

By Mr. LA FOLLETTE: Petition of the Washington Bankers' Association, Bellingham, Wash., favoring the passage of the 1-cent letter postage rate; to the Committee on the Post Office and Post Roads.

By Mr. RAKER: Petition of the San Mateo (Cal.) Development Association, favoring the passage of legislation to increase the naval defense for the Pacific coast; to the Committee on Naval Affairs.

By Mr. BELL of Georgia: Papers to accompany bill (H. R. 7140) for the relief of Elizabeth R. Nicholls and Joanna L. Nicholls, heirs of Joshua Nicholls; to the Committee on War Claims.

HOUSE OF REPRESENTATIVES.

SATURDAY, September 13, 1913.

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

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

How deep are Thy mysteries, O God! How exacting and insistent Thy mandates! We think; we plan; we aspire; we struggle; we fall. Thy will is supreme, and Thy will is good will.

Our wills are ours, we know not how;
Our wills are ours, to make them Thine.

The spirit is willing, but the flesh is weak. Bear with our infirmities, and help us from our heart of hearts to say, "Thy will be done," not only in the spirit of humility, but in a firm resolve to act with Thee in the furtherance of Thy plans, under the spiritual leadership of Thy son, Jesus Christ. Amen.

The Journal of the proceedings of yesterday was read and approved.

CURRENCY.

Mr. GLASS. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, the currency bill.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, the currency bill, with Mr. GARNER in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 7837, which the Clerk will report by title.

The Clerk read as follows:

A bill (H. R. 7837) 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 of banking in the United States, and for other purposes.

Mr. GLASS. Mr. Chairman, I yield 30 minutes to the gentleman from Texas [Mr. CALLAWAY].

The CHAIRMAN. The gentleman from Texas [Mr. CALLAWAY] is recognized for 30 minutes.

Mr. CALLAWAY. Mr. Chairman, a paper in Texas, called The Home and State, in its issue of August 23, said editorially:

Sit down and write a short letter to your Representative in Congress as soon as you have read this, and urge him to steadfastly support the administration currency bill. There is nothing to be gained by discussing the details. It is enough for us to know that it is heartily indorsed by Woodrow Wilson and William Jennings Bryan.

Such fidelity as that will certainly appeal to the sympathies and good will of the President and the Secretary of State however much such blind adherence must excite their pity. Be it said to the credit of the electorate of Texas that none have followed the advice of that paper. Those who have written have given reasons for the faith that was in them, whether they were for the administration bill or against it. I had some young mocking birds when I was a boy. They were pretty well feathered out and should have had some sense, but they had a way of throwing back their heads and opening their mouths whenever a hand was passed over them. One day a devilish chap was pranking with them, they shut their eyes, threw back their heads, and opened their mouths. The temptation was too much and he filled them full of the only thing in reach, green china berries. Next morning they were dead. Their faith was all right, but it digested no china berries.

Loyalty is one thing and blind following is another. I want to see this administration succeed as much as any living man, and I want to help in every way possible by thoughtfully giving the best that is in me to make it a success, a success for the whole people, a restoring to them of their equal rights, and opening to them equal opportunities; not giving them something, not fostering them, not flattering them, and not fathering

them. The manhood that is the hope and the reliance of this Republic does not ask to be coddled, fondled, and fathered; it understands that the Government can not favor some without oppressing others; can not give to one without taking from another; and that manhood asks simple justice, even-handed justice. It does not ask for legislative preference nor governmental license to oppress by means of superior strength, superior skill, superior mind, or superior wealth, nor to take from those who earn what is their just due; it asks only that this Government shield it from deprecation while it does and dares, and see that it is not robbed of the usufruct of its endeavor. If this be the purpose of the administration, I am with it heart and soul, but I do not think I can help by shutting my eyes and closing my mind the while I swallow down without question whatever it feeds into me; and seeing and thinking, I must be honest with myself and with those whose commission I hold, and must candidly protest when a measure is laden with dangers to the party, to the people, and to representative government, as I believe this bill to be.

