and, like him, stop the fight. On the contrary, I want you, in good old Methodist style, to shout and sing:

"N'er think the victory won,
Nor once at ease sit down;
Our arduous work will n'er be done
'Til we have gained the crown."

Then, with President Wilson's Presbyterian doctrine, "The final triumph of the saint," the American Nation will resound in praise.

With my most sincere regards,

Yours,

TOWNSEND MIKELL.

—

MULLINS, S. C., *August 2, 1913.*

Senator E. D. SMITH, *Washington, D. C.*

MY DEAR SIR: Your letter duly received, and I would have complied with your request to write you fully concerning the Clarke amendment to the Underwood tariff bill, but I find that I am not equal to the occasion. I always naturally felt that gambling in cotton futures ought to be stopped, yet I can not give you any argument that will convince you that the passage of this amendment will in any way help prices of cotton. On the other hand, if its passage would destroy the functions of the New York and New Orleans Cotton Exchanges, as is claimed, and prevent hedging, etc., I am afraid it is not the right thing for the Democratic Party to do now. If the Underwood bill is passed, it will be glory enough for one time. I most heartily commend the measure you propose with reference to naming of grades in future contracts.

* * * * * * *

Sincerely, your friend,

N. A. MCMILLAN.

—

FORT MOTTE, S. C., *August 4, 1913.*

Hon. E. D. SMITH.

DEAR SIR: Yours of July 26 to hand and contents noted. If supply and demand is what we need, it looks to me that Mr. CLARKE'S amendment is all right, but we will be fought there is no doubt. But I think that it will be best for the future. But you are at the seat of war, where you can see from both sides, and it may look different. I spoke to Mr. J. E. Wananake and Col. Banks, and they are of the same opinion; but we will have to depend on your good judgment.

Yours, truly,

GEO. W. FAIREY.

—

JONESVILLE, S. C., *August 4, 1913.*

Hon. E. D. SMITH,
United States Senate, Washington, D. C.

DEAR SIR: Yours of the 26th of July to hand and contents noted. As to Senator CLARKE'S proposed amendment, I wish to say that you have been on the firing line in behalf of our farmers so long that Senator CLARKE should take lessons from you, much less I, as one of the farmers, to give you any information along this line. I am satisfied that you will do your whole duty. You have done more for the farmers of the South than any man among our great lawmaking body in Washington to-day. I will say to you what Stonewall Jackson said to Gen. Pender on one occasion. "Stand your ground."

Your friend,

J. W. SCOTT.

—

JOHNSTON, S. C., *August 4, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Yours of July 26 to hand in reference to Senator CLARKE'S amendment to bill H. R. 3321, regulating the dealing in cotton futures.

It has my hearty approval and that of all farmers to whom I have mentioned it. I haven't found anyone except bankers, merchants, and cotton buyers and speculators who disapprove this amendment. It does look like the producer should have the right to say what laws he preferred governing the sale of his cotton, and I fail to see why a nonproducer should be so interested unless he has a fat thing in it somehow. They say if this law is passed it will ruin the country. I think if it requires a set of speculators and gamblers to create a market for cotton and cotton will not sell on its own merits, it would be a good thing for farmers to let alone, and I for one say if it ruins us, as they see it, let us have it.

It can not hurt us much worse, for it is like swapping dollars to make it now. I appreciate your efforts in behalf of the farmers and read all you have to say through the papers, and congratulate you for your courage and wish you success in all your efforts.

With best wishes, I am,

Yours, sincerely,

A. B. BROADWATER.

—

SAN ANTONIO, TEX., *July 18, 1913.*

Senator SMITH, *Washington, D. C.*

DEAR SIR: I would suggest that you introduce an amendment to the Clarke amendment providing that said amendment shall only apply to such future cotton contracts as do not specify the grade sold, and do not provide for delivery according to Government standardization.

Your bill should be passed, and this is all the legislation that should pass on this question.

Very truly, yours,

W. F. MILLER,
821 Mason Street.

—

PENDLETON, S. C., *July 15, 1913.*

Senator SMITH, *Washington, D. C.*

DEAR SIR: I see that Senator CLARKE has introduced a bill to tax contract cotton 50 cents on the bale. By all means use your influence to defeat this bill. If this bill passes, it will virtually put the cotton exchanges out of business. That means low-price cotton.

Your bill to regulate the exchange to deliver the grades they contract for is what we need.

I hear it favorably commented on by the best people all over the State.

Yours, truly,

B. HARRIS.

—

ASHEVILLE, N. C., *July 31, 1913.*

DEAR SENATOR: Your letter containing copy of CLARKE'S amendment received to-day, forwarded from Dillon. I have read it over; in fact,

had read it before, and I had talked with some of my friends about it, and I am yet of the opinion that we, the farmers of the country, can not be benefited by it at all. Of course, I may be wrong, but I believe I am right. We want a live market for what we have to sell, and the more people deal in it the more life there is about it; but I do not think the buyers of cotton should be any more handicapped than the seller. Whatever is done about it, any extra expense will be figured out of the producer. The trouble is and always has been our farmers are one to two years behind and can not hold a crop of cotton or even one-fourth of a crop, and are compelled to put it on the market early in the fall and take what they can get in order to pay bankers and merchants what they owe them. Now, last fall I bought one day for the cotton mills 400 bales of spot cotton from a New York firm, then they bought this cotton from another cotton dealer, and all of these people had to hedge against loss when they sold and when they bought. Had they have had to pay this tax it would have been an immense amount of trouble to go into all this thing of paying taxes and refunding, etc., and had we have had to do this I do not believe we could have traded at all.

* * * * * * *

I will hate to see the Clarke amendment go through.

Yours, very truly,

A. J. COTTINGHAM.

—

MARION, S. C., *August 8, 1913.*

Senator E. D. SMITH, *Washington, D. C.*

DEAR SIR: Yours of recent date with copy of an amendment to tariff bill by Senator CLARKE received. I think the amendment is proper and should become law. I am in favor of any law that will do away with the New York Cotton Exchange, which is only another name for gambling. As you know, it has cost our people millions upon millions of dollars. I have no patience with the arguments which are used trying to defend the exchange, in that it is beneficial to the cotton growers, when the truth is that it has done more harm to the cotton growers than all the blight and boll weevils combined.

If this amendment can become law and the tariff and currency bills pass we southern people would begin to enjoy freedom from our heretofore masters.

I want to congratulate you and all who had anything to do with getting the Government to relieve the South and West of the money *stringency and getting* us out of the grasp of the money sharks of New York. Our people are delighted with what Congress is doing and attempting to do and have unlimited faith in our representatives in Congress and Woodrow Wilson and his Cabinet. The fact is we feel like a new era has dawned upon us and that our great country is still the home of the free and the brave.

With best wishes for your future success, I am,

Yours, truly,

J. D. MONTGOMERY.

—

JONESVILLE, S. C., *August 7, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: In reply to your letter of the 26th regarding the Clarke amendment to the tariff bill, will say that I have discussed this matter with several in this section and all seem to think that it best not to pass this measure as in the end the tax would fall on the producer.

Yours, very truly,

D. B. FREE, Jr.

—

MOUNTVILLE, S. C., *August 7, 1913.*

Hon. E. D. SMITH,
United States Senate, Washington, D. C.

DEAR SIR: In regard to yours of the 26th of July * * * neighbors and myself think that all such taxes will be obliged to be paid by the producers of cotton, so please don't allow any tax to be put on cotton.

Yours, truly,

D. R. CRAWFORD,

—

CASSATT, S. C. *August 7, 1913.*

Mr. E. D. SMITH, *Washington, D. C.*

SIR: You send me a copy of amendment to the tariff bill proposed by Senator CLARKE of Arkansas, and to write you whether or not I think it would be beneficial to the cotton growers. I fail to see where the cotton growers would be benefited in its practical operation. * * *

Respectfully,

H. T. DAVIS.

—

NEWBERRY, S. C., *August 6, 1913.*

Hon. E. D. SMITH,
United States Senate, Washington, D. C.

DEAR ED.: Your letter received. I have given the bill very careful study and have reached the conclusion that it will add another burden upon the farmers. You could never adjust the tax as it is intended in the bill, and there is no power Congress possesses that could adjust it. We would in the end pay that tax at such price as we would be forced to accept for our cotton. * * *

Your friend,

H. H. EVANS.

—

LAKE CITY, S. C., *August 7, 1913.*

Senator E. D. SMITH, *Washington, D. C.*

DEAR SENATOR: I have examined your bill sent me some time ago and think it is a very good bill. I want to congratulate you on the fight you have been making and are making to-day in behalf of the farmers of the State. * * *

Very sincerely,

J. A. GREEN.

—

WAMPEE, S. C., *August 4, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: In reply to your letter of July 26, in regard to amendment to tariff bill, as to taxing sales for future delivery, I find lots of people in favor of it. Personally, however, I do not agree with it. Farmers often sell futures to an advantage. However, I realize that my own personal ideas are of little value to you. I feel sure that you are doing your duty to us, as you see it, and I am perfectly willing to leave the balance to your care, feeling sure that you will secure every benefit possible for us.

Yours, very truly,

JOHN A. BELL.

ISLANDTON, S. C., *August 5, 1913.*

Hon. E. D. SMITH, *Washington, D. C.*

DEAR SIR: Yours of the 26th ultimo received in due time, but I was very busy and could not give the intended Clarke amendment the proper consideration.

I have gone over it carefully and can not see where it will be any burden upon the cotton growers. I think it would be better to have a separate bill prohibiting the dealing in futures altogether. If I understand it aright this amendment puts a tax of one-tenth per cent per pound on those who buy and sell cotton for future delivery, but refunds the tax where the cotton is actually delivered according to the terms of the sale.

It is true the mills claim they have to buy ahead, and a great many farmers sell ahead, but they can do it without violating the law as proposed by this amendment or without being burdened by the law. However, I doubt the wisdom of even anyone under any circumstances selling for future delivery, unless the price could be so regulated as to preserve the proper equilibrium in the cotton trade.

Under the present laws a debt-ridden people, as our cotton growers are, living this year on next fall's crop, are entirely dependent on the gamblers of the country for the price of their cotton.

But we are told to organize. I grant the farmers are not sufficiently organized to protect themselves from many injustices, such as the present raise in jute bagging, but when we are told to organize to hold cotton which is sold a year ahead, without a price stipulated, it is all bosh. Establish a safe governmental system of warehouses where the farmer can deposit his produce, without the dread of being swamped by a set of rascals, and can draw on the Government for a safe per cent (safe to the Government) of the value of said produce, and you will see the prices of farm products properly adjusted, and the farmer rise from his impoverished condition.

Wishing you much success in your endeavors to help the farmers, I am,

Yours, truly,

D. M. VARN.

—

WARSAW, N. C., *August 5, 1913.*

Hon. ELLISON D. SMITH,
Washington, D. C.

MY DEAR SENATOR: I have carefully read all that has been said with reference to your bill to regulate deliveries on future exchanges and all that has been said with regard to the effect of the Clarke amendment to the tariff bill, and to both propositions I have given much study and thought; in fact, I have been studying it for years, knowing that Congress would probably pass some regulatory measure in the course of time. And I desire to say that I approve of your bill and believe that it will have the effect intended; but I disapprove of the Clarke amendment and believe that its principal effect will be the establishing of Liverpool as the sole price-making machine. It will eliminate hundreds of small cotton merchants; force a concentration of big buyers in England, making it well-nigh impossible for a native exporter to compete with foreign exporter; take from the market millions of speculative money and thousands of speculative buyers; destroy all nonfuture exchanges and many boards of trade in the South. In fact, it will cost the South from 3 to 5 cents per pound in the price of cotton and may bring about such financial disaster as we have not seen since the war. I know you make a specialty of cotton matters and are well informed on the subject, and I certainly hope you will use your knowledge and power to prevent the adoption of the Clarke amendment.

Respectfully, yours,

JOS. E. JOHNSON.

—

BENNETTSVILLE, S. C., *August 5, 1913.*

Senator E. D. SMITH, *Washington D. C.:*

Replying to yours of July 26 in regard to Senator CLARKE'S amendment to H. R. 3321, will say that I do not know of any benefit that will accrue to the cotton planter from this bill. I have asked others, and they say that they are unable to see it. My own opinion is it is a direct tax on cotton indirectly collected. I do not deem it desirable to prohibit trading in actual cotton on cotton exchanges. I know of no good in cotton futures.

Yours, truly,

R. C. COXE.

—

VANCE, S. C., *August 1, 1913.*

Senator E. D. SMITH, *Washington, D. C.*

DEAR SIR: Your letter of July 26 has been received and carefully noted. I am glad you wrote and thus gave me an opportunity to write you. I for one am opposed to the passage of any such law, because it looks to me that all or nearly all the efforts that are made to benefit the farmers of the South rebounds to their detriment. I am opposed to the doing of anything that will injure the price of cotton. I think all the tinkering with law as to futures and the prosecution of those who were trying to bull the market has already cost the farmers a good deal of money. If it is law to prosecute the bulls for trying to put the price up, it should be law to handle the fellows who are trying to put the price down. I believe the cotton exchanges are a benefit to the cotton planter, and to levy that tax will drive them out of existence.

* * * * * * *

Very truly, yours,

J. F. FELDER.

—

CORNWELL, S. C., R. F. D. 1, *August 2, 1913.*

Mr. SMITH,

DEAR SIR: In reply to your letter July 26, will say I think Mr. CLARKE'S amendment, if you can get it, will be a good thing. I believe in a square deal, but we don't get it. If a man buys cotton, it should be delivered. If he sells, he should deliver the goods. I would say work for the amendment.

Respectfully,

W. A. GLADDEN.

—

CAMDEN, S. C., *August 2, 1913.*

Hon. E. D. SMITH:

Your favor of July 26 received and the inclosed amendment, which I believe to be against the cotton grower and would help to lower rather than lift prices.

Yours, truly,

HENRY SAVAGE.

FARMERS' COMPRESS & WAREHOUSE CO.,
Montgomery, Ala., July 1½, 1913.

Senator E. D. SMITH, *Washington, D. C.*

DEAR FRIEND SMITH: The New York and New Orleans Cotton Exchanges have been flooding this country with literature and press articles begging help to kill the Clarke amendment to the tariff bill. To-day our committee of three from the business men's league of this city reported in favor of the bill; also some of our leading cotton men, notably I. Weil, of Weil Bros., and William Marks, of Marks & Gayle, both large cotton buyers, are in favor of it. This pleases our farmers, who desire to see the New York Cotton Exchange taxed out of existence, also New Orleans put on a strict spot-cotton basis.

As you know and we believe our country has been pauperized by the New York Cotton Exchange. It is no spot-cotton market, and we see no reason for its existence except as a gambling outfit. Let the good work go on. Our country has been overrun this season by so-called traveling crop experts sent out by the New York Exchange. Most of them are voluminous liars and hardly know a stalk of cotton from a cocklebur stalk. They have succeeded only in allowing foreigners to buy up the cotton held for better prices at a low figure, which has been quite discouraging to all holders.

With regards, your friend,

CHAS. L. GAY.

—

WATERLOO, LAURENS COUNTY, S. C., *July 13, 1913.*

Hon. E. D. SMITH, M. C.,
Senate Chamber, Washington, D. C.

MY DEAR SENATOR: Your kind and encouraging letter I received in due time. I will watch the progress of the currency bill, and when fairly launched in Congress I will run on to Washington. I have several very nice letters to produce.

I am glad to see the Senate subcommittee favors your cotton-grade bill.

With my best respects, I am,
Yours, truly,

CLARENCE CUNINGHAM.

—

CHARLESTON, S. C., *July 7, 1913.*

Senator E. D. SMITH, *Washington, D. C.*

I sincerely trust that you will make every effort to defeat the present amendment introduced by Senator CLARKE of Arkansas placing tax on purchases and sales of cotton for future delivery, as same would prove most harmful to all handlers of cotton and would be at the expense of the planter, as he would not be able to find a ready market at all times on which he could dispose of his cotton at the full price, as there are times when shippers buy cotton without being able to pass it on to spinners, but are able to protect themselves by selling futures. The proposed amendment would prove ruinous as well as a restraint to trade.

W. GORDON MCCABE, Jr.

Mr. LODGE. Mr. President, I do not propose to discuss this question at all, for I am free to confess the intricacies of this business I do not understand, and I understand it still less since I have heard the cotton manufacturer called a miller. But there are people who do not speculate in futures, but who buy and sell cotton, who believe that this will have a bad effect on the consumers to whom they sell and the producers from whom they buy, that you will not get rid of the abuse of gambling in futures, which is an admitted abuse of a gross kind, but only transfer it to delivery.

I have three letters from a leading firm who do not speculate in futures and are among the largest firms in the country in dealing in cotton. I ask that they may be printed in the RECORD.

The VICE PRESIDENT. Without objection, they will be printed.

The letters referred to are as follows:

BOSTON, MASS., *July 1, 1913.*

Hon. HENRY CABOT LODGE,
United States Senate, Washington, D. C.

DEAR SIR: We feel very strongly that those advocating the amendment to the tariff bill placing a tax on transactions in future-delivery cotton are not familiar with legitimate cotton business as undertaken to-day by those not interested even remotely in speculatively buying or selling contracts, but as a protection against actual business done with spinners.

In our own case, we have no clientele who buy or sell through us speculatively for cotton. Our business is confined to actual sales to the various New England mills. As business is done nowadays, a great many of the mills at this time of the year and through the summer place contracts ahead for goods. In the sale of such goods they are forced to either sell their goods and speculate as to what the price of cotton will be when cotton is available during the next crop, or protect themselves by buying cotton for fall shipment through such dealers as they trade with.

As far as we are concerned, there are only three possible methods which we could pursue—either sell the mills speculatively short and risk buying in cotton next fall at a lower price, or buy contracts for mill account and turn them into cotton, as they advise us to next fall, or buy contracts for account of our correspondents which they would turn into cotton next fall. In none of these transactions would the actual delivery of future contracts be expected. The purchase of them would simply be to protect ourselves or the mills against an advance in the market when the actual cotton of the quality satisfactory to them was available during the next crop movement.

Very often the cases are reversed. In the fall of the year the mills know they must secure such qualities as they need when they are available. On the other hand, a mill which does not wish to speculate must either buy its year's stock and risk the market later—that is, that it might be a great deal lower in the late winter or spring if the crop is large or trade is poor—or hedge a certain amount of its purchase by the sale of contracts. As they sold their goods they would buy in these contracts fixing the price of their cotton.

We realize that speculation in cotton has been harmful, but it has been more harmful to the manufacturer than anyone else. On the other hand, the purchase or sale of future contracts affords the manufacturer a protection on every lot of goods sold ahead or actual cotton purchased against which he does not care to fix his price on account of his inability to sell goods ahead. The same is true of the legitimate dealer who buys future contracts against sales to mills or sells contracts against actual cotton in hand which he is not desirous of being long of on the market, and risking a decline which would wipe out not only his profit but possibly cause him a severe loss, and in none of which cases the acceptance of purchase of futures or delivery on sales of futures would be contemplated. If the contemplated tax should pass, as business is done so close, it is needless to say it would simply be the means of eliminating this protection and would not prevent this character of business from being done abroad, and would be driving business out of this country without in any way checking speculation. It would only eliminate the protection furnished the legitimate dealer in cotton or the mills who buy through him.

Yours, truly,

COOPER & BRUSH.

—

STEPHEN M. WELD & CO.,
Boston, July 1, 1913.

Hon. HENRY CABOT LODGE,
United States Senate, Washington, D. C.

MY DEAR SENATOR LODGE: It seems to me that this addition of one-tenth of a cent a pound on futures where the cotton is not actually delivered is such a blow at the cotton business that the Senators can hardly realize what they are doing. In the first place, let me tell you how it works. We frequently find at the end of a day's business, in Houston, for example, that we have 5,000 bales on hand over and above our orders. As you know, we have to go out and buy every day, and at the end of the day the cotton that we have bought is set against what we have sold. If we have sold more than we have bought, we buy futures. If we have bought more than we have sold to the mills, we sell futures. In this way we are protected against any fluctuation of the market, and the business is made as free from speculation as is possible. We never mean to deliver or to accept deliveries on these futures. They are a hedge on spots that we have sold; when we buy cotton, we buy in futures on the cotton we have bought; when we have sold the cotton, we sell them again.

Now, this method of doing business enables thousands of small firms to do a business and to borrow money from the banks on this business and on the cotton, because the banks as a rule demand to know whether they have hedged. If they have hedged, they loan them the money; if they have not, they won't; and a firm that does not hedge with futures finds it very difficult to obtain credit.

What is going to be the result? The New York Cotton Exchange will go out of existence and the business will fall into the hands of McFadden and ourselves and three or four other big firms, and nine out of ten of the little firms will go to the wall. It is going to reduce our business to the same basis that the wool business is on, which is a most speculative business, where the profits are from 3 to 5 cents a pound and the losses correspondingly large and only big firms that can borrow money from the banks on their own name can do the business.

It is the most disastrous blow to the cotton business that can be perpetrated. It is no excuse to say that the future business is abused. It is abused; liquor is abused; food is abused; everything we have that is given us by God Almighty or anyone else is abused, and the abuses as a rule cure themselves. A man that drinks too much gets delirium tremens; a man that eats too much dies of dyspepsia; and nature maintains its equilibrium in that way. So it is in business. Men who speculate in futures die poor. I venture to say there is hardly a case in existence of a cotton speculator dying rich.

Furthermore, it is a most unjust thing that this restriction on futures should be put in force on cotton alone. Grains of all kinds, copper, coffee—in fact, business in almost everything is conducted on this system of futures. It is a perfectly crazy thing to attempt to put such a duty on. It will also throw a great deal of business to Liverpool and away from the United States; and, in my opinion, is most disastrous in every way. I hope you will do your utmost to stop this thing.

I am sending a copy of this letter to Mr. WEEKS.

Yours, truly,

T. M. WELD.

—

BOSTON, *July 2, 1913.*

Hon. HENRY CABOT LODGE, *Washington, D. C.*

DEAR SIR: Regarding the amendment providing for a tax of one-tenth of a cent a pound on sales of cotton futures, we believe its adoption to be unfavorable to the best interests of the people of the United States.

Our business is that of supplying actual cotton to New England mills. We are not dealers in futures. The mills are expected to take orders from their customers for goods to be delivered several months later and for frequently well into a later cotton crop. Therefore the mill expects us to sell them actual cotton, to be supplied to them at such later dates. In the event of our making sales for materially later delivery, we now protect ourselves by purchasing futures, thereby eliminating the element of speculation on the part of the mill and also on the part of the seller of the cotton, whether he be North or South. If the proposed tax should be adopted, we believe that the amount of the tax would have to be added to the cost of manufactured goods, or, in other words, advance the cost of cotton goods. And certainly cotton goods are to be used by a very large percentage of our people from the very fact that they are about the lowest cost wearing apparel. On the other hand, the only possible advantage to anyone is the revenue which the Government would receive; and we certainly doubt the advisability of this, considering that the revenue would certainly come from the mass of the people.

Therefore we sincerely hope that you can conscientiously do all that is possible to prevent the adoption of this amendment.

Yours, very truly,

BARRY, THAYER & CO.

Mr. RANSDELL. Mr. President, my very good friend the Senator from Arkansas [Mr. CLARKE] has, inadvertently I am sure, a very incorrect idea about the New Orleans Cotton Exchange. He designated it as a parasite of the New York Exchange. I am quite certain he did not mean to hurt the feelings of the New Orleans and Louisiana people by that statement. I should like to ask the Senator just what he based that state-

ment of his on, that the New Orleans Cotton Exchange is a parasite of the New York Cotton Exchange.

Mr. CLARKE of Arkansas. Mr. President, of course I used that statement in a figurative sense. The New York Cotton Exchange fixes the rules and limitations of the business. They have the organization, the membership, the position, connected with the business. They have special wires running everywhere, and dominate. If the New Orleans Cotton Exchange were disposed to reform the business they could not reach the people who are interested in the subject of speculating in cotton in sufficient volume to cut the slightest figure in the final result. Senator George, who was the chairman of the Committee on Agriculture and Forestry of the Senate in the Fifty-third Congress, went into that quite extensively and took much proof to show the relative importance of the two exchanges. In preparing and presenting to the Senate the report from which I quoted he made the observation that I have included in my remarks, that the New Orleans Cotton Exchange was a parasite in the sense that it could not project and maintain a policy in antagonism to any policy that the New York Cotton Exchange saw proper to stand behind.

Mr. RANSDELL. Mr. President, I should like to ask the Senator if it is not a fact that the New Orleans Cotton Exchange has adopted the Government standards of grading cotton which were advocated in substance by Mr. Herbert Knox Smith in the very able report from which the Senator has so eloquently quoted, and if it is not also a fact that Mr. Smith in the highest terms complimented the New Orleans Cotton Exchange for adopting the method which he advocated; and, further, if it be not a fact that the business is conducted on the New Orleans Cotton Exchange in an entirely different manner from that on the New York Cotton Exchange in the very material particular of settling the deliveries on future contracts upon the commercial differences, or the value of the spot cotton as determined by actual sales on the New Orleans market, whereas in New York the settlement of deliveries is based upon the value placed upon the cotton of various grades by a committee—an arbitrary system of settling differences?

Mr. CLARKE of Arkansas. I am sure there must be some differences in detail in the rules that govern the respective exchanges; but I insist that the crowd who conduct the New Orleans Cotton Exchange do not possess sufficient elements of strength to influentially affect the price of cotton. Can the Senator tell me how many bales of future cotton are sold annually upon the New Orleans Cotton Exchange?

Mr. RANSDELL. No, sir; I can not; but it is a large number.

Mr. CLARKE of Arkansas. Nobody else can tell, because they have never let it be known; but in trade, in business, and in the discussions that define its operations and its effect no one ever gives serious attention to the New Orleans Cotton Exchange. There was a better exchange than either of those exchanges, at Galveston, and another one was sought to be established at Memphis, but they could not attract that large volume of speculative business that would enable them to give it the representative position in the trade that the New York Cotton Exchange maintains.

Mr. RANSDELL. Mr. President, I have given the Senator from Arkansas a fair chance to explain his statement, and I find that he really had no reason at all for saying that the New Orleans Cotton Exchange was a "parasite" of the New York Exchange. As a matter of fact——

Mr. CLARKE of Arkansas. The Senator from Louisiana must let me explain that. By that I meant a parasite of the exchange in the sense——

Mr. RANSDELL. A parasite is something that lives on another.

Mr. CLARKE of Arkansas. I should have said I meant a parasite in the form that it could not direct a policy with reference to the cotton market that the New York Exchange antagonized; that it was subordinate in that commercial sense to the movements and policies of the New York Cotton Exchange.

Mr. RANSDELL. I am glad to have even that explanation, Mr. President, because a parasite, we know, is a small thing that lives on a larger one, and in no sense of the word can it be said that there is the slightest connection between the New Orleans Cotton Exchange and the New York Cotton Exchange. They have entirely different rules and regulations; they have no connection in the world with each other.

The great trouble in this whole cotton-future business is the unfairness with which, in the minds of a great many people, it is conducted on the New York Cotton Exchange. The very matter which the Senator from South Carolina [Mr. SMITH] described here is one which has caused a great deal of hard feeling; that is, the manner of dealing on the New York Cotton Exchange. You have a contract there with "middling" as a basis. When you ask for delivery of that cotton the man who sells it can deliver to you any one of 28 grades, I believe, according to the Senator from Arkansas, and 34 or 36 grades according to the Senator from South Carolina, which is certainly a very wide margin of grades.

Mr. SMITH of South Carolina. Mr. President——

The PRESIDING OFFICER. Does the Senator from Louisiana yield to the Senator from South Carolina?

Mr. RANSDELL. I yield merely for a correction.

Mr. SMITH of South Carolina. I want to get the record straight. I think that at one time there were 37 grades—I may not be accurate, but I know it was within the thirties. They have gradually contracted them as they saw the storm gathering.

Mr. RANSDELL. It is a large number of grades, Mr. President, and there is now a private system of grading cotton in New York; there is no Government standardization of cotton grading recognized in that great market; but it is a private system adopted by themselves.

When they settle their future contracts they tender the purchaser of a "middling" basis contract cotton not of that grade. Say he has bought "middling" and they tender him "good ordinary," how is the price between "middling" and "good ordinary" determined in New York? Not by the market quotations of "middling" and "good ordinary" in that market or in any other cotton market, as is done in New Orleans, but by a committee of the exchange, which meets two or three times a year, and arbitrarily says that the difference in value between "middling" and "good ordinary" shall be a certain sum. You see how unfair that is. Perhaps "good ordinary" is very scarce in the market and the price has gone up as compared with "middling."

In New Orleans how is it arranged? In that city there was always a system very different from that in New York, even before it had the Government standards. New Orleans had its private grades then, because there were no Government grades, but the settlements on contracts were always made upon the commercial or "spot" market differences. If a man bought "middling cotton" in New Orleans and "good ordinary cotton" was delivered to him, he went into the New Orleans market, the spot-cotton market, and ascertained that the commercial difference in value between "middling" and "good ordinary" cotton was, we will say, one cent per pound, or one and a quarter cents per pound, or one and a half cents per pound. The settlement was made accordingly, and the purchaser was not injured, because, if he did not need "good ordinary" in his business, he sold it on the market at the actual market value, the same as he had paid for it; but in New York, if he were obliged to pay for "good ordinary" 9 cents a pound, let us say, and the "spot" difference or the market was 8½ cents a pound, then he was obliged to sell for 8½ cents a pound an article for which he was forced to pay 9 cents; in other words, he lost $2.50 a bale, or $250 on his transaction—something that could never happen in the case of New Orleans.

This is doubly true now, Mr. President and Senators, for since the New Orleans Cotton Exchange has adopted the Government's standards of cotton—that is, with a basis of "middling," with four grades higher than "middling" and four grades lower—the transactions there are just as fairly conducted as they can be.

Let me repeat, there is not the slightest connection between those two markets. I am perfectly willing to admit that New Orleans is not the very powerful financial center which New York is, but it is an active spot-cotton market; it is a market where there is a great deal of spot cotton sold, whereas there is very little of it sold in New York. It is a very important market both for future dealings and for actual spot dealings in cotton.

I was very glad to hear the Senator from Arkansas say that the Government had "established rational, honest grades of cotton standardization." Those rational, honest grades were immediately accepted by the Cotton Exchange of New Orleans. They have not yet been adopted by the New York Cotton Exchange. The Cotton Exchange of New Orleans is doing its utmost to cooperate with the Government; the Cotton Exchange of New Orleans recognizes that there are some things that are bad in cotton speculation, or, as the Senator would call it, "cotton gambling," just as there are bad things in every kind of speculation and in every kind of business, and the New Orleans Cotton Exchange stands behind the Congress in any kind of legislation looking to the correction of these evils, but it does not wish to see the system entirely broken up, because it believes it is a good one when properly regulated, corrected, and controlled.

The Senator alluded to the fact that in Germany they did not deal in cotton exchanges and yet used a great deal of cotton.

Is the Senator aware of the fact that on this very day in the city of Bremen a very large cotton exchange begins business? It is a fact, I will say to the Senator, that to-day a cotton exchange starts in the city of Bremen. The Germans have found that they can not do business without a cotton exchange, just as they found in 1896, after the bourse law was passed prohibiting grain dealings on exchanges, that it could not do business successfully in grain without an exchange; that the farmers were unable to get a proper price for their grain because they had no means of ascertaining its value. The purchasers of grain were in touch with the Chicago market and the Liverpool market and the exchanges of the world, but when the German grain exchange went out of existence there was no longer any way for the grain producers to find out what grain was worth. The farmers suffered, and grain in towns or communities 10 or 15 miles apart varied very much in price. It is necessary to have an exchange so as to inform the farmers what their products are worth.

Mr. President, I did not intend to occupy the time of the Senate so long. I rose merely for the purpose of making this explanation.

Mr. BORAH. I desire to ask the Senator from Arkansas a question. I understand that the Senator from Arkansas drew this amendment.

Mr. CLARKE of Arkansas. Yes, sir.

Mr. BORAH. I should like to ask the Senator what, in his opinion, will be the immediate effect of the amendment?

Mr. CLARKE of Arkansas. The immediate effect of it will be that about 90 per cent of the business conducted on the New York Exchange will be discontinued if the law is faithfully and effectively enforced, because the gamblers who assemble there will not pay 50 cents a bale on cotton every time they record a quotation on that board. The best estimate which can be made is that the number of fictitious bales of cotton sold on that exchange in a year is more than a hundred million.

Mr. BORAH. In other words, the immediate and legitimate effect of the proposed amendment will be to prohibit dealing in futures under certain conditions, rather than to collect revenue?

Mr. CLARKE of Arkansas. Of course the revenue feature of it will probably be kept up for a little while by the so-called hedgers who have bought actual cotton and, fearing the depredations of the New York Cotton Exchange, must protect themselves for a time. I think that element will continue for a little while to pay the tax; but after awhile they will be forced to evolve some other system of protection that will be more legitimate and more completely under commercial control.

Mr. WILLIAMS. Mr. President, if the Senator will pardon me, perhaps his answer might be misunderstood. So far as dealing in pure "wind" cotton is concerned—mere speculation, mere gambling—this amendment will put an end to most of it; but where mills and buyers buy futures as an insurance it would not put an end to that. It would simply put a tax of 50 cents a bale upon that kind of business—not a very expensive insurance—which would bring in a considerable revenue to the Government.

Mr. CLARKE of Arkansas. I may also state to the Senator from Idaho that where there is an actual delivery in pursuance of a contract there is no tax levied.

Mr. BORAH. Exactly.

Mr. WILLIAMS. I can not understand for the life of me why it has been that there never has been any great company established in the United States to insure manufacturers against losses upon sales of stocks on 12 months' delivery to the Orient and elsewhere. I am informed that such insurance companies do exist in other countries. I suppose the reason they do not exist in this country is that our manufacturers for the most part do not sell on long time as do German and English manufacturers trading with the Orient and with South America. I have heard that that was the reason; but, so far as "futures" are an insurance to legitimate business, 50 cents a bale is not a very heavy insurance on a bale of cotton which is worth $50.

Mr. BORAH. It combines, in other words, the proposition of a slight revenue with a proposition of prohibiting certain kinds of transaction?

Mr. WILLIAMS. Well, it has a double effect; yes.

Mr. BACON. Mr. President, I merely want to say a word in regard to this matter. It is one in which my people are very deeply interested, both as cotton producers and as cotton manufacturers. The State of Georgia is the second State in the production of cotton, Texas being the first; and the States of South Carolina, North Carolina, and Georgia manufacture very much the larger part of all the cotton annually manufactured in the South. So that both as mill owners and as cotton producers our people have a very deep, practical, and pecuniary interest in the correct solution of this question.

As I understand the proposition of the Senator from South Carolina—and I wish to say, by way of parenthesis, that I do not profess to have any expert knowledge as yet in regard to this question and am seeking light—as I understand, the proposition of the Senator from South Carolina is this: That, by reason of the failure of the cotton-exchange contracts to specify the particular grade which the contract will require the delivery of, if delivery is made, the quotations on the stock exchange do not reflect the real price of cotton and that, therefore, they injuriously affect the price of cotton in the hands of the producer. I understand that to be the proposition, although whether I am correct or not I do not know. I see the Senator from Arkansas [Mr. CLARKE] shakes his head. I do not mean to say that it is correct. I do not know, but my understanding is that that is the proposition of the Senator from South Carolina.

I understand the Senator to base that proposition upon the fact that the contract, having this latitude in it, permits a seller to sell middling cotton, say, as a basic grade, with the privilege of complying with that contract, not by delivering middling cotton, but by delivering some other grade at a difference in price to be fixed by the cotton exchange, and that, by reason of that, opportunity is given to those dealing on the cotton exchange, those buying and selling cotton, to carry on this series of contracts in a way which will quote to the world a price for cotton which is not the real price of cotton, and that such quotation and publication of false prices affects injuriously the price of spot cotton in the hands of the cotton grower.

On the other hand, the Senator says that if the contract were limited to a specific grade and the person who sold that contract would be compelled, if required, to deliver that particular grade, he could not quote anything else but the real price except at his own peril, and therefore he would have to quote the real price; that with the grade fixed in the contract he would have to sell at the real price, and so when he bought and sold, even if he did sell 100,000,000 bales of cotton, he would not affect injuriously the price of cotton in the hands of the producer. I understand that to be the contention of the Senator from South Carolina.

Mr. SMITH of South Carolina. That is correct.

Mr. BACON. Mr. President, however we may regard gambling in all of its forms, we have not a moral purpose in view in this legislation. While, of course, we are glad if the moral purpose at the same time can be advanced or effected, we have in this proposed legislation a practical purpose, and that practical purpose is that the dealing in futures on the cotton exchanges shall not, through a system of quoting false prices, injuriously affect the price of cotton in the hands of the producer. That, I understand, is the purpose; and in that we all sympathize and desire to contribute to it.

If it be true that by requiring the cotton seller to make a particular grade and limit him to that grade; if it be true, as contended by the Senator from South Carolina—I do not say it is, because I am not sufficiently familiar with the subject to undertake to say so—but if it be true, then, it would be well so to adjust this amendment as not to make it include contracts of that kind, where the real grade of the cotton is specified, because if that be true there is no harm in contracts of that kind, but there may be some good. Whether it be true as to the effect of having the grade of cotton specified I am not prepared now to definitely say, but the suggestion should be carefully considered.

Turning, now, from the interest of the cotton producer to that of the mill owner or the man who runs the mill, we all recognize the fact that it is beyond controversy that there is a legitimate use made by mill owners of the purchase of future contracts where there is no expectation of delivery. I would not be willing that that practice should be allowed to continue if it were at the expense of the cotton grower, the producer of cotton, even though it might result in advantage to the mill owner, because that would be aiding one industry at the expense of another industry, and that would be unjust; but if it is a legitimate interest of the mill owners which can be advanced without injury to the other industry, then we ought to try so to adjust it as to make this legislation of advantage to each and an injury to neither.

I do not know whether this is correct or not, but I understand that to be the issue, and I think it is worthy of very careful consideration. If it be true that the imposition of a tax simply upon contracts for cotton which do not specify the particular grades and the exemption of those which do specify the grades will relieve the cotton grower of the South of the evil under which he now suffers by reason of speculative contracts, it may be well to do so; and in view of the fact that there are interests as found in the business of the mill owner which have

legitimate purposes to subserve by contracts of this kind, it may be well to relieve them and so adjust this proposed legislation as not to injure them. I do not wish by anything that I have said to commit myself finally to the one or the other of these propositions, but I am deeply impressed with the fact that if this legislation can be so shaped as to prevent the fictitious influencing of the price of cotton by quoting as the price that which is in fact not the price, if we can shape this legislation to correct that evil and at the same time not embarrass the legitimate transactions of mill owners, I think it ought to be done. As I understand it, the system practiced by the mill owners is not a speculative system, but one by which they can practically insure the prices at which they will get the cotton to be manufactured to fill the contracts they make for manufactured goods.

Mr. SMITH of South Carolina. Mr. President, I should like to call the attention of the Senator from Georgia and of other Senators to the fact that if they will pick up any paper published in any city in America where the quotations of the cotton market are given they will find that the future market for the spot month—August is the spot month now—the quotations are on the basis of "middling," and then if they will look at the "spot" quotations they will find that in every instance there is in the same market a wide margin between the price of spot cotton and the future price, for the reason that the buyer of actual "spot" can go into the warehouse and select his "middling," while in the other case he takes his chance whether he will get "middling" or something else. I merely invite Senators to take any newspaper and read the market quotations.

Mr. SIMMONS. Mr. President, I ask that the section be passed over.

Mr. CUMMINS. Mr. President, before the section is passed over I have a substitute which I desire to offer for the committee amendment, and I should like an opportunity of saying something about it before the committee again considers the subject. I offer as a substitute for the amendment reported by the committee the following.

The PRESIDING OFFICER. The Secretary will read.

The SECRETARY. It is proposed to substitute for section 3, page 210——

Mr. CUMMINS. If I may be permitted, I will state the substance of the substitute. I can do so, I think, in less time than would be required to read it.

Mr. SIMMONS. I was going to ask the Senator if he would not do that rather than have it read by the Secretary.

Mr. CUMMINS. The substitute provides that there shall be levied upon all sales of capital stock, bonds, or other obligations of corporations, and upon all sales of products of the soil, meats, or provisions of any character made in, upon, through, or in connection with or under the regulations of any stock exchange, grain exchange, cotton exchange, board of trade, or the like, wherein the seller is not the owner of the thing sold at the time the transaction occurs, a tax of 10 per cent.

Mr. WILLIAMS. Does the Senator think that the amendment drawn by the Senator from Arkansas [Mr. CLARKE] prohibits the owner of cotton from selling it for future delivery?

Mr. CUMMINS. I do not. I am about to compare my substitute with the one proposed by the Senator from Arkansas. I have already stated the substance of the substitute. I will restate it. It levies a tax of 10 per cent upon all sales made upon stock exchanges, boards of trade, and other institutions of like character, wherein the seller is not the owner of the thing sold at the time the transaction takes place. There are certain exceptions named in the substitute, which I need not now mention.

Allow me to say, Mr. President, that this amendment is not offered in hostility to the proposal of the committee, which I understand is the proposal of the Senator from Arkansas. The purpose of the amendment now in the bill is to prevent gambling in cotton. The purpose of my substitute is to prevent gambling in everything dealt in upon stock exchanges and boards of trade.

I sympathize entirely with the general view of the Senator from Arkansas, and my only criticism of the object of his amendment is that he proposes to do for cotton alone what ought to be done for everything embraced within the activities of these institutions. There is a difference, however, in the method of accomplishing the purpose. In the amendment now found in the bill the object is sought to be reached by levying a duty of one-tenth of a cent a pound upon all sales of cotton for future delivery wherein delivery is not actually and in good faith made. In my substitute the result is accomplished by levying a duty of 10 per cent upon all sales wherein the man who sells is not the owner of the thing he is selling, but is simply speculating in the market.

Mr. SIMMONS. If the Senator will permit me, I suppose the Senator means 10 per cent upon the price at which the thing is sold.

Mr. CUMMINS. The amendment provides a tax of 10 per cent upon the contract price of the thing sold.

The Senator from Arkansas [Mr. CLARKE] has described so completely and so impressively what is done upon the cotton exchange with regard to cotton that I need not enlarge upon that phase of the gambler's enterprise. I intend for a few minutes to take up the New York Stock Exchange, and to lay before the Senate the briefest outline of what is done there with regard to one of the great classes of property which so closely touches the welfare of the people of the United States.

I take, as an illustration, the year 1912. The dealings upon the exchange were less last year than the year before, and therefore it is entirely fair to take the year 1912.

In that year there were sold upon the exchange in New York bonds—and I am giving the bonds simply for the purpose of instituting a comparison—amounting in the aggregate to $653,497,000. I want Senators to remember the small, meager amount of bonds sold upon the New York Stock Exchange when I come to state the amount of stock sold in the same market during the same time.

In the year 1912 there were sold on the exchange in New York 63,704,779 shares of railway stock alone. The par value of the stock so sold was $5,052,823,900. Of industrial and miscellaneous stocks there were sold upon the exchange, in the year, 72,413,946 shares of the par value of $6,150,899,600. Of all stocks there were sold 136,118,725 shares, with an aggregate par value of $11,203,723,500.

I pause here to point out the fact that the aggregate value of the railroad stocks sold or pretended to be sold during that year upon the exchange amounted to about four-fifths, or certainly more than three-fourths, of all the railroad stocks of the United States. All the railroad stocks are not listed upon the New York exchange; but the aggregate stocks, common as well as preferred, of all the railway companies of this country does not greatly exceed $7,500,000,000. I state it in round numbers. Of the stocks listed upon the New York Stock Exchange there were sold during that year $5,052,823,900.

It goes without saying that 90 per cent of these sales were purely speculative. Certainly not more than 10 per cent of the stocks of the railroad companies of this country actually changed hands during the year 1912, and yet three-fourths of those stocks were nominally sold upon the New York exchange alone. I am not now taking into account the exchanges of Philadelphia, Boston, Chicago, and the other great cities of the country.

We might as well face the question whether we intend to enter upon a campaign against selling short in this country. I believe it is as serious a menace to industrial stability and financial strength as is now before the American people. Some time we must take up in earnest the problem of suppressing these gigantic gambling transactions, and I think this is the time to do it. My amendment demands that we do it now.

As I said the other day, I believe we ought to employ the taxing power, if we can not employ any other, in order to reach an evident and obvious evil. I am not suggesting that, legally speaking, the principal purpose of the substitute I have offered is not to produce a revenue. I do not know whether any such transactions could take place under the amendment I have proposed. I hope they could not. I have no hesitation in saying that I believe that if we impose the tax I have suggested the next year will not witness a tithe of the gambling that has been flaunted in the face of the American people during each year of the last quarter of a century.

There are a great many good people who believe that the short sale—that is, the sale of a commodity or a product or a stock by a man who does not own it, but who expects to go into the market when the time for delivery comes and either settle upon the market price as it then is or buy at the market price the thing which he has sold, in order to make delivery—is a valuable element in the business of the United States. It has been so argued for a long, long time. I do not think so. It is said that short sales are necessary in order to create a market for things that people actually want to sell, and in order to insure a condition which will enable a man to sell anything, the moment he wants to sell it, at the market price. I do not think so. When one has a thing that somebody else wants to buy, there will always be an opportunity for the seller and the buyer to meet.

The proposition I have made does not involve the abolition of the stock exchange. It does not involve the abolition of the board of trade. It does not touch the market places of the country. People will still be at perfect liberty to meet and trade. Those who want to sell and those who want to buy will

come together and conduct their business according to legitimate and honest business methods. Indeed, I think the market places of the country will be rendered more secure, they will be made more available than they are now, if they are the scene of actual transactions alone.

Then the man who has something to sell will enter the stock exchange and offer it fairly and legitimately, and the man who wants to buy will buy it with full knowledge of all the conditions which surround it. But as it is now, it is not a place for the transfer of actual shares. It is a place in which bold and experienced men balance their wits. It is a place in which men of great mental capacity and audacity as well fight for supremacy, employing, not alone the means which ought to influence the price of stocks, but every means which may tend to affect the market.

It is said—and this is one of the arguments most frequently used—that short sales ought to be permitted, because they tend to steady the market and tend to prevent extreme fluctuations in the price of commodities. I have read a great deal of argument submitted to sustain this contention. I can not at this time enter upon an analysis of the subject as I would like to do. I can only record my own opinion that instead of steadying the market short sales disturb the market. Instead of preventing extreme fluctuations they excite extreme fluctuations. Those who defend the practice always forget that when short sales are used to steady prices—and I admit there are times when they are so employed—they are employed to steady prices which the practice itself has disturbed.

If you will take away the temptation presented by the short sale—which is, viewed from my standpoint, gambling pure and simple—the occasions in which short sales have been used for the benefit of the people will not arise. The range of prices will remain within the limit which is created by honest and legitimate considerations—the demand, the supply, the intrinsic value of the article which is sold.

Allow me to go one step further with regard to what is done in New York; and I must confine myself to one phase of this matter in order to conclude within any reasonable time.

In 1912 the Atchison, Topeka & Santa Fe Railroad Co. had listed on the New York Stock Exchange its common stock. It amounted to $168,430,500. At the end of the year, as we are assured by those who know something of the subject, practically the same persons owned the stock who owned it at the beginning of the year; and yet during the course of the year the stock of this company to the amount of $129,319,700 was sold and bought upon the New York Stock Exchange alone.

The Chicago, Milwaukee & St. Paul Railroad Co. is one of the most stable railway companies of the country. Its future is assured. Its earning capacity is well known. It varies so slightly that its dividends are almost as uniform as the interest upon Government bonds. And yet this is what happened: Its entire common stock amounted to $116,348,200; but during this year there were sold and bought on the New York Stock Exchange stock of this company to the amount of $149,277,200. At the end of the year practically the same persons owned the stock that owned it at the beginning of the year; and the fluctuations in the market price, steady and permanent as it ought to be, ran from 117⅝ to 99⅜.

How many fortunes were wrecked in that fluctuation it is impossible for me to say. There was no material difference in the actual value of the stock during that year. It was just as certain to pay dividends at one time as at another. The future of the company remained the same. The country that it served remained the same. The business at its command continued without great change or variation. Yet during the course of the year, up and down, under the influence of these speculators who sought nothing else than their own advancement and their own profit, this stock varied from 117⅝ to 99⅜.

Again, the Erie Railroad Co. had outstanding that year $112,378,900 of stock, but there were sold on this exchange shares aggregating $245,033,100—almost two and a half times in the one year the aggregate value of all the stock of the company.

The Canadian Pacific, another company which is engaged in legitimate railroad business, whose earnings do not change very greatly, had listed upon this stock exchange stock of the aggregate value of $180,000,000. During the year there were traded in shares of the value of $159,693,800, and the market price of the stock ranged from 226, the low point, to 283, the high point, without any reason whatsoever for the fluctuation.

The Great Northern, another rather steady property when it escapes from the hands of those who desire to manipulate its fortunes for their private interest, had listed $209,981,875 of stock; and there passed back and forth, in this fictitious and unreal way which is known to no other business in the world except that which is done upon such an exchange, shares of the value of $119,236,700.

The Lehigh Valley is a road that has seemed to be the favorite of these speculators in New York, although it is a railroad doing a most legitimate business and supplying a service that must continue without essential change. Its stock amounted to $60,501,700, yet men pretended to buy and sell upon the exchange during this year $175,625,000, and its market price ranged from 155¾ to 185¾.

The Missouri Pacific had $83,251,085 of stock. Somebody bought and sold on the exchange $113,320,800 of it without any real change of ownership, and it fluctuated from 35, the low point, to 47⅛, the high point.

The Northern Pacific, with $248,000,000 of stock, saw its shares bought and sold to the extent of $151,551,800.

The Reading, another of these great composite railroads, well established, doing a business which must continue so long as the people of this country do any business at all—and I beg, now, that Senators will especially remember this—had a common capital stock of $70,000,000. Yet these people in New York, for themselves or for these blind and inexperienced men who seek to find a fortune where fortunes are not to be found, sold, and somebody bought, $1,114,468,250 of its stock. In other words, all its capital stock was bought and sold more than fifteen times during the course of the year.

The Southern Pacific had stock to the amount of $272,672,405, and of its stock there was sold during that year $129,139,400.

Of the common stock of the Union Pacific there was outstanding $216,627,800. There was bought and sold during that year $1,062,600,600, and the range of market value was from 150¾ to 176¾.

Mr. BRISTOW. Mr. President——

The PRESIDING OFFICER. Does the Senator from Iowa yield to the Senator from Kansas?

Mr. CUMMINS. I do.

Mr. BRISTOW. I should like to ask the Senator how he accounts for the stock of some roads being so much more active than others—that is, the speculation being so much more extensive in the Reading and the Union Pacific, for instance, than in the Santa Fe and the Southern Pacific?

Mr. CUMMINS. I do not know, Mr. President. It would be easy to account for it in one way, although I am not sure that I can present the basis for believing that it was occasioned in that way. The speculators, of course, like stocks that are easily depressed and easily increased in price.

The fluctuation of stocks that they can influence in that way are more attractive, because the stake for which they play is larger. That will certainly account for some of these; it will not account for all of them. But at any rate I have given the record as it has been made upon the exchange.

I now turn to other stocks. The railroad stocks ought to be the best, the steadiest in the country. I hope we will see a time when the railroad stocks of this country are as safe an investment as the Government securities themselves. I believe we will see a time when uniformity in value, uniformity in earnings, and freedom from manipulation will result in a steady market price.

But I now turn to another kind of stock. I call them industrial or miscellaneous stocks. The first one that I mention is Amalgamated Copper, known to every man who has any interest in what takes place among the great speculators of the country. Its stock amounts to $153,887,930. It was traded in during 1912 to the extent of $812,869,500. I doubt exceedingly whether at the close of the year there was any substantial difference in the ownership of the stock as compared with the beginning of the year. The lowest price was 60, the highest price 92¾, a range of 32¾ per cent, or one-third of the par value of the shares themselves.

The American Beet Sugar Co., of which we have heard a good deal in recent years, had a common capital stock to the value of $15,000,000. There were sold and bought on this exchange during the year shares of this company of the aggregate value of $108,612,400, more than seven times the entire amount that had been issued by the company.

The American Can Co., another company out of which great fortunes have come, had stock of the par value of $41,233,300, and yet there were sold on the exchange during the year shares amounting to $379,658,300, quite nine times the value of all the stock then outstanding.

The stock of the American Smelting & Refining Co., another institution which has been utilized for winning great fortunes, was $65,000,000, and of that $15,000,000 had been withdrawn and deposited to secure certain bonds, and therefore really it had

outstanding but $50,000,000. Yet the trading in this stock amounted during the year to $227,741,000. Its low point was 66½, its high point 91.

The General Electric Co. had $77,325,200 of stock. The trading amounted to $50,551,000. The United States Steel Corporation, the greatest industrial organization of the time or of any other time in this or any other country, had outstanding common stock of the par value of $508,302,500, and yet somebody sold and somebody bought during the course of the year shares of this stock amounting to $2,462,622,400. The low point was 58¼, the high point 80¾.

The man who urges that short sales are a steadying influence in the value of commodities in which we deal and of which the business of this country is made up has only to consult the table, a part of which I have read, in order to be assured that the experience of this country, at least, does not sustain the contention.

I desire to print as a part of my remarks the two tables from which I have read.

The PRESIDING OFFICER. It will be so ordered, without objection.

The tables referred to are as follows:

Bonds were sold on the New York Exchange during the year 1912 as follows:

United States Government and city securities	$23,656,000
Railroad bonds	339,816,000
Street railway bonds	130,762,000
Gas and electric light	6,786,000
Miscellaneous bonds	16,640,000
Telegraph and telephone bonds	14,856,000
Manufacturing and industrial	117,700,000
Coal and iron bonds	3,281,000
Total	653,497,000

Stocks sold on the New York Stock Exchange during the year 1912.

	Number of shares.	Value.
Railroad stocks	63,704,779	$5,052,823,900
Industrial and miscellaneous stocks	72,413,946	6,150,899,600
All stocks	136,118,725	11,203,723,500

New York Stock Exchange, 1912.

RAILROADS.

	Aggregate sold, common stock.	Entire amount in existence.	High price.	Low price.
Atchison, Topeka & Santa Fe	$129,319,700	$168,430,500	111⅜	103½
Chicago, Milwaukee & St. Paul	149,277,200	116,348,200	117⅞	99⅜
Erie	245,033,100	112,378,900	39½	30
Canadian Pacific	159,693,800	180,000,000	283	226½
Great Northern	119,236,700	209,981,875	[1]143⅜	[1]126
Lehigh Valley	175,625,000	60,501,700	185¾	155⅞
Missouri Pacific	113,320,800	83,251,085	47⅞	35
Northern Pacific	151,551,800	248,000,000	131½	115⅝
Reading	1,114,468,200	70,000,000	179½	148⅜
Southern Pacific	129,139,400	272,672,405	115½	103⅜
Union Pacific	1,062,600,600	216,627,800	176¼	150¼

INDUSTRIAL AND MISCELLANEOUS.

Amalgamated Copper	$812,869,500	$153,887,900	92¾	60
American Beet Sugar	108,612,400	15,000,000	77	46½
American Canning	379,658,300	41,233,300	47⅞	11½
American Smelting & Refining	227,741,000	[2]65,000,000	91	66½
General Electric	50,551,000	77,325,200	[1]8	[1]3
United States Steel	2,462,622,400	508,302,500	80¾	58¼

[1] Preferred, no common.
[2] Of which $15,000,000 on deposit to secure bonds.

Mr. CUMMINS. I desire to call the attention of the Senate to a few paragraphs in the report of the committee appointed pursuant to House resolutions 429 and 504, to investigate the concentration of control of money and credit. This investigation, as you all know, was carried on by the House of Representatives, and I think it may safely be said that there were more important and interesting and instructing facts developed in the course of the investigation than had ever before been submitted to the American people in the same length of time. I read very briefly from page 44 of the report:

But it is in respect of the extent and character of the speculation in securities for which it is the agency that the New York Stock Exchange touches most vitally the affairs of the people of the entire country. This subject was investigated in 1909 by a committee on speculation in securities and commodities appointed by Gov. Hughes, of New York, and its complete report is annexed to the record as Exhibit No. 27.

I mention the first paragraph in order to indicate the subject covered in that portion of the report. I read further a brief extract quoting from the report of the well-known New York commission:

A real distinction exists between speculation which is carried on by persons of means and experience—

And this is especially worthy of consideration—

A real distinction exists between speculation which is carried on by persons of means and experience, and based on an intelligent forecast, and that which is carried on by persons without these qualifications. The former is closely connected with regular business. While not unaccompanied by waste and loss, this speculation accomplishes an amount of good which offsets much of its cost. The latter does but a small amount of good and an almost incalculable amount of evil. In its nature it is in the same class with gambling upon the race track or at the roulette table, but is practiced on a vastly larger scale. Its ramifications extend to all parts of the country. It involves a practical certainty of loss to those who engage in it. A continuous stream of wealth, taken from the actual capital of innumerable persons of relatively small means, swells the income of brokers and operators dependent on this class of business; and in so far as it is consumed, like most income, it represents a waste of capital. The total amount of this waste is rudely indicated by the obvious cost of the vast mechanism of brokerage and by manipulators' gains, of both of which it is a large constituent element. But for a continuous influx of new customers, replacing those whose losses force them out of the Street, this costly mechanism of speculation could not be maintained on anything like its present scale.

The report then proceeds to consider a large number of corporations, pointing out the number of shares of stock dealt in during a certain period as compared with the number of shares of stock actually transferred upon the books of the companies during the same period of years.

I can not take the time to read this part of the report, but it is so conclusive with regard to the vice of this sort of speculation or gambling, as I prefer to call it, that I ask the consent of the Senate to print as a part of my remarks what I have just read, together with the remaining portions of pages 43, 44, and 45.

The PRESIDING OFFICER. Is there objection. If not, it is so ordered.

The matter referred to is as follows:

SECTION 14. UNWHOLESOME SPECULATION.

But it is in respect of the extent and character of the speculation in securities for which it is the agency that the New York Stock Exchange touches most vitally the affairs of the people of the entire country. This subject was investigated in 1909 by a committee on speculation in securities and commodities appointed by Gov. Hughes, of New York, and its complete report is annexed to the record as Exhibit No. 27. That committee had, however, no power to subpœna witnesses or to send for books and papers. It was compelled to rely largely on statements formulated by the governors of the exchange in consultation with their counsel in answer to written questions. While opinions will differ as to the wisdom or adequacy of the recommendations of that committee, its distinguished personnel and exceptional qualifications are a guaranty of the thoroughness and accuracy of its findings of fact.

It found, among other things, that—

"It is unquestionable that only a small part of the transactions upon the exchange is of an investment character; a substantial part may be characterized as virtually gambling.

"The rules of all the exchanges forbid gambling * * * but they make so easy a technical delivery of the property contracted for that the practical effect of such speculation, in point of form legitimate, is not greatly different from that of gambling. Contracts to buy may be privately offset by contracts to sell. The offsetting may be done in a systematic way by clearing houses or by "ring settlements." Where deliveries are actually made, property may be temporarily borrowed for the purpose. In these ways speculation which has the legal traits of legitimate dealing may go on almost as freely as mere wagering, and may have most of the pecuniary and immoral effects of gambling on a large scale.

"A real distinction exists between speculation which is carried on by persons of means and experience, and based on an intelligent forecast, and that which is carried on by persons without these qualifications. The former is closely connected with regular business. While not unaccompanied by waste and loss, this speculation accomplishes an amount of good which offsets much of its cost. The latter does but a small amount of good and an almost incalculable amount of evil. In its nature it is in the same class with gambling upon the race track or at the roulette table, but is practiced on a vastly larger scale. Its ramifications extend to all parts of the country. It involves a practical certainty of loss to those who engage in it. A continuous stream of wealth, taken from the actual capital of innumerable persons of relatively small means, swells the income of brokers and operators dependent on this class of business; and in so far as it is consumed, like most income, it represents a waste of capital. The total amount of this waste is rudely indicated by the obvious cost of the vast mechanism of brokerage and by manipulators' gains, of both of which it is a large constituent element. But for a continuous influx of new customers replacing those whose losses force them out of the "street" this costly mechanism of speculation could not be maintained on anything like its present scale."

That in large measure transactions in shares on the New York Stock Exchange are purely speculative is also evidenced by the high ratio of the sales of a given stock during very short periods to the total amount listed, and further by the gross disproportion between the number of shares sold and the number transferred on the company's books within stated periods, such transfers measuring in at least a rough way the purchases for investment.

With respect to dividend-paying stocks this method of arriving at the proportion of transactions on the exchange that is speculative errs largely on the side of conservatism. It includes as investment buying the large number of transfers that are made from one brokerage house to another in execution of purely speculative transactions.

These facts are brought out by a series of tables and charts contained in the record, comparing month by month, since 1900, the number of shares sold of various corporations and the number transferred and the total number listed on the exchange. There are also supplemental

tables showing the sales day by day during the most active months. (Exhibits 74 to 108, inc., R., 1120–1178.)

The corporations selected for the purpose are Reading Co., United States Steel Corporation, Amalgamated Copper Co., Union Pacific Railroad Co., American Can Co., Rock Island Co., American Smelting & Refining Co., Columbus & Hocking Coal & Iron Co., Erie Railroad Co., Consolidated Gas Co., Brooklyn Rapid Transit Co., Colorado Fuel & Iron Co., California Petroleum Co., and Mexican Petroleum Co.

The shares of the two last-named companies were only listed within the past year

These tables and charts are annexed to this report as Appendix D. No adequate descriptive analysis of them can be made.

Stating the results shown only in the most general way, it appears that there has not been a year since January 1, 1906, when the Reading Co.'s entire common stock issue listed and subject to sale was not sold at least 20 times over and from that on up to 43 times; that in a single month of that period it was sold 6 times over and that in only 2 months of the entire period was it sold less than once over in a single month; and that although it is a dividend-paying stock the number of shares transferred on the company's books averaged for the period 8.6 per cent of the shares sold.

Summarily stated, it further appears that in each year since January 1, 1906, the entire listed common-stock issue of the United States Steel Corporation has been sold 5 times over each year on the average, while the number of shares transferred on the company's books has averaged 25 per cent of the number sold;

That in the same period the entire common-stock issue of the Amalgamated Copper Co. has been sold 8 times over each year on the average, while the number of shares transferred has averaged about 20 per cent of the number sold;

That since January 1, 1906, the entire listed common-stock issue of the Union Pacific Railroad Co. has been sold 11½ times over each year, while in 1912 the number of shares transferred was only 16 per cent of the number sold;

That in 1912 the entire listed common stock of the American Can Co. was sold 8½ times over, while the number of shares transferred was 25 per cent of the number sold;

That since January 1, 1906, the entire listed common-stock issue of the Rock Island Co. has been sold twice over each year on the average, while the number of shares transferred has averaged little more than 27 per cent of the number sold;

That since January 1, 1906, the entire common-stock issue of the American Smelting & Refining Co. has been sold 12 times over each year on the average, while the number of shares transferred has averaged about 18 per cent of the number sold;

That since January 1, 1906, the entire listed common-stock issue of the Erie Railroad Co. has been sold more than twice over each year on the average, while the number of shares transferred has averaged only 30 per cent of the number sold;

That since January 1, 1906, the entire listed common-stock issue of the Consolidated Gas Co. has been sold more than once over each year on the average, while the number of shares transferred has averaged only about 40 per cent of the number sold;

That since January 1, 1906, the entire listed common-stock issue of the Brooklyn Rapid Transit Co. has been sold 6 times over each year on the average, while the number of shares transferred has averaged 23 per cent of the number sold;

That since January 1, 1903, the entire listed common-stock issue of the Colorado Fuel & Iron Co. has been sold 5 times over each year on the average—in 1906, 18 times over—while the number of shares transferred has averaged less than 20 per cent of the number sold;

That in October, 1912, the first month during which the common stock of the California Petroleum Co. was listed, the entire issue was sold more than three and one-half times over; and

That in the seven months from April (when it was listed) to October, 1912, the entire common-stock issue of the Mexican Petroleum Co. was sold nearly nine times over.

Customers of members of the exchange are not required to pay more than 10 per cent of the purchase price of securities. A member of one of the largest brokerage houses in New York testified that 90 per cent of its business was done on that basis. (Wollman, R., 1787.) Of course, the smaller the margin required, the larger the number of shares a given sum will purchase and the wider the circle of people who will be engulfed in speculation.

Such excessive and indiscriminate speculation in stocks as is thus shown to be conducted on the New York Stock Exchange is not only hurtful in the way that all public gambling is hurtful, but, in addition, it withdraws from productive industry vast quantities of capital.

Statements compiled by accountants for the committee based on data obtained from only 32 of the banks and trust companies of New York City, members of the New York Clearing House Association, show that on November 1, 1912, these institutions, for themselves and for their out-of-town correspondents, had outstanding loans on stock-exchange collateral amounting to $766,795,000. (Niven, R., 955, 956; Exhibit 133, R., 1192, 1193.) This apparently represents a substantial part of the sum required to carry stocks bought on margin on the New York Stock Exchange, but by no means measures the full extent. The calculation includes less than one-third of the total number of banks and trust companies of New York City, although it embraces most of the important ones. But it takes in none of the great international banking houses that are lenders for their own as well as for foreign account, nor does it include any of the large financial institutions of neighboring cities that lend on the exchange or through brokers, nor the many loans of this character made by individuals in one way or another. It is impossible upon the data before us reliably to estimate the full extent of the funds of the country employed in Wall Street speculation

Of the amount stated $240,480,000 was lent directly for the account of out-of-town banks by the institutions named, in addition to the sums that these out-of-town banks withdrew from their New York correspondents for the same purpose, attracted by the high rates offered. (Niven, R., 956.) And this at a time when money was needed for crop-moving and other legitimate commercial purposes.

Mr. WILLIAMS. I should like to ask the Senator from Iowa a question. He is discussing the question of speculation in stocks as being pertinent to a discussion of speculation in cotton. I want to call has attention to the fact that there is a perfectly distinct line of differentiation. When a man sells a hundred shares of Illinois Central stock for future delivery he sells one definite specific thing which he must deliver. When a man sells 100 bales of cotton upon a middling basis he sells something which he may deliver in twenty-odd different grades, with different values, with an artificial differential which is fixed by a private committee belonging to a stock exchange in New York.

A man can sell property for future delivery provided he sells the same property and delivers the property. Suppose I was carrying on a stock farm, raising hackney horses, and engaged to deliver two years from now 100 yearling colts at a certain price. I would not own the colts, but I think I am going to have that many colts on the place and that I know I would be willing to sell them at the agreed price. Would the Senator's substitute prohibit that?

Mr. CUMMINS. It would not, Mr. President. I would, however, prevent the sale upon stock exchanges and boards of trade and other like institutions of the property dealt with there, of which the seller was not the owner at the time the transaction took place.

The Senator from Mississippi must remember that I have not attempted to interfere with sales save upon these exchanges, these boards of trade. If the Senator from Mississippi, being the owner of a cotton plantation, wanted to sell cotton to be delivered 50 years hence, however exaggerated that might be, there is nothing in this substitute that would prevent him from doing it. But it would prevent him from going upon the New York Cotton Exchange and, under its rules and regulations, there agreeing to sell a certain amount of cotton for future delivery if he was not the owner of the cotton at the time the transaction took place. This does not interfere at all with the ordinary dealings of the world. Nineteen-twentieths of all the commodities produced in America are sold without recourse to a board of trade or a stock exchange or any other organization of that kind. This amendment does not refer to those transactions in any manner.

Mr. WILLIAMS. If that last explanation be correct, then I have misunderstood the Senator when his amendment was read, or, rather, when he explained what was in it. If I remember correctly, the Senator stated he would not interfere with the owner of a product from selling it.

Mr. CUMMINS. I think I can best explain that by reading the first paragraph in the substitute.

Mr. WILLIAMS. I want to make another illustration, if that be the case. Here is a man engaged in the business of buying and selling live stock—cattle and horses. He lives in Kentucky, and he goes through Kentucky and Missouri and Tennessee and buys mules and goes down to Mississippi and sells them to the cotton planters, and goes down to Louisiana and sells them to the sugar planters. He makes an agreement down there to sell somebody 100 head of mules, 16 hands high, at a certain price. He does not own them at the time he sells them, but he thinks he can buy them at a margin that will enable him to enter into the trade. That is a case where he did not own them and did not own anything out of which he could produce them.

Mr. CUMMINS. I do not say whether the transaction just mentioned by the Senator from Mississippi is a safe one or not; but I do say that it is not touched in any way by this amendment. Mules are not sold upon boards of trade and exchanges. You must have some commodity in which there is such similitude that 100 pounds of it or 100 shares of it can be delivered upon any contract calling for a hundred pounds or a like number of shares. This substitute does not reach any such thing. It touches exactly the same subject that is covered by the amendment of the Senator from Arkansas.

Mr. BORAH. Mr. President——

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Idaho?

Mr. CUMMINS. I do.

Mr. BORAH. What is the distinction to be drawn between the kind of a transaction which the Senator from Mississippi presents to the Senate and the transaction which takes place upon the board of trade or the exchange except as to the locality of the transaction?

Mr. CUMMINS. Mr. President, there is no difference between the legal quality of the transactions. There is a very great difference between the moral quality of the transactions.

I have read a very few of the transactions of the New York Stock Exchange. I am sure that the Senator from Idaho will not find in them any similarity whatever to the case of an individual who goes about the country selling horses, expecting thereafter to buy horses of the kind agreed upon. I think the distinction must be perfectly clear.

Mr. BORAH. I must confess, Mr. President, that is not clear as far as the morale of the transaction is concerned. They are both dealing in something which they have not; they are both dealing in something which they do not expect to have.

Mr. CUMMINS. All that I can say, Mr. President, is that the history of this country does not sustain the suggestion of the Senator from Idaho. There has been a great deal of harm done by gambling upon the stock exchanges and boards of trade. I do not know of any harm that has been done by sales such as have been instanced by the Senator from Mississippi.

Mr. SMOOT. Mr. President——

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Utah?

Mr. CUMMINS. I yield to the Senator.

Mr. SMOOT. I wanted to ask the Senator if a case like this would be affected by his amendment. Suppose I owned 100 shares of Southern Pacific stock and in my judgment I wanted to secure another 100 shares of that same stock, and in order to do so I went to a bank and gave as collateral security for a loan the 200 shares—the 100 shares that I wanted to purchase and the 100 shares that I was owner of. Something may happen that forces me to dispose of the stock or forces the bank to dispose of the stock while it is up for collateral security. Under the amendment offered by the Senator, could the bank itself sell that stock, not being the owner of the stock?

Mr. CUMMINS. Oh, yes, Mr. President, the amendment makes ample provision for that. It is confined to transactions upon the stock exchange. It does not interfere with any business that is carried on outside these peculiar and particular organizations.

Mr. SMOOT. For instance, in New York if the bank was prohibited from selling a stock upon the stock exchange, then they would be forced to look around for a customer.

Mr. CUMMINS. Yes; they would be forced to sell to somebody who wanted to buy the stock, and that is what the business of this country ought to accept.

Mr. BRISTOW. Mr. President——

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Kansas?

Mr. CUMMINS. Certainly.

Mr. BRISTOW. Referring to the inquiry of the Senator from Idaho [Mr. BORAH], I got the impression that he believed that the 100 mules which the Senator from Mississippi referred to in his illustration were not to be delivered to the planter. I understand that when he contracts to deliver 100 mules to the planters he expects to buy them and deliver them. So it is entirely different from the stock exchange.

Mr. WILLIAMS. That is all I am claiming this Clarke amendment seeks to do. It seeks to confine these operations to exchanges and to things under similar regulations; that is, the bucket shops. Stocks sold on stock exchanges are delivered.

Mr. CUMMINS. My amendment is confined in the same way.

Mr. WILLIAMS. I dislike to take up the time, but I will state the difference.

There has grown up a custom in cotton of buying upon the basis of middling delivery, and they can deliver any of the 28 different grades of cotton as they are classified upon the New York Cotton Exchange, with a differential of addition or subtraction in accordance with the stuff actually delivered as fixed by a committee. Now, we have a class of cotton which we call linters, referred to in the familiar style by the Senator from South Carolina as dog-tail cotton. A mill goes into the market to protect itself, indulging in business on insurance principles. It buys so many bales of middling cotton. When the time to deliver comes they hunt around and through the agency of that committee they deliver to him linters, which is what is taken off cotton seed after it has once already been ginned. After it is ginned it goes through another process at the cotton-oil mill, and what is taken off is linters. Suppose they deliver that to the cotton mill. No matter what the differential may be, the cotton mill has no use for that stuff. It is weaving sheetings, drillings, calicoes, and something else. He can not weave them out of linters. So that danger is held over the buyer for future delivery. As a consequence he never demands delivery; he takes his medicine. You understand now why he is afraid to demand delivery.

Now, not long ago we got tired of that and some of our people went up to New York. The South has passed by the time, thank God, when it can not finance itself. We knew from the annual production of cotton here and in Egypt, India, and elsewhere that cotton ought to be worth 3 cents or 4 cents more a pound than it had been hammered down to. These southerners determined to assert themselves. Some of them went to New York. They did not ask any New York bank for anything. They made their arrangements with New Orleans and Memphis banks and country banks beforehand, even in towns as small as Columbus, Miss. They believed the cotton was worth a certain price, and they ran the risk of meeting and overcoming the "bear" movement even in that unfriendly atmosphere and saw it through. They bought all the cotton at the quotations these people gave. They then waited until the time came and made them deliver it.

They would not have undertaken that in an ordinary year. That happened to be a year when there were very few low grades of cotton. They always deliver the low grade trash that has to go through a picker until the fiber is torn to pieces. It happened that that was a year of remarkably good grades of cotton.

These men took the risk. Instead of turning this "dog-tail" cotton loose, as the Senator from South Carolina [Mr. SMITH] said this morning, they held it until the bears delivered to them everything of that sort they could raise and scrape. They had to go to work and find sure enough cotton to deliver. Then when they went out to find sure enough cotton, these men took every bale they could deliver. They insisted upon delivering the balance, and lo and behold, the Government comes in and indicts them for a combination in restraint of trade! The year before that the buyers and sellers had driven the market down from a margin very close to the cost of production. Nobody was ever indicted. We begged that the other fellows might be indicted for combining. Of course if one set of fellows go in and combine to buy and another set of fellows combine to sell they are both combining. Are they not?

Mr. LIPPITT. I do not think that that is quite a fair statement of the situation. There was an actual combination in the case of the gentlemen who were indicted. There was no combination in the case of the spinners buying.

Mr. WILLIAMS. The other combination exists all the time.

Mr. LIPPITT. I beg the Senator's pardon. I do not think he can point to a single instance.

Mr. CUMMINS. I hope the Senators will not pursue that line further.

Mr. LIPPITT. The Senator from Mississippi, I think, is in error. There is no tacit combination or any kind of combination in the purchase of cotton by different spinners. If there is such a thing I never heard of it.

Mr. WILLIAMS. That is true, but each spinner's motive each year is to bear down the future market in order that he may bear down the price of spots, and with absolutely one accord that is what they do.

Mr. LIPPITT. The Senator is entirely mistaken. The spinners in this country scarcely have anything to do with the future market. It is the rarest thing in the world for spinners manufacturing to go into the future market, except once in awhile for the purpose of hedging an actual purchase, and even then it is very rarely done.

Mr. WILLIAMS. The Senator from Arkansas [Mr. CLARKE] proved this morning that some seventy-odd per cent of them never went into the future market at all. Of course, I am not talking about that percentage of them. The other 30 per cent are enough to do the work.

Mr. LIPPITT. That is not an exaggerated statement of the case.

Mr. WILLIAMS. I think not.

Mr. CUMMINS. Of course, the substitute I have offered is not exactly like the amendment offered by the Senator from Arkansas, or rather the amendment that came from the committee, or I would not have offered it. The purpose of the amendment proposed by the committee, which the Senator from Arkansas has offered, as stated by him over and over again, was to prevent, suppress, and destroy gambling in cotton; that is to say, to prevent sales in cotton in which there was no delivery and where it was expected that the profits and the losses, as the case might be, would be determined by the state of the market at a particular time and upon a particular exchange. My substitute is intended to accomplish that very thing with regard to every commodity which is dealt with upon these exchanges. I am not attempting to enter the general business of the United States any more than is the Senator from Arkansas [Mr. CLARKE].

Allow me to reply a little further to the question of the Senator from Idaho [Mr. BORAH]. We have discovered, as anyone who is familiar with the situation I am sure will not deny, that a large part of the transactions upon these boards of trade and stock exchanges are fictitious transactions; they are not real; they take the form of sales of commodities, of sales of stocks, but it is not expected that any real transfer will take place. We have discovered that through this instrumentality thousands of men throughout the country have been wrecked in fortune, and not only so, but whose entire moral fiber has been stricken down. We have found these exchanges as the potent power in imposing upon the people of the country a great volume of

watered stock. Practically half of all the stock of the railroad companies of this country has no real foundation, or had none when it was issued. I suppose the unearned increment will gradually absorb it. We may have to pay for all time to come dividends upon stock that never should have been issued. More than half of all the stocks of the industrial companies, the large, the great industrial companies, have no foundation. They represent nothing but the criminal, or rather—I will withdraw that word—the avaricious disposition and the marvelous audacity of the men who are instrumental in putting them out; and yet neither this watered stock of the railroad companies nor the watered stock of the industrial companies would ever have been foisted upon the country had transactions upon stock exchanges been honest and real. This method of doing business on the stock exchanges has in that way corrupted not only the morals of the people but has imposed great and enduring burdens upon them which they will have to bear, I assume, for all time to come, because there are some mistakes which, once made, can not be rectified.

Mr. BORAH. Mr. President——

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Idaho?

Mr. CUMMINS. I do.

Mr. BORAH. The Senator from Iowa is discussing now the feature of the transaction in which I am most interested, and as to which I asked a question a little while ago, and that is that it is not yet apparent from the discussion how this transaction, for instance, in railroad stocks, in mining stocks, and in such stocks, affects anyone except those who actually participate in the transaction. Of course, I can realize, as to those men who hold the stocks or who deal in stocks, that as between themselves they may rob one another, but the question in which I was interested was, How does it reach out and permeate and affect society and the people generally? I ask this not in an unfriendly spirit to the amendment, but rather that it may more specifically appear what is the general effect upon the public.

Mr. CUMMINS. Mr. President, I am very glad that the Senator from Idaho has turned me in that direction, because it is the vital reason for the amendment. If no one were injured save brokers upon the stock exchanges or upon boards of trade, I would not be very much concerned in their welfare. I shall, however, have no difficulty in pointing out how these stock transactions do affect the whole country.

First let me give my reasons for believing that short sales on stock exchanges ought to be discouraged by taxing them. They ought to be prohibited, in my opinion, but we have no constitutional power to prohibit them. I suggest this illustration: If the Senator from Mississippi [Mr. WILLIAMS] is the owner of a hundred acres of land in his State and he sells it to me for a hundred dollars an acre, he is not concerned in depreciating the value of that property; rather, he is interested in maintaining its fair value under ordinary circumstances. It seems to me that every seller ought to be surrounded by the same influences and actuated by like motives. He has sold me property for a price upon which we have agreed, and his interest in it is at an end, save to secure the purchase price, if it be not paid at once. That allows all the normal influences to operate upon the value of the land. It may rise, it may fall, but it will neither rise nor fall on account of any interest that its seller has either to increase its value or to decrease its value.

Now, come to a transaction upon the stock exchange in New York. The Senator from Mississippi being operating there, both of us operating there, sells me a hundred shares of Chicago, Milwaukee & St. Paul stock at $100 a share. He is not the owner of the property, and in order to make any profit in the transaction the price of the stock must decline before the delivery is made in order that he shall make a profit from it. Therefore the instant the Senator from Mississippi sells me the hundred shares of stock for future delivery it becomes naturally and imperatively his interest to do everything he can to affect the value of the stock that he has sold, for in order to fulfill his contract he must buy in the market to make delivery or settle the difference. If you will couple up the single seller with the hundreds of sellers in stock exchanges in New York and elsewhere and the hundreds of buyers in the same organization, you will understand the constant struggle to affect the price or the value of commodities dealt in upon those exchanges and all with little or no regard to the intrinsic worth of the thing sold.

Mr. CRAWFORD. Mr. President——

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from South Dakota?

Mr. CUMMINS. I yield to the Senator from South Dakota.

Mr. CRAWFORD. Is there not this difference between the New York Stock Exchange and the other exchanges, like the Cotton Exchange, the Produce Exchange, and the Corn Exchange, in this, that in the New York Stock Exchange before the stock can be listed at all and have the standing and reputation which it gets by reason of its being listed, the managers of the stock exchange do undertake to make a thorough examination of the company or the institution issuing the stock and the securities, and the very fact that they are permitted to list them there does, in itself, establish the fact that they have actual and intrinsic value? So there is—and I am not a defender of the practices of the stock exchange; I think they are vicious, and that they do amount to gambling; yet I think it is only due to say that the very fact that stock is permitted to be listed there is, in a way, a guaranty to the country, and is accepted as such, that it has actual, substantial value, and the price at which it is listed is accepted everywhere as its price.

Mr. CUMMINS. Mr. President, stocks are not listed at any price.

Mr. CRAWFORD. I mean as the stock is quoted there.

Mr. CUMMINS. It is quite true that the stock exchange in New York and the stock exchanges everywhere undertake some kind of an examination into the regularity of the organization or the company or the corporation that issues the stock, but of course a moment's reflection will show that such an examination has little to do with the real value of the stock, because the stocks now listed upon the exchange in New York run all the way from practically nothing to quadruple par value. I do not say that some of these low-priced stocks were of so little value at the time they were listed, but that is the way they turn out. I repeat, lest it may be forgotten, that the great vice of short selling in and of itself is that it creates a motive on the part of the seller to depreciate the price of the thing sold until the delivery is made, for in no other way can the seller make any profit from the transaction.

I think values ought to be determined by a consideration of legitimate conditions. If it be the value of a share of stock in a railroad company, what are its present earnings, what are its earnings likely to be, what is money worth, what is the general financial condition of the country? and so on. These are legitimate matters to be considered, but the war between the man who sells and the man who buys, the one to depreciate the stock and the other to lift it up, is demoralizing to the honest business of the country.

Mr. WILLIAMS. Mr. President, I should like to ask the Senator from Iowa a question.

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Mississippi?

Mr. CUMMINS. I yield.

Mr. WILLIAMS. Are stocks upon the stock exchange sold upon margins without actual delivery?

Mr. CUMMINS. In the various stock exchanges the time of delivery is different. In the New York Stock Exchange stocks are sold upon a margin of 10 points, or 10 per cent, I believe, and the delivery is made within the day, generally, but not always, by what is known as borrowed stock. With respect to every corporation whose stock has been sold in this large way there are blocks of stock in the hands of men in New York who loan it to Tom, Dick, and Harry for the purpose of making the deliveries that are required by the rules of the New York Stock Exchange, and I think that, technically, all the sales of capital stock that are made in the New York Stock Exchange are delivered in that way, and not 20 per cent of them are transferred upon the books of the corporation which issues the stock, but the certificates themselves are delivered. They are delivered through the medium of borrowing, a practice under which a man who has a little stock loans it in order that the man to whom he loans it may make a delivery on a sale which was made without ownership at all. Out of that, of course, there comes some profit. Then there is a grand clearing house. As suggested a few moments ago in regard to cotton, these men get together at the close of the day's business, and they adjust the transactions just as they do in the clearing house of banks, and a very few certificates of stock, comparatively, are sufficient to make deliveries for the entire transactions of the day. I believe that kind of business is bad for the country and bad for the people who engage in it. If no one engaged in it but the members of the boards, we need be less concerned about it, but the great proportion of it is carried on by the members of the boards for men who are not members of the board or of the stock exchange, upon orders from all parts of the country. This country is simply full of men who have been ruined by selling or buying stocks on small margin, and selling grain, too, because we in the West are just as much endangered through transac-

tions upon the Board of Trade in Chicago in our wheat, in our oats, and in our meat as is the South with respect to her cotton.

Mr. WILLIAMS. I should like to suggest to the Senator there, that one of the reasons why this amendment was confined to cotton was that, so far as I know, there has not been a complaint before the committee from a single grain grower in the United States, nor has any attempt been made, so far as I know, to procure for them legislation like this. So far as I know, when the Scott bill was up, the committee was forced by the western farmers—Mr. Scott himself being a Westerner, a Kansas man—to confine the operation of the bill entirely to cotton, because the other producers did not want their products included in it.

I want to tell the Senator why the difference occurs. There are, I believe, three or four grades of wheat—I think there are four. Every grade of wheat is eatable; it is consumable; it is valuable, and when a man buys upon the basis of No. 2 wheat, if he has No. 1 delivered to him or No. 3, the differential is fixed by the spot wheat market sales on the day of delivery. That is perhaps the reason why this sort of difference exists in the two sections of the country.

The cotton producers have demanded this legislation; they have been asking for it for years. There was a time when the wheat and corn producers were doing the same thing, as when the Hatch bill was being considered; but, for some reason or other, the western farmer has ceased to complain about options and futures in connection with his product. Not one complaint from the West has come to the committee.

Mr. BRISTOW. Mr. President, if the Senator from Iowa will yield——

The VICE PRESIDENT. Does the Senator from Iowa yield to the Senator from Kansas?

Mr. CUMMINS. Certainly.

Mr. BRISTOW. I desire to say that the Senator from Mississippi [Mr. WILLIAMS] is mistaken as to the sentiment of the farmers who produce wheat and cattle. Mr. Scott incurred the hostility of the farmers' organization of Kansas for yielding the point as to wheat, and it was one of the very potential reasons that resulted in his retirement from Congress.

Mr. WILLIAMS. I do know that we had them all in the bill and they were all stricken out except cotton, and the reason given was that the producers of the other products were not demanding it and were not subject to the same conditions. Whether or not that reason was founded in fact, I do not know, but I do know that that happened.

Mr. BRISTOW. The real reason was the powerful influence of boards of trade in the western cities that speculated in the grain market. The organization of the Farmers' Union, which is a very powerful organization in some of the Western States, is just as anxious about legislation of this kind in regard to wheat as the cotton planters can be in regard to cotton in the South, but, having lost some years ago in their fight here, they feel discouraged, and they are not here because they do not think there is any use of being here.

Mr. CUMMINS. I recognize the difference between wheat and cotton in the respect mentioned by the Senator from Mississippi. The range is not so great, nor do I think there could be delivered one grade upon a contract made for another grade.

Mr. WILLIAMS. It is not only a question of range, but every grade of wheat is useful for eating and consumption. There is no such thing as useless, unconsumable wheat.

Mr. CUMMINS. Mr. President, that is quite true, and it is also true, as I understand, that there is no such practice on the boards of trade in the West as will permit the delivery of one grade of grain upon a contract for the delivery of another grade of grain; but the Senator is entirely mistaken, as just stated by the Senator from Kansas [Mr. BRISTOW], in the attitude of the western grain growers, and he will look through the records of Congress in vain for any statement by any real grain grower to the effect that the proposed legislation of a few years ago would injuriously affect him. The men who opposed that legislation and the men who finally accomplished their purpose were the grain buyers throughout the West, closely affiliated, of course, with the Chicago Board of Trade. But I do think, speaking candidly, that the legislation which I have proposed is less needed to protect the farmers from speculation in grain than it is to protect the whole country from speculation in the stocks of corporations.

I come now to my final suggestion. I was asked why we should concern ourselves in this matter and how it affected the public welfare. Let me answer that question very briefly, but, as I think, very conclusively. I remarked a few moments ago that the practice of the last 15 or 20 years in the capitalization of corporations was now under condemnation.

No one now attempts to defend the overcapitalization of great organizations; we all deprecate what has happened in the last few years; but it does not require a moment's reflection to convince anyone familiar with the subject that the only way in which the watered securities of overcapitalized corporations can be put upon the market and distributed among the people is through the conspiracies which go with short selling, is through the speculative and vicious transactions daily witnessed upon stock exchanges. I challenge any Senator or any other man to point out how the common stock of the United States Steel Corporation could have been floated through the markets of this country save through the instrumentality I have mentioned. The whole process lends itself to overcapitalization, and if you once eliminate or exterminate short selling there will be no opportunity in the future to duplicate the wrongs which these men have committed against the business of the land in the last few years.

Moreover, this practice is intimately connected with the banking system of the United States. No one now questions the unwisdom of the use of money in New York and in other large centers of the country made up of the reserves of the banks throughout the land. When the investigation to which I referred a few moments ago was being carried on, I remember there were nearly $800,000,000 then loaned in the city of New York alone upon transactions such as I have described. If you will eliminate short sales from the New York Stock Exchange, there will be no longer a profit in this great stream of money flowing from the West toward the East, but it will be employed where it belongs—in transactions which are fair, legitimate, and helpful to the people.

For these reasons, Mr. President, I have offered this substitute. I do not shrink from the charge, if it be made, that it is radical. It is a radical proposition—radical in the sense that it overturns a kind of business that has been carried on for years in the United States, the excesses of which, however, and the evils of which have been more manifest in recent years than ever before. If the proposition is right, it ought to be accepted; and if short selling ought to cease upon boards of trade and stock exchanges, then we ought not to hesitate in adopting the amendment which I have proposed. If, however, we desire to foster and stimulate the sales of stock, of grain, of cotton, by men who have neither produced them nor deal in them—I mean, deal in them in the sense of transferring them from one person to another—if we desire to shield what I believe to be the most vicious, the most pernicious, the most demoralizing influence in American business, then we will ignore the substitute which I have offered; but if we believe that the American people ought to go forward fairly and honestly selling what they have to sell and buying what they want to buy without the intervention of the men who sell what they do not have and the men who buy what they do not want, we will adopt the substitute. I submit it, hoping that the Committee on Finance will carefully consider the propriety of enlarging the scope of the amendment proposed by the Senator from Arkansas.

Mr. BRISTOW. Mr. President, I wish to inquire of the Senator from Iowa if he does not think more people have lost their savings and more men have been ruined in business by gambling on boards of trade than ever were injured by the Louisiana lottery when it was running in its full power?

Mr. CUMMINS. Oh, Mr. President, vastly more. The Louisiana lottery was a pink tea, with bridge whist as an accompaniment. The dealings on the stock exchange of the kind I have referred to are the roulette tables in the palace at Monte Carlo. I venture to say that there are scores and scores of people in my own city who habitually send all they can save, beg, or borrow into the vortex of the institution that we call the board of trade.

I know the board of trade does a great many honest things and performs a great many useful and legitimate functions. These I would see continued. Nevertheless, inasmuch as a man can buy a thousand bushels of wheat or sell a thousand bushels of wheat by telegraph, depositing only a very small margin, he either buys or sells a great deal more than he could possibly take or pay for if it were offered to him, and the moment the market turns a little against him his margin disappears and he has lost his deposit. In that way our State, and I think nearly every State of the country, is filled with men who vainly pursue this "will-o'-the-wisp," trying to make large gains out of small investments, an effort which in nearly every instance comes to naught and ends in hopeless disaster.

It transpired in some investigation—I can not now recall just which one it was—that 95 per cent of the outside men who invest their money in these short selling or buying transactions lose it. The people outside do not make money. There are a few people who do—the great geniuses of the country, the great manipulators of markets, the men who have vast power and influence. They can accumulate fortunes, and often do, I believe.

But the average men, with a little money, scattered throughout the country, who send in their orders for a few thousand bushels of wheat or for a few shares of stock, all, or practically all, lose their money. They not only lose what they have invested, but their moral fiber is weakened and they become unfit to carry on legitimate and lawful business.

Mr. NELSON. Mr. President, there are two sides to this question. In order to illustrate what I mean I will give the Senate a little bit of past history.

My predecessor in office in the Senate introduced or advocated a bill to do away with options in wheat. There was quite a controversy over it in the State of Minnesota. The millers, the men who bought wheat, were in favor of it. It was said at the time—I do not know whether it was true or not—that it was because some of the millers had been speculating in wheat and had gotten caught by the Chicago fellows. For awhile they had the farmers interested and made them believe that it would be a great help to the farmers to destroy this option business. But finally, after due consideration, most of the farmers in Minnesota lost interest in the proposed legislation and came to the conclusion that option dealing, while it might hurt the speculators who were engaged in it, was not, after all, such a bad thing for the farmers.

Without option dealing the only buyers the farmers would have for their grain would be the millers, and they would control the market. The millers could absolutely say what the farmers were to get for their grain; and what the millers did not buy, or what they could not sell here at home, would be controlled by the foreign purchasers, the importers in foreign countries.

I recollect quite well what the farmers said at that time. I was nothing but a plain farmer myself then. They said: "Here, it is to our advantage to have two sets of buyers—not only to have the millers, who want our wheat for grinding, but to have these option fellows in the market, too. They sometimes help to boom the price and we get a little more for our wheat. To be sure, some of these school-teachers, these young fellows who want to get rich quickly in the different towns, go to these bucket shops and speculate in wheat; but what do we care for that? This speculation, one way or another, makes a bigger market for us, and especially when they get up a corner. If we have wheat in our granary at a time when they get up a corner, and can load up our teams and rush it to market, we may be able to get 10 or 15 cents a bushel more than the millers would possibly pay us."

So the enthusiasm in favor of that legislation that first appeared in our State among the farmers utterly died away. They began to think that while option dealing in itself intrinsically was not exactly according to the creed of the apostles, yet after all it was not such a dangerous thing for the farmers. It gave the farmers a more extensive and broader market, and once in a while it gave the farmers a chance to get a little more than they otherwise would have gotton for their wheat.

I am interested in the welfare of the farmers. These people who are foolish enough to bet on baseball or gamble in wheat or cotton are a set of gamblers. I do not know why my heart should go out to them. I am with the cotton raisers and the wheat raisers, and I am for whatever will help to give them a bigger market and a better market and a bigger class of buyers. Even if a part of the buyers are nothing but gamblers I have no objection, from the standpoint of the farmer.

Mr. WEEKS. Mr. President, I understand the question which has been up for discussion part of the afternoon, on the question of cotton futures, is to be referred back to the committee. Having that in mind, I desire to submit for printing some letters and telegrams which I have received relating to the subject.

One of the letters is from the treasurer of a mill; the others are from cotton buyers—not cotton speculators in any sense, but persons who buy cotton in the South to resell it to the mills, wherever they may be located. They have submitted some views which I hope the committee will take into account, because I think they have a material bearing on the subject.

I ask that these communications may be included in the RECORD.

The VICE PRESIDENT. In the absence of objection, it will be so ordered.

The matter referred to is as follows:

NEILD MANUFACTURING CORPORATION,
New Bedford, Mass., July 10, 1913.

Hon. JOHN W. WEEKS,
Washington, D. C.

DEAR SIR: Your favor of the 7th received. If the amendment providing a tax of one-tenth of a cent per pound on sales of cotton futures is adopted it will tend to drive away business from our cotton exchange to the European exchange, and in this way damage the southern farmer.

The present handling of the cotton from the South is very unsatisfactory to the consumer, and if this amendment is adopted will create another hardship, in as much as we shall have to pay the tax in the price of cotton.

We now have to pay for all cotton shipped from the South on sight draft from date of shipment, they assuming no risks whatever from that time.

It averages from four to five weeks for the cotton to arrive, and if, as is often the case, it should be damaged in transit, we have to make claim on the carrier, and in many instances it takes months to effect a settlement.

Then, again, the cotton is baled in such a manner that we are obliged to make claims aggregating 20 per cent annually for short weights, mixed packs, etc.

Our experience with the Egyptian cotton is exactly the opposite, there being almost no claims for this cotton.

We inclose a cutting from The Journal of Commerce, which to us seems a fair argument against the proposed amendment.

Thanking you for your interest and trusting that the within information may be of some help to you when the matter comes up for debate, we remain,

Yours, very truly, JOS. H. ALLEN, *Treasurer.*

A TAX ON "COTTON FUTURES."

The ease with which "fool" proposals find favor among Congressmen from certain parts of the country is simply amazing. More than once the House of Representatives has passed a bill imposing what is intended to be a prohibitive tax upon contracts of sale for the future delivery of cotton where no delivery is made or necessarily intended. A similar bill has received large support in the Senate, and it is not certain that that body is not now crazy enough to pass it. The Democratic majority of its Finance Committee observed the last Sabbath by thrusting such a provision into the tariff bill as an expeditious and effective method of "putting it through."

We can hardly conceive of its being kept there when the bill is reported, but really it is getting to be doubtful how far lunacy may go in this Congress. Surely it can not stay to be enacted. It is proposed that all contracts for the future delivery of cotton shall be in writing, and that a stamp tax of one-tenth of a cent a pound be imposed. So far as delivery was actually made the tax would be refunded. All such sales of cotton are treated as "speculative transactions," and the effect would be to suppress them, so far as exchange operations are concerned, for these could not be successfully carried on under such tax.

All who have an intelligent idea of these "speculative transactions," which consist of selling for future delivery as a means of hedging against changes in price, know that the question of actual delivery can not be determined beforehand, and that in a large majority of cases there will be a settlement of differences without delivery. It all depends upon the course of prices as the law of supply and demand operates during the months when they are undergoing adjustment.

The intelligent person also knows that these transactions help constantly to determine legitimate prices, to minimize fluctuations, and to establish as staple a level as it is practicable to secure. They furnish trustworthy market quotations, which are of more value to the producer and seller of cotton and the buyer and manufacturer than to the dealers on the exchange. There is an occasional abuse in an attempt at cornering the supply or establishing a fictitious price, and such should be effectively dealt with; but to suppress this speculative market on the cotton exchanges would be disastrous to American growers and American manufacturers alike. It would not stop dealings in futures, but simply drive the business to Liverpool and Bremen at increased expense to ourselves.

COOPER & BRUSH,
Boston, Mass., July 3, 1913.

Hon. J. W. WEEKS,
United States Senate, Washington, D. C.

DEAR SIR: I am in receipt of your letter of the 1st instant acknowledging our wire protesting against the proposed tariff bill providing a tax of one-tenth of a cent a pound on cotton futures.

I am aware that apparently the tendency of the legislators generally is to condemn all large businesses, including such exchanges as the cotton exchange, and I am also aware that excessive speculation in cotton has been a very harmful factor to the business interests of the country.

However, I am very strongly of the opinion that the proposers of the tariff tax are not familiar with the legitimate use of cotton futures in the run of ordinary business. My firm has been for a number of years located in Boston, with branch offices in Fall River, Providence, and Montreal, and we cover pretty well the New England States in selling cotton to various mills in this territory. We have no speculative clients and no speculative interest in the market. As the bill now reads, if I understand it correctly, the tax as proposed provides for a payment of $50 per contract in addition to the usual commission, such tax of $50 to be affixed in stamps upon the contract note of sale, and provides in cases where cotton is actually delivered upon the contract that the amount is refunded.

In the use of futures for buying or selling, the legitimate dealer practically never contemplates ever receiving the contract bought or delivering the contract sold, for the reason that a contract, say, in the New York Exchange calls for 50,000 pounds of merchantable cotton of any grade recognized by the exchange; that is, grades running from good, ordinary white to fair, middling stain, and stained low middling tinge, excluding stained cotton below middling in grade and tinged cotton below low middling.

It is needless to say that a spinner in buying must have for his work certain specific qualities of cotton and would not care to or could not use a contract covering as wide a range in grade as the New York contract allows. The New York contract is to a certain extent a merchant's contract for a given number of pounds, irrespective of grade. This is practically what an ordinary buyer South would be compelled to do; that is, buy all grades and qualities of cotton, irrespective of whether he had an outlet for them or not, in order to secure such qualities as he might have an outlet for. His low-grade stains and tinges at times would be unmerchantable, and if he could not sell them to spinners he might sell a contract against them and deliver to the New York, New Orleans, Memphis, or any such market as was available. If, on the other hand, after selling his contract in New York he found he could sell the cotton to better advantage to a spinner, or parts of it by giving different qualities to different spinners, there would certainly not be any profit in delivering against contracts cotton which he could sell to better advantage to a spinner, consequently he would buy in his contracts previously sold, and instead of delivering the cotton would ship it to whatever spinners he was able to sell it.

It seems presumptuous of me to attempt to explain this matter to a committee who supposedly know something about it, but I find a large

portion of the business community is not familiar with the ordinary methods of dealing in futures.

The legitimate dealers, South or North, may frequently have an order from a spinner who wished to sell some goods and consequently fix the price of his cotton. The dealer may not have in hand any of the quality the spinner wishes to buy, but by the purchase of contracts in New York would be warranted in selling a mill, provided he could get a price which in his judgment would enable him to buy the particular quality the spinner wanted when it is available and then sell the futures previously bought. In the meanwhile he would have ample protection in case of an advance in the market. In case of the reverse, if he was buying cotton daily against which for the time being, owing to the high price of cotton, poor trade conditions, or possibly the fact that the spinner could not afford to pay the price for cotton at which it was then selling in relation to what he could secure for goods, he would sell future contracts against it. In case of a sharp decline he would again be amply protected by the sale of his futures.

It was only a few years ago, before Mr. Hayne, of New Orleans, started his bull campaign, that the world was thoroughly convinced that cotton would not in the life of the present generation ever sell at 11 cents or over except on some temporary short crop, and there is no question in my mind but what the South obtained millions of dollars for their crops which they would not have done had it not been for speculation; that is, the world's demands would never have put cotton up where it has been the last few years. In the big crop last year without the balance wheel of the exchanges cotton, in my opinion, would have sold a great deal lower. Speculation, of course, has been a bane to the spinner and is to legitimate trade. On the other hand, the planter has certainly won by it. As far as the planter is concerned, anything that tends to broaden the market for a great commodity must in the long run be of advantage to him and all concerned; conversely, conditions which contract it can only result in injury. The use of the exchanges of this country to every legitimate dealer is of great value, in my opinion. Apart from this, in cases of large crops I believe the South would meet with the greatest loss they have ever met with if the proposal Mr. Clark makes should be carried into a law, and the large banking interests would be unwilling to loan money against cotton which was speculatively held, when they have been willing to do so when it has been hedged by the sale of contracts.

Yours, truly, CHAS. N. BRUSH.

—

STEPHEN M. WELD & CO.,
Boston, July 3, 1913.

Hon. JOHN W. WEEKS,
United States Senate, Washington, D. C.

MY DEAR MR. WEEKS: I have your letter of July 2, and while my letter to Senator LODGE, a copy of which I sent you, may be what you want I would like to add a few words more.

Personally, and looking at it from a selfish point of view, I hope this bill will pass. It will throw the cotton business of this country largely into a few hands, and if the Lord keeps me alive and well I mean to be one of those people into whose hands it comes. It will, though, wipe out a great many small cotton dealers; and I think it is contrary to the spirit of the times and contrary to the good of the people and the Nation that business of any kind should be in the hands of a few. I have long wondered whether the department stores were not, on the whole, an evil; whether there was not greater prosperity and greater happiness amongst the masses with a dozen people selling shoes than where one or two do, or any other articles besides shoes. The effect of this law is going to be that the big men will not do business on a profit of 10 or 20 cents a bale, which is all my firm gets now, where they have to run a big risk.

This whole thing is against the interest of the planter and against the interest of the community as a whole, and is reverting back to old-fashioned times, where business was largely a matter of speculation. As it is now, the cotton business is done on a smaller margin of profit, I think, than any other business in the world, largely because we can afford to do it because we can guarantee ourselves against losses by means of these futures.

If you will read my other letter, you will see that I say I buy in several places in the South every day all the cotton I can get. I sell in Europe and at home and in Canada all the cotton I can sell at a profit. At the end of each day we may have five or ten thousand bales more cotton that we have bought than we have sold. This I at once sell against by selling futures, taking what seems to me the best month on the list for my purposes. Should I sell that cotton the next day, or any time within one or two months, I at once buy back those futures, and the futures presumably, and almost assuredly, have advanced or declined with the price of cotton, so that there is no loss to me and no gain. In the same way, if I have sold more cotton than I have bought, I should buy futures, and when I bought the actual cotton to fill these sales I would sell the futures.

Now, this tax of one-tenth of a cent is enough to stop my being able to do this. The margin of profit on which we work is so small that the thing can not be done and I am thrown at once on a speculative basis. If I buy the cotton, I am going to buy either at a price that I feel sure I can sell it out at a handsome profit, and that profit must be larger, because I am not able any longer to protect myself by the purchase or sale of futures.

I hope I have made this plain to you. If not, I should be very glad to write more fully. If this bill passes, I do not see why the New York and the New Orleans Cotton Exchanges will not pass out of existence. The Liverpool Cotton Exchange will still keep on and do the business of the world and at a greatly increased profit, and Bremen and Havre also, where they have future exchanges, will share in this. Germany has always legislated against cotton futures, and now they have had to give way and establish a future market in Bremen. It is sickening to have to fight for you life all the time as we have to in the cotton business when we are doing what is right and doing what is best for the country and the farmer and all concerned.

Yours, very truly.

S. M. WELD.

P. S.—On all these future transactions as hedges for cotton we should have to pay this tax because we do not mean to actually deliver or receive the cotton. This would make the business absolutely prohibitive.

—

BOSTON, MASS., *July 1, 1913.*

Senator JOHN W. WEEKS,
Washington, D. C.

Proposed tax upon cotton futures means that cotton mills will have to pay 50 cents a bale more for a large portion of their raw product. Contracts for shipments to mills during certain future periods necessitate purchase of future contracts as hedges, and conservative operations necessitate the use of the future market by manufacturers to hedge their surplus stock of raw material. The proposed tax will be a burden on the spinner and but a slight handicap to speculation.

INGERSOLL AMORY & CO.

—

BOSTON, MASS., *July 7, 1913.*

JOHN W. WEEKS, Esq.,
United States Senate, Washington, D. C.

DEAR SIR: We thank you for your letter of July 1.

When a cotton mill sells goods for future delivery, which is the way the bulk of their goods is sold, the mill protects itself by buying future-delivery cotton from a cotton merchant, and the merchant, in turn, protects himself by buying cotton futures in one of the future markets. It would be impossible for the merchant to buy actual cotton and hold it until the time of delivery, as the carrying charges would be prohibitive. Also a large part of the year it would be impossible to procure the character of cotton required by the mill.

When the time comes for the merchant to ship the cotton to the mill, he buys in the actual cotton and sells out his futures, which he had used as a hedge against the sale to the mill.

If the future markets of this country were abolished, which this proposed law would mean, the cotton merchants would use the Liverpool and Bremen Cotton Exchanges, unless the law prevented this, which seems improbable. In this way a great deal of business would be taken away from this country and given to Bremen and Liverpool. If the law did prevent the cotton merchants of this country protecting their sales by buying futures in Liverpool and Bremen, it would mean that only the very strongest houses would be able to take the risk of selling future-delivery cotton to the mills. This would mean a concentration of the cotton business in the hands of a very few.

We also think that the bankers of this country would be very loath to loan money upon cotton that was not hedged. This also would have a tendency of turning over the cotton business to a few very rich houses.

Yours, very truly, INGERSOLL AMORY & CO.

Mr. SIMMONS. Mr. President, I now ask that section 3 may be passed over.

I ask that we may now return to the paragraphs that have been passed over at the request of first one and then another Senator. I do not mean, of course, to include in that request the paragraphs that have been recommitted to the committee, but only those that have been passed over, beginning with Schedule A.

I believe the first paragraph passed over was paragraph 14.

The SECRETARY. On page 4, paragraph 14 was passed over at the instance of the Senator from Utah [Mr. SMOOT].

Mr. SMOOT. Mr. President, I notice that in the pending bill caffein carries a rate of duty of $1 per pound. In the present law it falls under the basket clause, at 25 per cent ad valorem. The Treasury reports show that the value of caffein runs from $1.82 to $3.12 a pound. I think $3 is about the quoted value to-day.

Mr. JOHNSON. Mr. President, if the Senator will pardon me, I think the figures are incorrect as given in the handbook. At the hearings before the Ways and Means Committee the Treasury Department submitted a statement showing that no caffein had been imported at less than $3 a pound.

Mr. SMOOT. Mr. President, I made the statement that the reports of the Treasury Department showed that the valuations of caffein run from $1.82 to $3.12. I think the Senator will not dispute that statement. I myself believe that caffein is worth more than $1.82 a pound, and I stated that the price to-day was a little above $3 a pound.

I suppose the reason the increase has been made is that in the same paragraph we find that "impure tea, tea waste, tea siftings or sweepings, for manufacturing purposes in bond, pursuant to the provisions of the act of May 16, 1908," are dutiable at 1 cent per pound. Under the present law impure tea, tea waste and tea siftings come in free of duty. I do not know why the change has been made. Most of the tea siftings, tea waste, and impure tea used in this country is consumed by the Monsanto Chemical Works, of St. Louis, Mo. I take it for granted, however, that the answer as to the reason for imposing upon these articles the duty of 1 cent a pound will be "For revenue purposes."

I remember when Senator Cockrell first became interested in a bill permitting impure tea, tea waste, and tea siftings to come into this country free of duty. I take it that the bill was introduced in the House. I remember that the Senator from Missouri also supported a bill of a similar nature. At that time I thought it was proper, and I think so still. It is impossible to produce those articles in this country. They never will be produced in this country, and they are imported for the purpose of the manufacture of caffein.

In this bill the rate upon caffein has been increased and a duty of 1 cent per pound imposed upon impure tea, tea waste, and tea siftings. I am not going to take notice of the reports I have heard in relation to the immense amount of tea siftings the Monsant Chemical Works have on hand and will be benefited by the imposition of 1 cent duty. They may need all the advantages possible after the passage of this bill. I should like to encourage the company in every possible way.

During the last few days I have taken a little interest in looking up the particular items that this firm makes. I have also taken pains to learn the prices of some of those articles when we had to depend entirely upon Germany for them and the prices since they have been made in this country. After the passage of the present law the St. Louis firm began the manufacture of a great many chemical preparations and medicinal compounds that never were made before in this country. As to one or two of the products of that concern, the German manufacturer tried to drive them out of business by reducing the price below cost of manufacture. If it were necessary, I could name the great reductions to the American people that have been brought about by this one firm undertaking the manufacture of articles as to which in the past the German manufacturer had absolute control of this market.

I feel that it is an injustice to impose a duty upon impure tea, tea waste, and tea siftings, and I wish to ask the Senator having this part of the bill in charge if this is not one of the cases that should be reconsidered and no duty imposed.

In this connection I desire to say that I shall again refer to this firm when we reach paragraph 19, but I shall be glad if the Senator will now give the Senate his opinion in regard to this matter.

Mr. JOHNSON. Mr. President, the committee have fully considered the paragraph referred to and have made a further investigation. We find that the duty upon caffein, which is 25 per cent, has been increased to about 33 per cent by this specific duty of $1 per pound. The price at which caffein is imported is about $3 a pound, and the duty of $1 per pound is therefore about 33 per cent.

In view of this increase upon the product of caffein a slight duty upon tea waste, which is the raw material used in making caffein, can be easily borne and will afford a revenue of some $60,000 a year. The committee are of the opinion that no change should be made in the paragraph, but that it should stand as reported.

Mr. SMOOT. Mr. President, if the Senators having the bill in charge and the Democratic caucus have seen fit to impose a duty upon this article and do not mean to change it, I shall not make any further protest; but I do believe it is a mistake. It is the policy of this bill to impose duties upon articles not produced in this country that enter into manufactures. I shall content myself with simply protesting against it.

The SECRETARY. In paragraph 14, line 11, after the word "pound," the committee proposes to insert "compounds of caffein, 25 per cent ad valorem," so as to make the paragraph read:

14. Caffein, $1 per pound; compounds of caffein, 25 per cent ad valorem; impure tea, tea waste, tea siftings or sweepings, for manufacturing purposes in bond, pursuant to the provisions of the act of May 16, 1908, 1 cent per pound.

The amendment was agreed to.

The SECRETARY. The next paragraph passed over is at the foot of page 5, where the committee proposes to strike out paragraph 19 as printed in the bill and to insert a new paragraph, as follows:

19. Chloral hydrate, salol, phenolphthalein, urea, terpin hydrate, acetanilid, acetphenetidin, antipyrine, glycerophosphoric acid and salts and compounds thereof, acetylsalicylic acid, aspirin, guiacol carbonate, and thymol, 25 per cent ad valorem.

Mr. SMOOT. That paragraph went over at my request. Most of the items in the paragraph under the present law carry a duty of 55 cents per pound under paragraph 65 of the present law. There are, however, two of the items that fall within the 25 per cent ad valorem duty under paragraph 65.

I simply wish to call attention to the fact that there is not a manufacturer in this country who under a rate of duty of 25 per cent produces chloral hydrate. The Senator having this bill in charge must know that. The price of chloral hydrate to the American people has been reduced over 50 per cent since it was first manufactured in St. Louis under the present rate of 55 cents per pound. Now a duty is imposed of 25 per cent ad valorem. I am as confident as that I am living that the Monsanto Chemical Works, of St. Louis, can not make chloral hydrate in this country under that rate. The result will be that just as soon as they change from the manufacture of this article to some other in this bill, if they can find one, the price of chloral hydrate will advance.

I had a rather strange experience some years ago in relation to medicinal compounds and the purchase price of them in foreign countries.

Mr. HUGHES. Mr. President, getting back to the statement the Senator made, if it is the Senator's opinion that the lack of competition in this country is going to make the price return to its former level, why is it that this commodity is selling so cheaply in England at present? Why does not Germany take charge of that market, as she is about to take charge of ours?

Mr. SMOOT. She does take charge of the market in Canada and in a good many other countries on a great many items.

Mr. HUGHES. I am speaking of free-trade markets—the English price.

Mr. SMOOT. The English price to-day is controlled by the German price.

Mr. HUGHES. Why is it that they sell it so much lower than it can be sold in this country?

Mr. SMOOT. Because they can make it cheaper.

Mr. HUGHES. Why is it that the English price is 20 cents a pound when the product is made in Germany and controlled by a German trust and is sold here for a considerable advance over that—55 per cent?

Mr. SMOOT. But chloral hydrate is not sold in England to-day for 20 cents a pound.

Mr. HUGHES. That is my information.

Mr. SMOOT. The information which the Senator has, then, must be the price on a lower grade of chloral hydrate than is manufactured here or in Germany.

Mr. HUGHES. No. I will state to the Senator that he will find that condition to exist in a great many cases. The gentleman to whom the Senator is referring, Mr. Queeny, of St. Louis, admitted before our committee that there was that difference in the price for which it was sold in this country and the price for which it was sold in Germany, and that in England, where there was no tax to pay, the article was sold at the price I have stated.

Mr. SMOOT. I have not before me the quotations from the largest drug house in the world, having a branch in England and also in New York, but I say to the Senator that the quotations given are not 20 cents a pound in either England, Germany, or any other country. This is the way Germany does in many cases where she controls this market. The German manufacturers control one particular acid I have in mind, and a company undertook to manufacture it in this country. Was it successful? No; because as soon as the company was successful in manufacturing it the price was cut in two and then cut to a price that closed the factory. As soon as it ceased the making of the acid the price was advanced. In many cases the German manufacturer sells medicinal preparations to Canada at a lower price than they sell to American buyers. I have a sample case before me, and I find upon the face of the label these words: "The resale and exportation of this article to the United States of America is prohibited." In other words, they will not even allow Canada or any other country to which they sell to reexport it into this country. For what reason? Because they control this market absolutely, and instead of selling this article in this country for 10 cents per ounce, the same as they do in Canada, they charge every purchaser in this country 43 cents an ounce for it.

Why on earth the Senate of the United States wants to pass a law lowering the duty on items for which Germany is making this country pay sometimes three or four hundred per cent more than any other country pays I can not understand. I am positive that if medicinal compounds carried a rate of duty of 35 or 40 per cent instead of 15 per cent, as this bill provides, there would be many articles that would be manufactured in this country, and the American people would buy such articles more cheaply.

Mr. NORRIS. I should like to ask the Senator from Utah in regard to these products. What he has said has interested me greatly. At what price were they sold when they were manufactured in the United States?

Mr. SMOOT. Every article in the paragraph, of course, is quite different in price.

Mr. NORRIS. The particular one?

Mr. SMOOT. The one I referred to?

Mr. NORRIS. Yes.

Mr. SMOOT. At the time it was first undertaken to be manufactured in this country it was sold for $1 an ounce.

Mr. NORRIS. At what price later on at the time Canada took our market?

Mr. SMOOT. Before they had destroyed the manufacture of the article in this country they had reduced the price to about 20 cents an ounce. That price closed our manufactories. To-day they are charging 43 cents an ounce to every purchaser in the United States, and the excess of 33 cents per ounce on 2,000,000 ounces used in the United States amounts to $660,000 on this one particular item.

Mr. NORRIS. What are they selling it for in Canada?

Mr. SMOOT. The retail price?

Mr. NORRIS. Yes.

Mr. SMOOT. I do not know what the retail price is.

Mr. NORRIS. Was it not the American retail price the Senator just gave?

Mr. SMOOT. No; I am speaking of the difference between the wholesale price. They pay 10 cents an ounce. Germany sells it for 10 cents an ounce to Canada, and they sell it to the American merchants for 43 cents an ounce. There are used every year in the United States 2,000,000 ounces, and the difference of 33 cents an ounce between the German manufacturing charge and what Canada charges the people of this country amounts to $660,000.

Mr. NORRIS. Is there a tariff on it in Canada?

Mr. SMOOT. A small tariff.

Mr. NORRIS. Can the Senator explain why it is that they make that great variation between our market and the Canadian market?

Mr. SMOOT. No; I can not explain it, unless there is some agreement between the manufacturers. That happens very often in medicinal compounds. I once had a list furnished me by one of the great manufacturing concerns in this country of all the items upon which there was such an agreement. Another experience I had was when we held hearings upon a bill to amend our patent laws and this same question came up. It is simply a disgrace that we do not in some way or other force the foreign manufacturer from continuing such outrageous discrimination against American commerce.

Mr. NORRIS. Let me ask the Senator further if the price we pay now in this country is not less than when we made it ourselves.

Mr. SMOOT. That is true only in part. I will say that it is lower than it was when we undertook to manufacture it.

Mr. NORRIS. What were the indications in regard to the chance of our being able to supply our own market and reduce the price when we were engaged in its manufacture?

Mr. SMOOT. I do not think there is any question that if the American manufacturer had been given time——

Mr. NORRIS. How long were they engaged in this attempt?

Mr. SMOOT. A number of years, but just as soon as the production became sufficient to anywhere near take care of the American market, then the German manufacturers made up their mind to crush it out of business, and they did it.

Mr. NORRIS. What is the raw material out of which it is made?

Mr. SMOOT. I do not really know. It is only one of many cases, I will say to the Senator.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee.

The amendment was agreed to.

The SECRETARY. The next amendment passed over is on page 8, paragraph 31. It was passed over at the instance of the senior Senator from Connecticut [Mr. BRANDEGEE]. The committee proposes to strike out paragraph 31 as printed in the bill and to insert a new paragraph, as follows:

31. Extracts and decoctions of nutgalls, Persian berries, sumac, logwood, and other dyewoods and all extracts of vegetable origin suitable for dyeing, coloring, or staining, not specially provided for in this section; all the foregoing not containing alcohol and not medicinal, three-eighths of 1 cent per pound.

Mr. BRANDEGEE. Mr. President, a radical change of course it is apparent has been made by the committee in this paragraph. The paragraph stands reclassified and a large portion of it transferred to the free list, as will appear on page 152, paragraph 626 of the bill.

This involves one of the leading industries of my State. There is a large factory located at Stamford, Conn., making one of these tanning extracts known as quebracho. I wish to read from the brief filed before the committee by a committee of manufacturers of these tanning extracts:

The largest quantities of tanning extracts used in the United States is that made from chestnut wood and quebracho wood. These extracts are manufactured in Virginia, West Virginia, North Carolina, Tennessee, Pennsylvania, New York, and Connecticut. The chestnut wood used grows in Pennsylvania, Virginia, West Virginia, North Carolina, and Tennessee, and the quebracho wood is imported from the Republics of Argentina and Paraguay.

As already stated, a sample of the quebracho wood and of the bark has been submitted. This wood holds the same position as dyewoods, according to paragraphs 20 and 559 of the present law, and the same statement made for dyewood applies to quebracho wood.

We would add that after a quebracho tree has been cut down and allowed to lie on the ground, which is always the case, it becomes necessary to remove the bark; otherwise the sap contained in this bark breeds a large quantity of worms which immediately attack the wood and injures its value for extract purposes.

* * * * * * *

The first mention of quebracho distinct from other tanning extracts, was made in the law of 1897. At that time only one grade was shipped into this country, as regards density or gravity, and that grade was a liquid article in barrels standing at about 28° Baumé and containing about 35 per cent of tannic acid, and the law of 1897 placed upon this grade one-half of 1 cent per pound.

Tanning extracts are sold by the pound, the price per pound based upon the percentage of tannic acid or tannin, as it is termed, contained in a pound; therefore according to the strength or the weakness of the percentage of tan is fixed the price per pound on the market.

Some time after 1897, and prior to 1909, great improvements were made in machinery and apparatus for the reducing of liquid extracts to solid extracts without injury to the article so reduced. Extracts from woods are very susceptible and can easily be ruined by excessive heat, nothing more so than tannic acid, and these new methods and improvements enabled the manufacturer of the liquid to reduce these extracts further; or, in other words, to take the liquid which was at 28° Baumé, representing one-half quebracho extract and one-half water, and containing 35 per cent of tannic acid, to a heavier density by driving off the half amount of water and producing what is known as solid extract.

By driving off this water, they of course made 1 pound of extract represent more quebracho and less water, the result showing that this solid article contained about 12 to 15 per cent of water only and 65 per cent of tannic acid. This decrease of water and increase percentage of tannic acid immediately increased the value per pound. Therefore in 1909 the manufacturers of this extract in the United States asked that an adjustment or equalization be made to meet these new conditions, and that the duty of one-half of 1 cent per pound on the liquid quebracho remain as in the law 1897, by adding the words "under 28° Baumé"—which is the universal standard in this country and all European countries to distinguish the difference between liquid and solid extracts—and that the solid extract, or that above 28° Baumé, be placed at seven-eighths of 1 cent per pound, which would equal the one-half cent per pound on the liquid, as the solid was 65 per cent tannic acid instead of 35 per cent, as in the liquid.

The Congress at that time, in 1909, saw fit to make the rate of duty on the solid three-fourths of a cent per pound, as per paragraph 21—

I think it means 22—

in present law, instead of seven-eighths of a cent, which we asked for, which was a slight reduction, as it made the duty, based on the percentage of tannic acid—viz, 65 per cent—less than the old duty of one-half cent on the liquid—viz, 35 per cent—as in 1897. The foreign manufacturer, in addition to this decrease in duty on solid, gained a reduction of freight, in that they did not pay on the weight of barrels, as they put up and ship the solid in bags, which is a much cheaper package than barrels; also saving the freight on 50 per cent water that they formerly paid on the liquid extract, and getting about double the price they could get for the liquid which they brought in under the law of 1897.

Manufacturers of tanning extracts have always felt, and still do, that this adjustment was not an advance in 1909 but actually a reduction. Immediately after the passage of the 1909 law liquid extracts were no longer imported into this country, it coming only in solid form.

The foreign manufacturer is noted for his shrewdness, and were it not to his advantage he would not have dropped the liquid entirely in favor of the solid.

Our greatest competition in quebracho extract—in fact, we might say 90 per cent of it—comes from the Argentine Republic, and from one concern in that country, known as the Forestal Land, Timber & Railway Co. In 1896 and 1897, when this extract was first manufactured in the United States, there were a number of small independent manufacturers in the Argentine Republic, but certain Germans, seeing an opportunity for large combinations, started in, and late in 1907 our agent or representative in Buenos Aires wrote us a letter, in which he said an agreement had been made between several of the quebracho extract manufacturers, etc., of the Argentine Republic as to the fixing of prices and the selling of the extract, and stating that "the signing parties are the Forestal Land, Timber & Railway Co., the Puerto Sastre Co., T. H. Bracht & Co., the Puerto Marie, the Industrial Del Chaco, and the Cassados."

Since that time we have been constantly hearing of the Forestal Trust; and nothing, we think, can be more convincing as to their increased growth and power and control of this business than to quote from their own reports and the newspaper statements relative to what they have done.

In 1909 there appeared a small pamphlet, published in London by this company, giving maps, views, and facts concerning their business, and they state in this prospectus that their chief business is to make the extract from the quebracho wood. We quote:

"It is interesting to note that the pioneers of the quebracho-extract industry were Messrs. Hartneck, Portalis, and Renner, now directors of the Forestal Land, Timber & Railways Co.

"The result of the labors of those gentlemen culminated in the formation of the Compania Forestal del Chaco, which built a factory at Guillermina capable of turning out 24,000 tons of extract per annum, some 300 miles north of the factory which had already been established at Calchaqui, which had a capacity of 14,000 tons yearly, and they later on completed a third plant with a capacity of 7,000 tons yearly at Peguaho.

"The business of that company was taken over by the Forestal Land, Timber & Railways Co. (Ltd.) as from the 1st January, 1906. This company has now a share capital of 1,200,000 pounds sterling, of which 1,171,500 pounds sterling has been issued, divided equally into preference and ordinary shares, besides £477,680 sterling outstanding 5 per cent first mortgage debentures."

On a slip placed in this book after publication they say:

"Since this pamphlet was sent to press the Forestal Land, Timber & Railways Co. (Ltd.) has purchased $1,500,000 paper (or, say, 130,000 pounds sterling) of 6 per cent first mortgage debentures of La Sociedad Quebrachales Fusionados at 90, and secured at the same time the consignment of the total production of the Fusionados extract for the next seven years."

The Review of the River Plate (a trade paper published in Buenos Aires), under date of June 16, 1911, presents the report of the directors to the stockholders for the year 1910, and states:

"The company has taken a substantial participation in the capital of the Ocampo Railway Co., which owns 36 kilometers of permanent way between the port of Ocampo and the terminus of the company's Malberti Railway, together with rolling stock, an investment which will conduce to the economical working of the Campo Redondo factory. The directors have been advised by cable that the long-deferred arrangement with the Fusionados Co. has been completed, and they await fuller mail particulars."

The Fusionados Co. and the Hardy & Co. were the largest and strongest competitors the Forestal Co. had in the Argentine, and now they own or control them both.

In 1912, at their stockholders' meeting in London, they issued a statement, with a balance sheet (a copy of which we have) show-

ing a profit of over £429,000 sterling. They also declared for 1911 dividends, the same as previous year, 1910, viz, 14 per cent on their preferred stock and 24 per cent on their ordinary or common stock.

Next to the Argentine the largest manufacturing interest of this extract is found in Germany, and was started some years ago in Hamburg by Mr. Herman Renner. This gentleman, as already shown, is a director in the Forestal Land, Timber & Railways Co., and we now quote from a Hamburg paper of October 28, 1912, as follows:

"Gerb und Farbstoffwerke H. Renner & Cie A. G. Hamburg.

"The principal object of the extraordinary stockholders' meeting held on October 28 was the proposition to accept an amalgamation of interests with the Forestal Land, Timber & Railways Co. (Ltd.), London. The presiding officer, Herr Geh. Kommerzieurat, Dr. Ing. Carl Delius opened the meeting with the statement that the executive committee felt sure that the amalgamation of interests would be beneficial to the shareholders. The principal points of the contract were as follows:

"We conclude on January 1, 1913, an amalgamation of interest with the Forestal Land, Timber & Railways Co. (Ltd.)"—

I should think they ought to call it unlimited—

"by handling over our total profit, including the dividends, received from our ownership of Forestal shares and other participations in connection with the Forestal Co.

"The Renner Co. continues its present and absolutely independent organization; we in return are to receive a payment, which shall be governed by the dividend paid on the common and preferred shares of the Forestal. Calculating the dividend of 19 per cent, paid for the past two years on the fully paid-in capital, said payment would amount to 1,940,000 marks a year.

"Every reduction of 1 per cent would be equal to a decrease of 100,000 marks; every addition of 1 per cent would represent an increase of 80,000 marks, but in no case shall the payment of the Forestal Co. exceed two and one-half millions yearly.

"We to receive 10 per cent of all special reserves, but said amounts shall be deducted whenever said reserves later on are paid out in the shape of dividends.

"We bind ourselves not to sell any of our 'participations' without the consent of the Forestal. This condition does not include the 11,669 preferred Forestal and 9,624 common shares, procured last year, with which we can act as we please.

"Any profit we may make by a sale of these shares does not belong to the Forestal Co., but to our stockholders; we have also reserved to ourselves the ownership of a special reserve fund of 600,000 marks set aside to be used for the purpose of a supplement to our dividends in special instances.

"This agreement has been made for a period of 10 years and can be mutually canceled by giving notice six months in advance—earliest per January 1, 1920, by the payment of £30,000 as a compensation."

In other words, a penalty for going out of the trust.

"The compensation of a cancellation for 1921—

You can see how far these gentlemen are looking ahead—

"is reduced to £25,000, and for 1922 to £20,000.

"The legal settlement of disputes shall be subject to the decision of the English auditors Deloitte, Plender, Griffiths & Co., and the Revision Treuhand A. G. Berlin.

"As a public indication of the amalgamation of interests, we propose the supplementary election of Mr. C. Hartneck, one of the directors of the Forestal Co., as a member of our executive committee.

"We, ourselves, are represented on the board of the Forestal Co. by our president, Herr Kommerzieurat and Herman Renner."

The stockholders accepted the agreement unanimously by acclamation; in the same way Mr. Hartneck was elected a member of the executive committee.

In reply to the question of a stockholder, whether the possibility exists to receive for the current year a considerably higher dividend the presiding officer stated that, taking as a basis the result of the past nine months, it is believed that at least the same dividend as the one paid last year will be distributed.

But at the last moment he could not say whether a larger dividend could be paid, because it was impossible to foretell the result of the remaining three months, and, further, nobody could tell whether some complication in reference to the political situation may arise.

In regard to the future prospect of the Forestal Co., the president, Mr. Renner, stated that the present year was of less interest for said company than the years 1913 and 1914.

The outlook for the year 1913 could be called extraordinarily favorable, because there have been made such large sales of extract, that it is believed that the average dividend of 19 per cent—paid for some years past—is safe. In the future also we may count upon receiving the same good dividends regularly.

In reply to a further question, the speaker gave the additional information that the stockholders' meeting of the Forestal Co. was taking place on October 28 at 3.30 p. m. in London, and in that way all formalities in reference to the amalgamation of interest were settled on the same day.

Again we quote from the Financial Times, of London, under date of September 25, 1912:

"The Financial Times, referring to the reported amalgamation of the Santa Fe Land Co. with the Forestal Land, Timber & Railways Co., remarks that this will enable them, if the project is realized, to keep up the present price of quebracho, the working of which is the principal object of the two companies."

Thus it seems that the control of this business is pretty well in the hands of one company, and all they require now in order to control a large part of the world is the American manufacturing interests which a reduced tariff rate would make it easy for them to accomplish.

In the hearings before your committee in 1909 Mr. Klipstein, the agent of the Forestal Land, Timber & Railways Co. undertook to deny a statement made by Mr. Skiddy that there had been a trust formed in the Argentine in 1907 to control the price of quebracho extract, but his denial is as follows:

"Mr. Skiddy states that there was formed a trust to Argentina in 1907 to control the price of quebracho extract. As a matter of fact, the manufacturers of quebracho extract, in view of the impending panic, tried to form a combination to prevent enormous losses, but the panic was too severe and the combine went to pieces, and the price of 2½ cents per pound for quebracho extract, as mentioned in our first statement, was the result. The Argentine makers of extract had to take their panic medicine like all the rest of the world."

Please note that the price went to 2½ cents per pound in 1908, as stated by Mr. Klipstein, prior to their purchase of £130,000 of the Fusionados Co., a very natural result of prices below the cost of manufacture.

Mr. Klipstein in 1909 furthermore stated before the Ways and Means Committee in a brief that the price used to be 4½ to 5 cents per pound and generally imported in the form of a liquid extract.

Bear in mind, if you please, that Mr. Klipstein in this statement is referring back prior to the time of their making solid extract and before they realized the growth of the American competition, and this competition when realized caused a reduction from 4½ or 5 cents for liquid at 35 per cent tan to 4 cents for solid at 65 per cent tan—worth in the market almost double the price of the liquid—or, in other words, they were selling liquid without the American competition at a price equal to 9.8 cents per pound for the solid that they are selling to-day for 4 cents per pound. Why should not prices advance again without competition?

If the Forestal Co., or their representatives in this country, undertake to claim that they are being frozen out and that the present rates of duty are so great they can not compete, then we would refer you to their statements already made in their reports to their stockholders at their annual meetings held in London, and their continuing to pay 24 per cent on their ordinary stock and 14 per cent on their preferred stock.

Such dividends have not been and can not be earned by the American manufacturers. A reduction in the present duty would tend to bring about one of two results; either the closing out by the American manufacturers at great loss or the temptation to get together advance prices and control the market.

We also have received a copy of the Daily Mail, of Paris, under date of November 14, 1912, with an advertisement of the Forestal Land, Timber & Railways Co., stating that the capitalization is £1,700,000, setting forth their great earning power, etc., and offering to sell £1,000,000 of 5 per cent first-mortgage bonds.

That imports have not been checked by the present tariff, we submit the following table:

Fiscal year ending June 30—	Tons of wood received in the United States per Department Commerce and Labor.[1]	Represents in solid extract, pounds.[1]	Pounds of solid extract imported into United States, per Department Commerce and Labor.[2]	Represents total tons wood used for same.[3]	Per cent excess.[3]
1906	87,838	49,189,280	43,989,707	78,553	.....
1907	67,310	37,693,600	76,479,846	136,572	102.8
1908	48,871	27,367,760	62,593,671	111,774	128.7
1909	66,113	37,023,280	99,108,284	176,979	167.7
1910	80,210	44,917,600	90,483,576	161,578	101.4
1911	64,708	36,238,720	77,606,700	138,584	114.2
1912	68,174	38,177,400	74,239,715	132,571	94.4

[1] Tons of wood received and amount of extract same represents each Government fiscal year.

[2] Tons of solid extract imported into the United States and the tons of wood same represents each Government fiscal year.

[3] Of extract imported and wood used for same above that used for manufacture in the United States.

Please note that in 1906 the United States manufacturers did a little more business in pounds of extract than did the importers. The Forestal Trust at that time, as already shown, was not fully in the saddle, but later the imports were considerably over 100 per cent, and in 1908–9 it was the largest, probably due to the low price of 2½ cents mentioned by Mr. Klipstein.

The year 1912 shows about double the quantity of extract imported as compared with the quantity manufactured in this country, but a decrease of about 20 per cent from the imports of 1911. This decrease can not be attributed to the increase of the home manufacture, as they only show about 5 per cent increase between the same years, which was 10 per cent less than they showed in 1910.

The present tariff can not be called excessive; otherwise the imports would not exceed the home manufacture by 100 per cent and maintain this position year after year.

We understand that the desideratum of tariff adjustment is to establish a rate that will produce the greatest revenue combined with greatest encouragement for both home and foreign competition; therefore as a tariff for revenue and competition the present rate should be retained.

	Total money received by present rates.[1]	Total money received at a rate of ¾ cent per pound.[2]	Loss.[3]
1907	$573,598.84	$428,150.40	$145,448.44
1908	469,452.52	337,355.37	132,097.15
1909	743,312.13	510,493.36	232,818.78
1910	678,626.82	507,754.41	170,872.41
1911	582,050.25	426,901.41	155,148.84
1912	556,797.85	421,564.33	135,233.52

[1] On the actual imports each year, viz, ¾ cent per pound.

[2] On total used in United States by adding to actual imports the amount manufactured in United States.

[3] In revenue to the Government even by having total consumption imported at ¾ cent per pound and home manufacture wiped out and no competition.

Mr. STONE. Mr. President, does the Senator from Connecticut intend to read the entire book?

Mr. BRANDEGEE. Every word of it; yes.

Mr. STONE. Would the Senator be satisfied to print the remainder of it?

Mr. BRANDEGEE. No; the Senator regrets that he is unable to be satisfied under those conditions.

Mr. GALLINGER. Mr. President——

Mr. BRANDEGEE. I yield to the Senator from New Hampshire.

Mr. GALLINGER. I regret that it was not my privilege to hear all of this interesting recital. From what I have heard I infer that this refers to a foreign trust.

Mr. BRANDEGEE. There is no doubt about that.

Mr. GALLINGER. And it is not exciting the interest or antagonism of our Democratic friends, who are so strenuously opposed to American trusts?

Mr. BRANDEGEE. I have been requested not to read it. I do not know what inference the Senator may draw from that. It continues:

If the tanners of this country understood the actual conditions they would be more anxious than the extract manufacturers to have the duty on these extracts maintained.

We have seen of late articles in the leather-trade papers advocating reductions in the tariff, all written by importers or representatives of foreign manufacturers (or their employees)—the usual method they have adopted for years prior to tariff hearings.

On the 30th day of August last [1912] the Stamford Manufacturing Co. wrote to their agent in Buenos Aires, putting to him a few questions, wishing to have an answer in time to place before your committee, which we now submit:

Q. No. 1. What is the wage per day or month of the ordinary laborer at a quebracho factory in the Argentine?—A. The wage of the ordinary laborer in the Chaco is about $20 per month.

NOTE.—In this country the ordinary laborer receives $1.75 per day, about 127½ per cent higher.

Q. No. 2. What are the wages per day or month of a more intelligent man, such as bosses, etc.?—A. The wages of a more intelligent man, such as a foreman, is about $40 per month, or perhaps $50.

NOTE.—The wage of such men in this country is from $2.75 to $3 per day, or about 56 per cent higher.

Q. No. 3. What are the wages per day or month of still higher class of mechanics or engineers who have to be imported to that country?—A. About $80 a month.

NOTE.—In this country from $4 to $4.50 a day, about 46 per cent higher.

Certain other questions as to cost, freights, etc., he states depends upon distance, freight, etc., making the cost of the solid extract on board vessel ready for shipment to the United States at from $59 to $62 gold per thousand kilos.

NOTE.—This represents 2.6 to 2.7 cents per pound. To this must be added the freight from the Argentine and the present duty to give the cost price here.

Assuming an equal division of the various grades of labor (although the ordinary labor of $1.75 per day would be the largest), the average shows 76 per cent higher in this country than in the Argentine Republic. The difference in wages, taking the cost of the extract in this country and as shown to be in the Argentine, estimated on the average higher wage of 76 per cent, shows about nine-tenths of 1 cent per pound.

Chestnut extracts are largely used in connection with quebracho extracts, a combination of the two extracts used quite extensively by the tanners.

Chestnut extracts are made abroad and could easily become a part of the business of quebracho manufacturers, a natural result of a reduction in the present tariff. Such a result would be injurious to the American chestnut manufacturers, probably causing many of them to quit business, thus throwing on the market many plants at low prices, the purchase of which might result in the absolute control of the two most important and largely used extracts by the tanners in the United States.

The attached pamphlet is submitted as part of this brief, it being a compilation of the tariff hearings in 1909 and since, and which we believe in this form will be of aid to your honorable committee.

Mr. President, the industry in my State employs in this process over 800 men. If this bill passes, that industry goes out of existence, and this entire business will be turned over to the consolidated British-German trust; there can be no doubt about that. I wanted to make this protest for what it may be worth, and to call to the attention of the Senate certain patriotic words that were uttered here when this tariff provision was framed in the manner in which it now stands in the existing law. In 1909, when this clause was under consideration, the then distinguished Senator from Virginia, Mr. Daniel, one of the most eminent men the Democratic Party has ever sent to the Senate, said:

Mr. President, in the view which I shall advocate the proposition of the pending act—that is, seven-eighths of 1 cent per pound—is a correct, scientific, and useful rate of duty for the tariff on the solid tanning extract known as "quebracho."

And he gave four reasons for the duty proposed. He said:

It is not for an increase of the tariff that I am asking. It is for an equalization of tariff or its approximate. If the proposition as the Payne committee had it is effected, there will be a reduction of the Dingley tariff by 6½ per cent and the better service, as I think, of all American interests involved.

In the second place, instead of destroying or mutilating our American industries, those who are making chestnut-oak extracts will preserve a competitive relation between foreign and domestic manufacturers, a situation evidently in the interest of the people and greatly commended by political economists.

In the next place, Mr. President, I think it will preserve the existing revenue from foreign importations and in likelihood increase it, for the need of the quebracho extract is growing daily, and at a reasonable rate, which does not prohibit it, I think. It is sure to find a constantly enlarging market in this country.

And, in the next place, which can not be an indifferent consideration, it will steady and assure the employment of many American laborers, instead of scattering them away from broken-down American establishments.

It will give to the American manufacturers what they have not now on account of the Dingley Act—a fighting chance. Such, it is believed, will be the result of the proposed amendment of the law.

I think that the question of labor is extravagantly stated in some cases, but neither the Democratic Party nor the Republican Party have ever been indifferent to it. I feel careless of the criticism made upon me that I said in a recent address we must respect labor and put the difference in labor cost in favor of our American laborers. It has been so long that not only the platform declaration of the Democratic Party, but also those advocated by its leaders, with whose utterances I am familiar, that I think it useless and trite to pause to defend it. But I will insert here the Democratic platform of 1888, and refer to the utterances of President Cleveland in his messages. The Democratic platform of 1888 says: "Our established domestic industries and enterprises should not and need not be endangered by the reduction and correction of the burdens of taxation. On the contrary, a fair and careful revision of our tax laws, with due allowance for the difference between the wages of American and foreign labor, most promote and encourage every branch of such industries and enterprises by giving them assurance of an extended market and steady and continued operations. In the interests of American labor, which should in no event be neglected, the revision of our tax laws contemplated by the Democratic Party should promote the advantage of such labor by cheapening the cost of necessaries of life in the home of every workingman and at the same time securing to him steady and remunerative employment. Upon this question of tariff reform, so closely concerning every phase of our national life, and upon every question involved in the problem of good government, the Democratic Party submits its principles and professions to the intelligent suffrages of the American people."

A tax of fifty one-hundredths was a very low tax on the American extract. It was cut in two practically by the manufacturers who produced the foreign extract quickly turning from the liquid extract to the solid, and thus nearly double weight through the tariff. They seek now to reduce it by another half, and if this is done, such is the present situation of the foreign industry and such our own situation in the United States, it is almost self-evident that a great trust, with its headquarters in London, with its capital provided by both Germany and England, will be seated steadily in the saddle. Unless history reverses itself, instead of diversified industries all over this country competing with it, you will have a broken-down lot of American industries and a triumphant and high-priced foreign master.

And he proceeds to state:

The American manufacturers of extract are in the old colonial States of New York, Connecticut, Virginia, North Carolina, and Pennsylvania, and also Tennessee and West Virginia.

He gives the location of the 23 tanning-extract factories in the United States. He says:

Labor required at full capacity, over 7,000 men.

The proposed reduction is not a sweeping or a destructive reduction, but one that will conserve every American interest and leave full play to the competitive forces, both foreign and American, without assuring final success to either.

He discusses the doctrines and principles of competitive tariffs, and says:

Whenever there is a fair fight between an American and a foreigner for the control of American things, not involving oppressive or monopolistic charges on the people, I stand with the American.

It is only when American enthusiasts overstep the line which seems to me that of wisdom and fair play that I would seek to restrain them by abating excesses, so that the disproportionate burdens may be removed from our fellow-Americans.

The experience of history, from generation to generation, has denoted that if we allow the reins of control to slip from our hands and pass to those of aliens, they will immediately increase the cost of whatever we get from them.

In the course I am pursuing I have Thomas Jefferson as one of the sponsors for it, and it is sound Democracy of an old and well-attested brand.

Jefferson advocated a metallic circulation that will take its proper level with the like circulation in other countries, and then he says:

"Our manufacturers may work in fair competition with those of other countries, and the import duties which the Government may lay for the purpose of revenue will so far place them above equal competition."

In another place he states:

This means greater destruction to many American industries which manufacture tanning extracts and puts the foreign quebracho rival in possession of our markets.

It is my hope that both this amendment and the committee amendments will be voted down, and that the proposition of the Payne bill of seven-eighths of 1 per cent per pound on the foreign extracts will be confirmed and become the law.

Having thus stated this case in its simple legal relation, we have those who ask a much higher tariff or a somewhat higher tariff, and we have the foreign competitors, who have already succeeded in their form of manufacturing in getting the tariff reduced half and now deliberately ask that that half be again halved, with intimations that they desire its abolition. But a medium course was pursued.

And he proceeds:

Not only is it the fact, Mr. President, that the American tanning-extract makers arose to their position without the domination of an American trust, but within the menace and manifested purpose of an inchoate, if not completed, foreign trust. We have it in the advertisements and in the papers of those who are trying to get the American tariff obliterated or so decreased as to leave scarce any chance for the American manufacturer that they formed a trust in 1907, which was broken down by the hard times which flooded the whole country.

He says:

I stand in all things on the side of the American.

He states:

Mr. President, I am confronted here with a case that is broadly American in all of its aspects. It is not sectional; it is peculiar in the fact that my own State of Virgina has more of these chestnut-extract establishments than any other State; but they have gone along

so quietly in their business that they have never been challenged by anybody as doing anying illegal to advance it. They are not associated with any trust that I have ever heard intimated, and they have grown up under the laws which you created, not making them the favorites of Congress, but giving them, as matters stood, a living chance. But for that leak in the Dingley law—I do not blame them, its authors, for it, or the foreigners; but it was on account of the miscarriage of a moderate tariff that this leak occurred and that this question arises. Otherwise they would have been all right and been able to maintain their competition.

In another place he states:

I wish to avoid in every way we can collisions and just grounds of complaint from other nations; but we know their wary methods; we know the great capital they have behind them; we know the studious, scientific industry of scholarship which they apply to them; and under these conditions, with strifes ahead of us, I should be slow to crush out any sort of well-doing and honest American industry which was not backed by an oppressive tariff.

He says:

So, Mr. President, without going further at this time, I submit these propositions: First, that seven-eighths of a cent per pound is a reasonable and, in large measure, an habitual tariff on extracts; second, that it is necessary to equalize the difference between the solid and the liquid extract by putting on that tariff; third, that it is desirable to do so to give a fair fighting chance for success to 23 American establishments which are now organized, with capital invested, and labor at hand, and which must inevitably diminish and wither if this equalization is not made.

Mr. President, the Senator from Virginia is no longer with us, but he spoke like a true American when he uttered those words.

I now come to the remarks made at the same time, on May 20, 1909, by the distinguished chairman of the Committee on Finance [Mr. SIMMONS]. He says:

The duty proposed is a pure revenue duty, because the quebracho tree does not grow in this country, and no quebracho extract is manufactured here except from a few logs imported from the Argentine Republic. So that every cent that is collected under this duty will be revenue and go into the Treasury.

Mr. President, it is manifest—and I do not think the committee will disagree with me about this—that there ought to be a differential between the liquid extract of quebracho and the solid extract.

He proceeds:

Mr. President, there is no one asking that the duty upon quebracho be reduced or removed except the tanners of leather. They are demanding not only free quebracho but free hides, while they resist any reduction in the duty on their product.

I submit that the cattle raiser is entitled to as much consideration as the maker of leather, and I submit that the 23 manufacturers of chestnut extract—6 of which are located in North Carolina and 9 in Virginia—are also entitled to equal consideration, and if there is any way by which we can save this industry from demolition by this foreign trust I believe it is our duty to do it.

On page 2211 the Senator from North Carolina [Mr. SIMMONS] says:

I should like to ask who is asking for the reduction of the duty on this article. Is anybody doing it except the leather manufacturers?

And he states:

They want free hides and free quebracho and everything else free, but they do not want anything taken off of their products.

* * * * * * *

Mr. President, there are just two manufacturers of quebracho in this country. It is stated that one of them has recently transferred his establishment to Argentina because it is an economic folly to attempt to build up the business of manufacturing quebracho extract here. For many years these two institutions struggled along trying to do it. They imported the wood from Argentina.

The Senator from North Carolina [Mr. SIMMONS], upon the roll call, announced that if his colleague were here he would vote to maintain this duty, and then upon the roll call he voted to maintain it himself.

He states:

Now, we have quite a number of tanners in my State, and nearly every one of them, through a representative, has been here to see me and try to get me to agree to vote for free hides. The largest one came the other day. When I told him that I would not vote for free hides under any circumstances unless leather and shoes were also put on the free list, he said: "We tanners do not care about the duty on leather. If we can get free hides it will be perfectly satisfactory." I said, "Go and put that in writing, sign it, and send it to me." He said he would do it. In about two or three hours after that I got a letter from him inclosing a very lengthy argument in favor of putting hides on the free list and retaining the duty on leather, and not saying a word about the conversation he had had with me.

Mr. President, that represents a typical feature of these propagandas. Everybody wants to get his raw material free and keep up the duty on what he makes. I do not think a tariff bill can be framed upon that theory which will suit the American people.

The other Senator from Virginia [Mr. MARTIN] states (p. 2215):

I respectfully submit to the Senate that, independent of any question of protection, independent of any question of free trade, and independent of any party question, the duty as fixed by the committee should not be lowered.

And he voted to maintain the duty upon this article.

The then Senator from Virginia, Mr. Daniel, says, again:

I beg leave to call the attention of the Senator from Massachusetts and my colleague to the fact, which has not been mentioned, but which appears conspicuously all through these papers and hearings; that is to say, the tanners, in their petitions here, have been actuated by the foreign quebracho-extract men to appeal to Congress to do what the quebracho men want. It was not upon the initiative of the tanners, but they are being used by other people respecting a collateral tariff.

Mr. President, that is the situation here. It has always seemed to me that the protective policy was a wise policy to be pursued in this country, but it has also always seemed to me that it must be a policy, and not a series of sporadic events and favoritisms and discriminations. I heartily agree with what was stated by the distinguished Senators from Virginia and North Carolina at the time this debate was going on—that it is in the highest degree inconsistent for one party, in the enjoyment of a protective tariff upon its products, to come here and try to get the affected product of another party put on the free list so that he may have his raw material cheaper, and still play the dog in the manger by keeping his manufactured product protected.

I move that the provision of the law of 1909 which is shown on page 54 of the Tariff Handbook, which is long, and which I will not read at length, known as paragraph 22 of the law of 1909, be substituted for the provision of the pending bill.

The matter referred to is as follows:

Extracts and decoctions of logwood and other dyewoods, and extracts of bark such as are commonly used for dyeing or tanning, not specially provided for in this section, seven-eighths of 1 cent per pound; extract of nutgalls, aqueous, one-fourth of 1 cent per pound and 10 per cent ad valorem; extract of Persian berries, 20 per cent ad valorem; chlorophyll, 20 per cent ad valorem; extracts of quebracho, not exceeding in density 28° Baumé, one-half of 1 cent per pound; exceeding in density 28° Baumé, three-fourths of 1 cent per pound; extracts of hemlock bark, one-half of 1 cent per pound; extracts of sumac and of woods other than dyewoods, not specially provided for in this section, five-eighths of 1 cent per pound; all extracts of vegetable origin suitable for dyeing, coloring, staining, or tanning, not containing alcohol and not medicinal, and not specially provided for in this section, 15 per cent ad valorem.

Mr. JOHNSON. Mr. President, I wish to call the attention of the Senate, although it is hardly necessary to do so, to the changed conditions now from those of 1909, when the tariff bill which is the present law was under consideration, and to which the Senator from Connecticut has alluded.

Under the pending bill boots and shoes are placed upon the free list. So is leather placed upon the free list, while under the present law it bears a duty of from 15 to 30 per cent. Because of that fact the materials used in tanning leather have been placed upon the free list.

Extract of quebracho is used most extensively of all the tanning extracts in the tanning of leather, and it seemed but fair and just that if leathers were to be placed upon the free list, the extract used by the tanners for tanning the leather should also be placed upon the free list. That is the reason why in this bill it is placed upon the free list.

I might add that the manufacturers in this country have been handicapped by the fact that they have been compelled to import the quebracho into this country in logs, and then after chipping to make the extract, so that the consumer has been compelled to pay the freight upon the waste material contained in the logs when they are imported, not only in the way of vegetable fiber, but in the way of water. That has seemed an unnecessary burden.

The VICE PRESIDENT. The question is upon the amendment proposed by the Senator from Connecticut [Mr. BRANDEGEE].

The amendment was rejected.

The VICE PRESIDENT. The question now is upon the amendment proposed by the committee.

The amendment was agreed to.

The SECRETARY. The next amendment passed over is, on page 14, paragraph 52, passed over at the instance of the Senator from Utah [Mr. SMOOT].

Mr. SMOOT. I believe paragraph 33 was passed over at the request of the junior Senator from North Dakota [Mr. GRONNA]. That refers to formaldehyde solution. I may be mistaken, but I have my copy marked "passed over" as to paragraph 33.

Mr. JOHNSON. I think that was not passed over, but was passed upon when the bill was read.

Mr. SMOOT. I may be wrong.

The VICE PRESIDENT. The Secretary has no record of it.

The SECRETARY. Paragraph 52 reads as follows:

52. Baryta, sulphate of, or barytes, including barytes earth, unmanufactured, 15 per cent ad valorem; manufactured, 20 per cent ad valorem; blanc-fixe, or artificial sulphate of barytes, and satin white, or artificial sulphate of lime, 20 per cent ad valorem.

Mr. LIPPITT. Mr. President, I wish to ask the Senators in charge of this part of the bill if they have taken under consideration the proposed duty on blanc-fixe. I had rather hoped they would give that some consideration and think of

either restoring the duty under the present law or at least approximating it.

Mr. JOHNSON. Mr. President, the subcommittee having it in charge have taken under consideration the matter to which the Senator refers and see no reason to make any change in the bill as reported. It is true that witherite is imported into the country, from which a superior quality of blanc-fixe is manufactured; but we are informed that that sells at a very high price and that blanc-fixe can be produced in this country without being made from witherite as a by-product in the manufacture of peroxide of hydrogen and other barium compounds. When produced in that way the high rate of duty which has been carried heretofore is not at all necessary.

Mr. LIPPITT. I should like to say to the Senator that of course it is true that dioxygen, which is an antiseptic and is made in large quantities, produces as a by-product blanc fixe; but that quality of blanc fixe is not adapted to the limited uses to which witherite blanc fixe is adapted. Blanc fixe is an article which is used by paper manufacturers in whitening paper. The lower grade of it leaves spots and is not suitable for the very high grade of paper for which the other is used.

The situation in regard to that particular article is rather peculiar. It is a very limited manufacture. Only about $200,000 worth is used in the country, of which practically one-half is imported and one-half is made by three small manufactories, the total product being something under $100,000, and most of it is made in Rhode Island. It is one of those little things which are of great importance to those engaged in it, and from a revenue standpoint it has this peculiarity. The duty at present is about 40 per cent. About $100,000 worth is imported. The duty proposed is 20 per cent, and the manufacturers say that 20 per cent will prevent them from continuing the manufacture of it at all. So by cutting the duty in half you will get exactly the same revenue that you get to-day, but it will all be imported instead of half of it being made here.

All the manufacture of the article abroad is controlled by about three parties, principally in England, and there will be no possible reason why they should at all reduce the price of it from the prices fixed to-day by domestic competition here. The effect of cutting the duty in half, as I have studied this question out, and I think it is correct, will simply be to produce exactly the same revenue, probably, that you do to-day, not changing the price of the article of the consumer in this country at all, but simply to eliminate the two or three American manufacturers of it.

Under those circumstances I was rather in hopes that the committee would give that such serious consideration that they would decide, if not to leave the duty as it is, to perhaps make the duty 30 per cent instead of 20 per cent. It is certainly not an important matter. From a revenue standpoint it can have no effect, and the argument in favor of helping our domestic people, inasmuch as by so doing there is no probability that the consumers will be charged any more than they will if the duty is reduced, seemed to present a rather strong case to me.

I did not know whether the committee, if they were firm in their resolution to make some change, would accept an amendment of 30 per cent instead of 20 per cent.

Mr. JOHNSON. We have thoroughly considered the matter. We have taken the added fact into consideration that on the high-priced surfaced paper and the manufacture of blanc fixe the duties have been largely reduced. For that reason we felt that this reduction was one that ought to be made in view of the fact that it can be so easily and cheaply made in this country without being made from the witherite, which brings such a high price, according to my information.

Mr. LIPPITT. This article I am talking about merely because it happens to have the same name, blanc fixe, and the inferior quality is not going to be put out of consumption. It is still going to be used for the particular purpose it is used for now, the lower quality, and is not going to be used for the particular purpose the higher quality is used for. It is simply a question whether the proportion of that inferior quality shall be made in this country or be imported. If it is imported there is no reasonable presumption that there will be any change in the price unless it is increased under the operation of the present law of domestic competition and under which domestic competition the price has been reduced from something like $58 to $38 a ton. Under the proposition where the control is left entirely in the hands of the foreigner we might as well put it at 45 per cent or 50 per cent as leave it as it is. Certainly there is no reason to suppose that they would reduce the price.

Mr. OLIVER. Mr. President——

The VICE PRESIDENT. Does the Senator from Rhode Island yield to the Senator from Pennsylvania?

Mr. LIPPITT. I yield to the Senator.

Mr. OLIVER. I think the Senator from Rhode Island is attaching rather undue importance to this particular item because it is something that is used in paper manufacture, since under the legislation that is now proposed the seat of paper manufacture will inevitably ultimately be transferred to Canada. I do not think there is any necessity of considering a small article like this which is used in that manufacture.

Mr. LIPPITT. I think my constituents would rather take the chance of having some of the paper industry at least left here, even if the situation described by the Senator from Pennsylvania should eventuate. I was rather in hopes that the committee would take that matter under consideration or, at least, leave the duty perhaps at 30 per cent.

Mr. STONE. Let us have a vote.

Mr. LIPPITT. I move, in paragraph 52, page 14, line 10, before the words "per cent," to strike out "20" and insert "30."

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Rhode Island.

The amendment was rejected.

The SECRETARY. The next paragraph passed over is, on page 15, paragraphs 57 and 58, relating to lead pigments and lead, acetate of.

Mr. SMOOT. I asked that those paragraphs be passed over until the Senate had passed upon the question of lead. That has already been done. Therefore I have not anything to say in relation to these two paragraphs.

The VICE PRESIDENT. If there be no amendment, the paragraphs will be agreed to as in Committee of the Whole.

The SECRETARY. On page 17, paragraph 67—soaps—was passed over.

Mr. JOHNSON. I ask that that be passed over for the present.

The VICE PRESIDENT. The paragraph again goes over by agreement.

The SECRETARY. On page 19, paragraph 74, "Roman, Portland, and other hydraulic cement, 5 per cent ad valorem," was passed over.

The committee proposed to strike out this paragraph.

Mr. SMOOT. I asked that the paragraph go over with the understanding that I would submit to the chairman of the subcommittee having in charge this schedule an amendment to take care of white nonstaining Portland cement.

Mr. THOMAS. I will say to the Senator that when we reach paragraph 76 I shall offer an amendment inserting that commodity.

Mr. SMOOT. Paragraph 76 was not passed over. If the Senator will do that, then I will say no more.

Mr. THOMAS. I will offer the amendment for the committee.

Mr. LA FOLLETTE. Will the Senator yield to me for a moment?

Mr. THOMAS. Certainly.

Mr. LA FOLLETTE. Mr. President, out of order somewhat, I should like to call the attention of the chairman of the subcommittee having charge of Schedule A to a suggestion which I wish to make, first, with reference to a rearrangement of the paragraphs of that schedule. I make this suggestion for the consideration of the subcommittee. I am not going to follow it with any motion, but will be content to leave it to the committee to accept it if it commends itself to them, and otherwise to reject it. The paragraphs of Schedule A on drugs and chemicals, soap, perfumery, paints, and pigments are all jumbled together in utter disregard of their relation to one another. I think a very great improvement can be made in that schedule by rearranging it in groups somewhat as follows:

First, bring together in consecutive order all of the paragraphs relating to chemicals and drugs. This will embrace paragraphs 1 to 4, inclusive; paragraphs 7 to 16, inclusive; paragraphs 19 to 24, inclusive; paragraphs 26 to 44, inclusive; and paragraphs 48, 51, 65, 66, 68, 70, and 71.

Then follow that with the paragraphs constituting the basket provisions for chemicals and drugs, embracing paragraphs 5, 17, and 18.

Second, follow this with all of the paragraphs relating to oils. These paragraphs are 45, 46, and 47.

Third, assemble the paragraphs relating to perfumery, soap, and so forth. These paragraphs are 47, 50, and 67.

Fourth, form a final group covering paints, pigments, and varnishes by bringing together paragraphs 25 and 52 to 64, inclusive.

I make the further suggestion for the consideration of the subcommittee that paragraph 69, which covers sponges, should be transferred to Schedule N, to follow paragraph 392. It is out of place in the chemical schedule.

While I am on my feet, if I may be indulged for just a moment more by the subcommittee in charge of the next schedule, I wish to suggest that duties upon at least two articles in the chemical schedule are excessive and should be reduced. One of them is the duty on dextrine made from potato starch. An examination of all the data which bears upon the question of the cost of production or competitive tariff, call it what you please, will show very conclusively that a duty of 1¼ cents per pound is all that is required. I offer that as a suggestion for the subcommittee. Judging from the fate of other efforts to amend the bill by motion, I think I will not propose it as an amendment.

Then, Mr. President, I wish to call attention to one other duty which I think is grossly excessive.

Mr. JOHNSON. In view of what the Senator from Wisconsin said in regard to the duty on not all the dextrine but on the dextrine made from potato starch, the committee will accept the amendment.

Mr. LA FOLLETTE. It is dextrine made from potato starch to which I refer. Perhaps I neglected to specify it as definitely as I should.

Now I call attention to one other duty which I think should be reduced.

Mr. SIMMONS. I suggest to the chairman of the subcommittee that he accept the amendment and that we act upon it right now.

Mr. LA FOLLETTE. Very well.

The VICE PRESIDENT. What paragraph is that?

Mr. LA FOLLETTE. It is paragraph 37—dextrine made of potato starch.

Mr. JOHNSON. On page 10, line 3, I move to amend.

The VICE PRESIDENT. There will have to be a motion made to reconsider the vote by which the amendment was agreed to as in Committee of the Whole.

Mr. LA FOLLETTE. If in order, I will move to reconsider the amendment made as in Committee of the Whole, or I will defer to the chairman to make the motion.

Mr. JOHNSON. As the Senator sees fit; it is immaterial.

The VICE PRESIDENT. It is moved to reconsider the vote whereby the committee amendment to paragraph 37 was agreed to.

The motion to reconsider was agreed to.

The VICE PRESIDENT. The amendment of the Senator from Wisconsin will be stated.

The SECRETARY. In line 3, before the word "cents," strike out "1½" and insert "1¼."

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

Mr. LA FOLLETTE. I now direct the attention of the subcommittee to paragraph 65, and in that paragraph particularly to chlorate of potash made dutiable at a cent a pound. I feel warranted in saying that a quarter of a cent a pound on chlorate of potash is not only a very liberal competitive duty, but it is a protective duty. There are just three factories in the United States producing that article. They do not sell in competition with each other. Their product is all sold by the Rikers, of 46 Cedar Street, New York. The cost of producing chlorate of potash in this country is 3¾ cents per pound. The cost of producing it on the Continent is 3.6 cents per pound, and the cost of producing it in Norway and Sweden is 3.5 cents per pound. It sells abroad for from 5 to 5½ cents a pound and in this country for 9½ cents a pound. The combination in this country has entered into an agreement with the producers of chlorate of potash abroad, by the terms of which it is not to be sold to the Government of the United States.

The Rikers people, who control the price in this country, control one of the powder companies which was a defendant with the Du Pont Powder Co. in the case which the Government brought against the Powder Trust.

I think perhaps the suggestion of the Senator from Utah that it be put on the free list might be worth while, but there is a difference of a quarter of a cent a pound in the cost of manufacturing this article between this and the competing countries abroad, and the rate of a quarter of a cent would cover that difference. The rate should certainly be no more than a quarter of a cent per pound.

Mr. O'GORMAN. Mr. President, may I ask the Senator from Wisconsin his authority—and I assume he has authority—for the statement that the corporations engaged in this enterprise have entered into an agreement not to sell this product to the United States Governmen?

Mr. LA FOLLETTE. My authority is the testimony given before the Ways and Means Committee of the House of Representatives, and not denied.

Mr. O'GORMAN. That being conceded——

Mr. LA FOLLETTE. And the witness who gave that testimony was the president of an independent powder company that is competing with the Du Pont Powder Co. He is the president of a powder company located at Peoria, Ill., and his testimony before the committee was not denied.

Mr. O'GORMAN. That being the conceded fact, I join in the suggestion of the Senator from Wisconsin that this article ought to go on the free list, because I think a corporation or an individual entering into an arrangement little short of a conspiracy to prevent the United States from procuring a particular article is surely entitled to very little consideration when it comes to the adjustment of tariff rates.

Mr. LA FOLLETTE. And when you take into account the fact that that particular article is an important constituent of explosives——

Mr. JOHNSON. Mr. President, if the Senator will pardon me a moment——

Mr. LA FOLLETTE. Certainly.

Mr. JOHNSON. I will make the motion, in view of what the Senator has said, to reconsider the vote by which this duty was fixed and ask that the paragraph be recommitted.

The VICE PRESIDENT. The Chair will state that there is no amendment in the paragraph, but the committee has the right to have it recommitted with a view of considering it further.

Mr. JOHNSON. I ask that the paragraph be recommitted to the committee.

The VICE PRESIDENT. Without objection, paragraph 65, on page 16, will be recommitted to the Committee on Finance.

Mr. LA FOLLETTE. Mr. President, I am going to venture to make one more suggestion, and will make it very briefly, because the Senate has already considered the matter and I do not anticipate that I can say anything that will cause the Senate to change its attitude on that question; but I want to suggest to the subcommittee in charge of this schedule that the duty on peanut oil be changed from 6 cents a gallon to 1 cent a gallon. That duty will be a competitive duty, while 6 cents a gallon will prove a prohibitory duty and will subject the committee and the Senate to criticism for prohibiting its import in order to protect a competing product produced exclusively in one section of the country.

Mr. SMOOT. Mr. President, I also suggest to the Senator having the bill in charge that it seems to me palm nuts and palm kernels ought to be upon the free list; you have put palm-kernel oil on the free list. I merely offer that as a suggestion for the consideration of the committee.

Mr. STONE. I wish to say that we have already gone over this bill very carefully, and any Senator who had any objection to any paragraph in it had only to say that he desired it passed over or to make any representations he pleased with regard to it. I have no objection to having these paragraphs passed over again, except that, if we pass them over, then go back to the beginning of the bill, start in afresh, and Senators get up and say they want something else passed over, we never will get through with the bill.

Mr. SMOOT. I did not ask that any paragraph or any item be passed over. I simply suggested that, so long as palm-kernel oil is made free, it seemed to me that the nuts from which it is made should be free.

The VICE PRESIDENT. The question is on agreeing to the committee amendment to strike out paragraph 74, on page 19.

The amendment was agreed to.

The VICE PRESIDENT. The Senator from Colorado [Mr. THOMAS] has offered an amendment, which will now be stated.

The SECRETARY. In paragraph 76, page 19, line 8, after the word "use," it is proposed to insert the words "white nonstaining Portland cement."

The amendment was agreed to.

The VICE PRESIDENT. The next amendment passed over will be stated.

The SECRETARY. Paragraph 78, on the same page, was passed over at the instance of the Senator from Kentucky [Mr. BRADLEY] and the Senator from Wisconsin [Mr. LA FOLLETTE]. It relates to clays or earths, and was read on July 26.

Mr. LA FOLLETTE. Mr. President, my reason for asking to have that paragraph passed over was to make the suggestion to the subcommittee to put china clay or kaolin on the free list instead of imposing upon it a duty of $1.25 per ton. I will either submit to the Senate now some observations upon the subject, or, if it is agreeable to the chairman of the subcommittee, will present the matter to the subcommittee at its convenience.

Mr. STONE. Mr. President, I will say to the Senator from Wisconsin that if he cares to submit some notes to us we will be very glad to consider them; but I do not know for what purpose the Senator asked that this paragraph be passed over.

Mr. LA FOLLETTE. I asked to have it passed over, because I believed that china clay and kaolin should go upon the free list instead of being made dutiable at $1.25 a ton.

Mr. STONE. I understand now for what purpose the Senator asked to have the paragraph passed over, but I did not know that at the time he asked to have it passed over and hence we have not had the benefit of the suggestions which he cares to make. I am sorry——

Mr. LA FOLLETTE. I would have submitted them at the time, I will say to the Senator, had I concluded the investigation which I was then making. I have since completed it and feel that I——

Mr. STONE. If the Senator cares to submit the result of his investigation to the committee, we will be very glad to receive it.

Mr. LA FOLLETTE. I shall be very glad to save time by doing that instead of making a motion and submitting the matter here in the Senate.

Mr. STONE. That is satisfactory to the committee.

Mr. LA FOLLETTE. I will say, Mr. President, that such a course will shorten the proceedings in the Senate this afternoon, because it was upon my request that a number of the paragraphs of this schedule were passed over, and it would be quite as satisfactory to me to discuss the several paragraphs with the subcommittee if they would be willing to listen to them, instead of taking up the time of the Senate to make them here for the RECORD.

Mr. STONE. The committee will be glad to listen to the suggestions, as I have said to the Senator. I repeat what I said a moment ago in regard to the unfortunate attitude in which the committee is placed if we do not dispose of the passed-over paragraphs as we come to them.

Mr. LA FOLLETTE. Well——

Mr. STONE. Just a moment, if the Senator will pardon me. I will say that the committee will be glad to examine with every proper care any data which the Senator from Wisconsin may care to submit; but if it should so happen that the committee does not agree with the Senator from Wisconsin and if that were to lead to the same debate——

Mr. LA FOLLETTE. Not at all. I make the suggestion that I will withdraw now the request as to these paragraphs. I will present what I have to offer to the subcommittee, if agreeable to them, and if we do not agree as to the changes that should be made I can later submit anything that I have to say regarding these paragraphs when the bill is reported to the Senate.

Mr. STONE. That will be agreeable.

Mr. SIMMONS. Would it suit the Senator to let the paragraph be adopted now, with the understanding that after the subcommittee and the committee have examined his data, if they change their minds about it they will bring in an amendment?

Mr. LA FOLLETTE. That is entirely satisfactory to me.

The SECRETARY. Paragraph 78, page 19, is one such paragraph; also paragraph 80, page 20; paragraph 81, on pages 20 and 21; and paragraph 82, on page 21.

Mr. THOMAS. Mr. President, paragraphs 81 and 82 were passed over at the instance of the Senator from Washington [Mr. POINDEXTER]. We have made no change, and will probably recommend none; but I think it is due the Senator to say that he was in conference on Saturday with one of the experts from the customhouse and was to have heard from him to-day, but the letter came to myself instead of to him. I have not had an opportunity to hand it to him yet, and I dislike to take up these paragraphs and consider them in his absence; so we are perforce asking to have them go over. Paragraph 80 must also have been connected with his request, which, I think, included paragraphs 80, 81, and 82. I think that is correct.

Mr. SIMMONS. Mr. President, I suggest that we pursue the same course with reference to those paragraphs—that they be acted upon now, with the understanding that when the Senator from Washington comes in if he desires to offer an amendment he may do so.

The SECRETARY. The committee amendment in paragraph 80 has already been agreed to. There is no amendment to paragraph 81. In paragraph 82 the committee amendment is unacted upon. It is in paragraph 82, on page 21, line 15. After the word "China" it is proposed to strike out "and"; in the same line, after the word "porcelain," to insert "and other"; and in line 16, after the word "body," to strike out "having a vitrified or semivitrified" and insert "which when broken shows a vitrified or vitreous, or semivitrified or semivitreous," so as to make the paragraph read:

82. China, porcelain, and other wares composed of a vitrified nonabsorbent body which when broken shows a vitrified or vitreous, or semivitrified or semivitreous fracture, and all bisque and parian wares, including clock cases with or without movements, plaques, ornaments, toys, charms, vases, statues, statuettes, mugs, cups, steins, lamps, and all other articles composed wholly or in chief value of such ware, if plain white, or plain brown, not painted, colored, tinted, stained, enameled, gilded, printed, or ornamented or decorated in any manner; and manufactures in chief value of such ware not specially provided for in this section, 50 per cent ad valorem; if painted, colored, tinted, stained, enameled, gilded, printed, or ornamented or decorated in any manner and manufactures in chief value of such ware not specially provided for in this section, 55 per cent ad valorem.

The amendment was agreed to.

The SECRETARY. Paragraph 83 was passed over. The committee amendment in that paragraph has already been agreed to.

Mr. BRANDEGEE. Mr. President, I understand paragraphs 81 and 82 have both been passed over.

Mr. SIMMONS. No; paragraphs 81 and 82 were agreed to, with the understanding that if the Senator from Washington [Mr. POINDEXTER], when he returns, wishes to offer any amendments to them, he may do so.

Mr. BRANDEGEE. I thought what was being agreed to was the committee amendment in those paragraphs, to which I have no objection, and I have no objection to this tentative action upon them, if I may have permission to submit an amendment at the same time the Senator from Washington does.

Mr. SIMMONS. The Senator has that right according to the rules under which we are operating.

Mr. BRANDEGEE. I did not know when that right expired; I did not know how many times we could go back.

The SECRETARY. Paragraph 84, on page 22, was passed over, with the committee amendments agreed to.

Paragraph 86, on page 23, was passed over at the instance of the Senator from Pennsylvania [Mr. OLIVER] and the Senator from Wisconsin [Mr. LA FOLLETTE].

Mr. OLIVER. Mr. President, I have submitted an amendment to that paragraph which does not in any way change the rates of duty or the real meaning, but is only intended to perfect the paragraph. I understood the Senator from Missouri and the Senator from Colorado at the time the amendment was proposed, said that the committee would consider the propriety of adopting my amendment. I ask them if the amendment has been considered? The first part of my amendment is on page 23, line 25, after the word "glassware," to insert the words "goblets and other glass stem ware"; so as to be certain that it comprises those articles which otherwise might be considered doubtful. The second part of my amendment is to strike out the words "chief value," and insert the word "part." The most important of the three, however, is that on page 23, line 25, after the word "blown," to insert a comma, and——

Mr. STONE. Mr. President, in order to abbreviate the proceedings, if satisfactory to the Senator, I will state that the committee is willing to accept the amendment.

Mr. OLIVER. I send the amendment to the Secretary's desk.

Mr. THOMAS. Did the Senator have more than one amendment?

Mr. OLIVER. There are three parts to the amendment. I ask the Secretary to read it.

The SECRETARY. In paragraph 86, page 23, line 25, after the word "glassware," it is proposed to insert "goblets and other glass stem ware"; in the same line, after the word "in," to strike out "chief value" and insert "part"; and at the end of the same line, after the word "blown," to insert "cast or pressed," so as to read.

Glassware, goblets, and other glass stem ware, composed wholly or in part of glass blown, cast, or pressed.

The VICE PRESIDENT. In the absence of objection, the amendment will be agreed to.

Mr. STONE. I do not know about that part of it striking out the words "chief value" and inserting the word "part." Would not the Senator be satisfied to insert the first part of the amendment?

Mr. OLIVER. I do not think that is of great importance, and I would be satisfied to have the words "chief value" remain as they are.

Mr. STONE. Then the amendment agreed to is that which comes after the word "glassware," in line 25.

The SECRETARY. After the word "glassware," in line 25, it is proposed to insert "goblets" and other glass stem ware.

Mr. STONE. That is, the committee will offer no objection to that.

The amendment was agreed to.

The SECRETARY. After the word "blown," at the end of line 25, insert a comma and the words "cast or pressed."

Mr. STONE. I understand the Senator withdraws that?

Mr. OLIVER. No; I withdrew the amendment striking out the words "chief value" and inserting the word "part." I will

not object to the words "chief value" remaining instead of the word "part." The words "cast or pressed" are, however, very important, because this kind of glassware is not blown at all. The process of manufacture——

Mr. STONE. What is it the Senator wishes to withdraw?

Mr. OLIVER. The part to which the Senator from Missouri referred, inserting the word "part" instead of the words "chief value," allowing the words "chief value" to remain.

Mr. STONE. Very well. That is the entire amendment, is it not?

Mr. THOMAS. Where do the words "cast or pressed" come in—after the word "blown" at the end of the line?

Mr. OLIVER. After the word "blown."

Mr. THOMAS. "Blown or cast?"

Mr. OLIVER. "Blown, cast, or pressed."

Mr. STONE. Mr. President, let that be submitted. The Senator withdraws the part of the amendment he has indicated.

Mr. OLIVER. I withdraw the amendment striking out the words "chief value" and inserting the word "part."

Mr. STONE. That is withdrawn. To the remainder of the amendment the committee has no objection.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Pennsylvania as modified.

The amendment was agreed to.

The SECRETARY. The next amendment passed over is on page 24, paragraph 87, at the instance of the Senator from Missouri [Mr. STONE].

Mr. THOMAS. The committee offers an amendment to the Senate amendment in paragraph 87, which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. The first amendment, striking out the comma, has already been agreed to.

The second amendment is as follows:

In lines 8 and 9, page 24, the committee propose to strike out "not exceeding 150 square inches, seven-eighths of 1 cent per pound; above that, and."

Mr. STONE. With a semicolon.

The SECRETARY. The proposition now is to disagree to the amendment striking out those words.

The VICE PRESIDENT. The question is on agreeing to the amendment.

The amendment was rejected.

Mr. SIMMONS. Mr. President, I understand that the amendment simply restores the House language.

The VICE PRESIDENT. It restores the House language.

Mr. STONE. And the punctuation.

Mr. SIMMONS. I ask the Chair to put the question again. The Chair held, as I understood, that the amendment was rejected.

The VICE PRESIDENT. In order to restore the House text, as the Chair understands, it is necessary to disagree to the Senate amendment.

Mr. SIMMONS. The Chair is right.

Mr. GALLINGER. And that is what happened.

The SECRETARY. There is one other amendment in the paragraph, in line 16, after the word "unpolished," to strike out the comma.

The amendment was agreed to.

The SECRETARY. The next amendment passed over is on page 25, paragraph 89, at the request of the Senator from Wisconsin [Mr. LA FOLLETTE]; also paragraph 90, at the instance of the same Senator; also paragraph 91, at the instance of the Senator from Michigan [Mr. SMITH].

Mr. SMOOT. The Senator from Michigan [Mr. SMITH] asked that this paragraph be passed over; but he is not in the city nor has he requested me to ask that it go over again. I know, however, that he is quite deeply interested in these items.

The VICE PRESIDENT. May the Chair inquire, with the rules of the Senate as they are, and with the power and ability to amend the bill, where there is not a single amendment in the paragraph, why it should go over and over and over?

Mr. SMOOT. I did not ask that it should go over.

Mr. THOMAS. The committee offers an amendment to paragraph 90, which I will send up to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In paragraph 90, page 25, line 20, the committee proposes to substitute a colon for the period, and to add:

Provided, That any of the foregoing exceeding three-eighths of an inch in thickness shall pay a duty of 30 per cent ad valorem.

The amendment was agreed to.

The VICE PRESIDENT. Paragraph 91 will now be read.

The Secretary read paragraph 91, on page 25.

Mr. LA FOLLETTE. I think I made it clear that as to the paragraphs passed over upon my suggestion I would withdraw any request of that sort, and would submit what I have to offer to the subcommittee.

The SECRETARY. Paragraph 99, beginning at the foot of page 27, was passed over——

Mr. SIMMONS. I understood that that paragraph had not been acted on. I understood that we were to act on it now, subject, of course, to the action of the committee when the Senator presents his views to the committee.

The VICE PRESIDENT. Paragraph 97 has been read heretofore. Paragraph 99 has not been read.

Mr. SIMMONS. Very well.

Mr. LA FOLLETTE. I do not ask to have action deferred at this time, because I can offer my amendment in the Senate if I should desire.

Mr. SIMMONS. I understood that, but I thought the paragraph had not been read.

The SECRETARY. Paragraph 99 was passed over at the request of the Senator from Kansas [Mr. BRISTOW]. It reads as follows:

99. Marble, breccia, and onyx, in block, rough or squared only, 50 cents per cubic foot; marble, breccia, and onyx, sawed or dressed, over 2 inches in thickness, 75 cents per cubic foot; slabs or paving tiles of marble or onyx, containing not less than 4 superficial inches, if not more than 1 inch in thickness, 6 cents per superficial foot; if more than 1 inch and not more than 1½ inches in thickness, 8 cents per superficial foot; if more than 1½ inches and not more than 2 inches in thickness, 10 cents per superficial foot; if rubbed in whole or in part, 2 cents per superficial foot in addition; mosaic cubes of marble or onyx, not exceeding 2 cubic inches in size, if loose, 20 per cent ad valorem; if attached to paper or other material, 35 per cent ad valorem.

Mr. BRISTOW. Mr. President, I have not yet received the information I was expecting on that paragraph, and I will let it go. If the information comes in before we reach the consideration of the bill in the Senate, I will take it up and discuss it. I will not take up the time of the Senate now.

The SECRETARY. Paragraph 102, on page 29, was passed over at the request of the junior Senator from North Dakota [Mr. GRONNA]. It reads as follows:

102. Grindstones, finished or unfinished, $1.50 per ton.

Mr. LA FOLLETTE. Mr. President, the junior Senator from North Dakota is unavoidably detained from the Senate at this time. While he left no suggestion with me, and I do not know that he did with any other Senator, regarding his request as to this paragraph, I will take the responsibility—I think I may—of saying that if he has anything to offer on that paragraph he will offer it when it is reached in the Senate.

I think perhaps I ought to give notice now, if notice is required, of a reservation as to that paragraph in his behalf when the bill goes into the Senate.

The SECRETARY. On page 30, paragraph 106 was passed over at the request of the Senator from Michigan [Mr. TOWNSEND] and the Senator from Missouri [Mr. STONE]. The committee amendment has not been acted upon.

Mr. THOMAS. Just pass that.

The SECRETARY. Paragraph 106 reads as follows:

106. Beams, girders, joists, angles, channels, car-truck channels, T T, columns and posts or parts or sections of columns and posts, deck and bulb beams, sashes, frames, and building forms, together with all other structural shapes of iron or steel, whether plain, punched, or fitted for use, or whether assembled or manufactured, 12 per cent ad valorem.

On line 8, after the word "manufactured" and the comma, the committee proposes to strike out "12" and to insert "10."

The amendment was agreed to.

Mr. THOMAS. Now, I ask to have that paragraph passed. The request was made before it was read.

The VICE PRESIDENT. The Chair does not understand the request of the Senator from Colorado.

Mr. THOMAS. The request is to have paragraph 106 passed for the present. The committee is not ready to report it out.

The VICE PRESIDENT. Does the Senator wish to have it passed over again?

Mr. THOMAS. If it has been passed once, pass it again; but I understood that it had not been passed.

Mr. STONE. The committee is not ready to make a report on that paragraph, and we would like to have it passed.

The SECRETARY. On page 33, paragraph 116 was passed over at the request of the Senator from Missouri [Mr. STONE].

Mr. THOMAS. Just pass that. The committee is not ready to report.

Mr. WEEKS. Do I understand that paragraph 116 is to be considered again so that an amendment may be offered?

Mr. THOMAS. Oh, yes.

The SECRETARY. On page 37, paragraph 126, relating to card clothing, and so forth, was passed over at the request of the Senator from Utah [Mr. SMOOT], the senior Senator from Massachusetts [Mr. LODGE], and the junior Senator from Massa-

chusetts [Mr. WEEKS]. The committee amendment has not been acted upon.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. In paragraph 126, page 37, line 3, after the word "importation," the committee proposes to strike out "40 per cent ad valorem" and insert "when manufactured with round iron or untempered round steel wire, 10 per cent ad valorem; when manufactured with tempered round steel wire, or with plated wire or other than round iron or steel wire, or with felt face, or wool face, or rubber face cloth containing wool, 30 per cent ad valorem," so as to make the paragraph read:

126. Card clothing not actually and permanently fitted to and attached to carding machines or to parts thereof at the time of importation, when manufactured with round iron or untempered round steel wire, 10 per cent ad valorem; when manufactured with tempered round steel wire, or with plated wire or other than round iron or steel wire, or with felt face, or wool face, or rubber face cloth containing wool, 30 per cent ad valorem.

Mr. BRANDEGEE. I should like to ask if paragraph 121, on page 36, was not passed over? I have it so marked.

The VICE PRESIDENT. The committee amendment was agreed to.

Mr. BRANDEGEE. I remember that at the time I called the attention of the Senator from Colorado to a suggestion, at least, and he informed me that the committee would take it under consideration.

Mr. THOMAS. Yes; the committee reconsidered that paragraph, but it has no change to recommend. I refer to paragraph 121.

Mr. WEEKS. Mr. President, in line 8, page 37, I move that the figures "40" be substituted for "30," so that it will read "40 per cent ad valorem."

The VICE PRESIDENT. The amendment to the amendment will be stated.

The SECRETARY. In the committee amendment, on page 37, paragraph 126, line 8, it is proposed to strike out "30" and insert "40."

Mr. WEEKS. Mr. President, the rate which I propose is the House rate, which is a reduction of 33⅓ per cent from the rate which is now prevailing, and which seems to be a competitive rate. We are producing in this country about twice as much card clothing as we are importing, but there are large importations. In the year 1910 the importations were nearly as large as the production in the United States. The same thing is true of the rates of wages paid in this country in relation to the rates paid in others as in the case of other industries. They are substantially twice as large as the rates paid where card clothing is manufactured in other countries. There is no trust connected with the business, and from every standpoint it seems to me the industry is entitled to the rates agreed to in the House.

I submit the matter on that statement.

The VICE PRESIDENT. The question is on the amendment proposed by the Senator from Massachusetts to the amendment of the committee.

The amendment to the amendment was rejected.

The VICE PRESIDENT. The question now is on the amendment of the committee.

The amendment was agreed to.

The SECRETARY. The next amendment passed over is on page 40, paragraph 136.

Mr. THOMAS. The committee offers a substitute for paragraph 136, which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. The committee proposes to strike out all of paragraph 136 and to insert in lieu thereof the following:

Table, kitchen, and hospital utensils or other similar hollow ware composed of iron or steel, enameled or glazed with vitreous glasses but not ornamented or decorated with lithographic or other printing; table, kitchen, and hospital utensils or other similar hollow ware composed wholly or in chief value of aluminum; all the foregoing not especially provided for in this section, 25 per cent ad valorem.

Mr. SMOOT. Mr. President, that removes the objection that I had to the paragraph and is perfectly satisfactory to me.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee.

The amendment was agreed to.

The SECRETARY. On page 42, paragraph 145 was passed over at the instance of the Senator from Iowa [Mr. KENYON].

Mr. SMOOT. Mr. President, there was one paragraph passed over before that—paragraph 138. That is the feather provision.

The VICE PRESIDENT. The Secretary informs the Chair that the matter was cleared up. The Chair has no recollection about it. It was returned to and agreed to.

Mr. SMOOT. Does the Chair say that paragraph 138 was not passed over?

The VICE PRESIDENT. It was passed over and was subsequently taken up and agreed to.

Mr. THOMAS. I do not recall that. It was passed over, to be considered in connection with paragraph 357.

Mr. STONE. What, in fact, was done, as shown by the notes on my book here, is that it was passed over at the request of the Senator from Utah [Mr. SMOOT] until the feather paragraph should be disposed of.

The VICE PRESIDENT. The RECORD referring to the matter will be here in a minute.

Mr. SMOOT. I will state, however, as I remember now, that the Senator from Missouri [Mr. STONE] after that did ask for a vote upon it and said that if the feather paragraph should be changed he would then revert to this paragraph. I think that is the way the record stands.

The VICE PRESIDENT. The amendment was agreed to. There is not any doubt about it.

The SECRETARY. Page 42, paragraph 145, "Aluminum, aluminum scrap"——

Mr. OLIVER. The Senator from Iowa has offered an amendment to strike out——

Mr. SIMMONS. It is about 6 o'clock and the committee want to have a meeting to-night. I understand it is the desire to have a short executive session. I ask that the bill be laid aside for the day.

Mr. OLIVER. If the Senator will withhold for a moment——

Mr. SIMMONS. Yes.

Mr. OLIVER. I have some remarks to make which will take some little time with regard to the amendment offered by the Senator from Iowa to this paragraph. Unfortunately, I have already made an engagement which I simply can not recall which will prevent my presence here to-morrow. I should like to ask the committee if they will not indulge me to the extent of allowing this paragraph to go over until Wednesday, at which time I will be prepared to discuss it.

Mr. THOMAS. That is all right.

The VICE PRESIDENT. The paragraph goes over until Wednesday.

Mr. KERN. I move that when the Senate adjourns to-day it adjourn to meet to-morrow morning at 10 o'clock. I will state in this connection that the purpose is to adjourn to-morrow evening at 5 o'clock.

Mr. GALLINGER. Mr. President, up to the present time everything has been done by unanimous consent. Would the Senator be willing to put that as a request for unanimous consent?

Mr. KERN. I will ask that it be done by unanimous consent.

The VICE PRESIDENT. The Senator from Indiana asks unanimous consent that when the Senate adjourns to-day it be to meet to-morrow at 10 o'clock. Is there objection? The Chair hears none, and it is so ordered.

EXECUTIVE SESSION.

Mr. BACON. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After eight minutes spent in executive session the doors were reopened, and (at 6 o'clock and 10 minutes p. m.) the Senate adjourned until to-morrow, Tuesday, September 2, 1913, at 10 o'clock a. m.

CONFIRMATIONS.

Executive nominations confirmed by the Senate September 1, 1913.

POSTMASTERS.

ALABAMA.

Mollie P. Henderson, Enterprise.
H. O. Sparks, Boaz.

CALIFORNIA.

Warren A. Bradley, Gustine.
Byron Q. R. Canon, La Mesa.
James F. Monroe, Upland.

FLORIDA.

A. Keathley, Brooksville.
M. H. Slone, Plant City.

ILLINOIS.

John A. Freeman, Heyworth.
B. L. Greeley, Tremont.
Ira W. Metcalf, Momence.
L. T. Neff, Illiopolis.
Fred Le Roy, Streator.
Henry Werth, Breese.

INDIANA.

John M. Nelson, Crothersville.

MASSACHUSETTS.

Thomas E. Luddy, East Bridgewater.

MISSOURI.

Ross Alexander, Mercer.
L. R. Dougherty, Pacific.

MONTANA.

L. H. Adams, Somers.
W. H. B. Carter, Polson.

NEW JERSEY.

George Deiss, jr., Bradley Beach.
Adolphus Landmann, Oradell.
Henry Otto, Egg Harbor City.

OHIO.

Wiley K. Miller, Shreve.
David M. Welty, Bremen.

OREGON.

Esther Evers, Huntington.

SOUTH DAKOTA.

Hugh J. McMahon, Philip.

TEXAS.

T. J. Lilley, Whiteright.
J. W. Whatley, Miami.

SENATE.

TUESDAY, *September 2, 1913.*

The Senate met at 10 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

The Journal of yesterday's proceedings was read and approved.

CALLING OF THE ROLL.

Mr. SMOOT. Mr. President, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

The Secretary called the roll, and the following Senators answered to their names:

Ashurst	Dillingham	Martine, N. J.	Simmons
Bacon	Fletcher	Myers	Smith, Ga.
Bankhead	Gallinger	Nelson	Smith, S. C.
Borah	Hollis	Norris	Smoot
Bradley	Hughes	O'Gorman	Sterling
Brady	James	Overman	Stone
Brandegee	Johnson	Owen	Sutherland
Bristow	Jones	Page	Thomas
Bryan	Kenyon	Penrose	Thompson
Catron	Kern	Perkins	Thornton
Chamberlain	La Follette	Pomerene	Vardaman
Chilton	Lane	Robinson	Walsh
Clapp	Lewis	Root	Warren
Clarke, Ark.	Lodge	Saulsbury	Weeks
Colt	McCumber	Shafroth	Williams
Crawford	McLean	Sheppard	Works
Cummins	Martin, Va.	Sherman	

Mr. THORNTON. I wish to announce that my colleague [Mr. RANSDELL] is at this time absent from the Chamber on public business.

Mr. JONES. I desire to announce that the junior Senator from Michigan [Mr. TOWNSEND] is necessarily absent from the Chamber and will be absent for the remainder of the day. He has a general pair with the Senator from Florida [Mr. BRYAN].

Mr. SHEPPARD. My colleague [Mr. CULBERSON] is necessarily absent. He is paired with the Senator from Delaware [Mr. DU PONT]. This announcement may stand for the day.

Mr. SMOOT. I desire to announce that the senior Senator from Delaware [Mr. DU PONT] is detained from the Senate on account of illness.

Mr. GALLINGER. I wish to announce that the junior Senator from Maine [Mr. BURLEIGH] is detained from his duties here on account of a protracted illness. Information received from him yesterday indicates that he will not be here at any time during the present session. I make this announcement now so that it may not be necessary to repeat it on subsequent roll calls.

The VICE PRESIDENT. Sixty-seven Senators have answered to the roll call. There is a quorum present.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives by J. C. South, its Chief Clerk, announced that the Speaker of the House had signed the enrolled joint resolution (S. J. Res. 52) to authorize the appointment of Thomas Green Peyton as a cadet in the United States Military Academy, and it was thereupon signed by the Vice President.

PETITIONS AND MEMORIALS.

Mr. PERKINS presented a petition of the Chamber of Commerce of Oroville, Cal., praying for the enactment of legislation providing for the enlargement of the naval forces of the country, which was referred to the Committee on Naval Affairs.

He also presented a petition of the Chamber of Commerce of Oroville, Cal., praying for the establishment of a naval reserve, which was referred to the Committee on Naval Affairs.

Mr. POINDEXTER presented a resolution adopted at the annual meeting of the Congregational Association of Eastern Washington and Northern Idaho, held at Medical Lake, Wash., extending thanks to Congress for the enactment of the Kenyon-Webb interstate liquor law, which was referred to the Committee on the District of Columbia.

He also presented resolutions adopted at the annual meeting of the Congregational Association of Eastern Washington and Northern Idaho, held at Medical Lake, Wash., favoring the ratification of international arbitration treaties, which were referred to the Committee on Foreign Relations.

DR. JOHN T. NAGLE.

Mr. O'GORMAN, from the Committee on Foreign Relations, to which was referred the bill (S. 2907) to authorize the President to award a medal of honor to Dr. John T. Nagle for conspicuous bravery at the battle of Kernstown, Va., on July 24, 1864, while serving as an acting assistant surgeon of the United States Army, asked to be discharged from its further consideration, and that it be referred to the Committee on Military Affairs, which was agreed to.

BILLS INTRODUCED.

Bills were introduced, read the first time, and, by unanimous consent, the second time, and referred as follows:

By Mr. CRAWFORD:

A bill (S. 3069) granting a pension to Catherine E. Brown; to the Committee on Pensions.

By Mr. SHERMAN:

A bill (S. 3070) granting an increase of pension to Andrew T. Machesney; and

A bill (S. 3071) granting an increase of pension to Celina Little; to the Committee on Pensions.

THE CURRENCY.

Mr. THOMAS. I submit an amendment intended to be proposed to the bill (H. R. 6454) to provide for the establishment of Federal reserve banks, for furnishing an elastic currency, affording means of rediscounting commercial paper, and to establish a more effective supervision over banking in the United States, and for other purposes, which I ask may be printed and referred to the Committee on Banking and Currency.

The VICE PRESIDENT. The amendment will be printed and referred to the Committee on Banking and Currency.

Mr. THOMAS. In this connection I ask unanimous consent to publish in the RECORD a short article explanatory of the amendment from its author, and which I think is not only of importance but of great interest and value, due to the fact that we shall take up for determination the currency measure. I ask that the article be referred to the Committee on Banking and Currency to accompany the amendment just submitted.

There being no objection, the article was referred to the Committee on Banking and Currency and ordered to be printed in the RECORD, as follows:

PREFACE.

In order that the people's interest might be properly conserved, the administration at Washington expressed a desire to receive suggestions from persons not pecuniarily interested in matters which are the subject of legislation.

In response to this general invitation, I published in May of this year a pamphlet entitled "Outline of a Plan for Funding the National Debt and for Maintaining an Elastic Reserve Currency." The "plan" attracted some attention because of its novel treatment of the subject and for the advantages insured by its adoption, among which are the following:

The saving of millions of dollars annually in interest.
The means of determining at regular intervals a proper interest rate on bonds.
An equivalent to the Government of the profit on the circulation privilege in the form of a low interest rate on its bonds.
Taking the Government out of the banking business.
Independence of syndicates in the flotation of its bonds.
An "automatic" sinking fund.
The maintenance of the gold standard.
The simplicity of the system.
The freedom of competition in regard to Government bond issues.
The ultimate increase, within certain limits, of available money.
Its adaptability to expansion in the event of war.
The means of accelerating or retarding the process of funding to the best advantage.