THE REAL SOURCE OF THIS BILL IS THE ADMINISTRATION.

It is true that the Democratic caucus had a report from the majority members of the Banking and Currency Committee, but not one of the majority members, though a majority of them voted to report this measure to the caucus, believes this the best legislation that can be devised, and no thinking man on that committee believes this bill is what it ought to be. It was whipped through the committee by the administration, brought into the caucus and made a party measure by the administration, and whipped through the caucus by the same power. It is now before this House as a Democratic measure. It is not the product of the committee; it is not the product of the caucus; the administration handed it to us, and because it did the committee took it and the caucus took it, and that settled it for this House. Why should this legislation have been made a party question? The platforms of each party in the last national campaign denounced the present banking and currency laws and demanded legislation. Has there been such a clear line of demarcation between the parties on this question as to conclude us that no suggestions the Republicans could offer would render any assistance? Why shut them out completely by binding the overwhelming Democratic majority to this administration bill verbatim et literatim? That was done to protect the bill from Democratic criticism, thinking it would be easier to answer the arguments made against the bill by calling them Republican arguments than to answer them on their merits. You cut off all Democrats from offering amendments and bound them to vote down any offered because you thought it would be easier to vote them down as Republican amendments than to let them be voted on on their merits, and you will excuse yourselves when criticized for your vote and unable to meet the argument by saying you were following the fortunes of the administration and that you are willing to rise or fall with your party. I think this bill ought to have come into this House on its merits, and if it has not got merit enough to survive the criticism of the Democrats and the assaults of the Republicans, who are a hundred in the minority—and divided at that—it must be woefully lacking in merit. I believe it would have gone down. I do not believe a measure promising so little good and capable of so much harm as this could have stood the open fire in this House. I regret as much as any man could that my party has indorsed a bill the fundamental principles of which I consider so dangerous that I am forced to part company with them on it, but that is my situation on this bill.

PLATFORM DECLARATION AGAINST A CENTRAL BANK.

Mr. Chairman, in our platform adopted at Baltimore, and on which we won such a signal victory at the polls last November, we said, "We oppose the establishment of a central bank." I thought we meant that. I was honest in proclaiming that as the real sentiment of the Democratic Party. True, we did not say, "We oppose the establishment of a central board," but I submit in all candor that there is no real difference, so far as the concentration of power is concerned, between a central bank which controls the entire banking interests of the country and a central board which controls the entire banking interests of the country. James B. Forgan, pleading for a central bank before the Senate Banking and Currency Committee on September 2, said this bill practically gives us a central bank. I believe in the platform denunciation of a central bank because of the power concentrated by it. Mr. Wexler, of New Orleans, before the Senate Banking and Currency Committee, said, in answer to Senator REED, that a central bank such as they desired would have as much power over the business interest of the people of this country as the Czar of Russia had over the business interest of his subjects. I believe such power is dangerous, and it

does not lessen my fears to call such a centralization of power a central board instead of a central bank.

PLATFORM PLEDGE OF ABSOLUTE SECURITY FROM MISUSE OF POWER.

We said in our platform:

All legislation on the subject of banking and currency should have for its purpose the securing of those accommodations on terms of absolute security to the public and of complete protection from the misuse of the power that wealth gives to those who possess it.

We were commanded to secure the public from the power that wealth gives. There may be some, with the faith of the home and State editor or of the mocking birds, who will protest that in our platform we did not inveigh against power given by the Government or by the people and contend that power so given will not be abused, but I tell you, and in your heart of hearts you must admit the truth of it, when you have power and are hard pressed you use it to save yourself and crush the opposition, no matter how you obtained that power, whether through the accumulation of wealth, the confidence of your fellows, appointment to place, or by election to office. You claim that you use it properly. The individuals or businesses you crush claim you abuse it. The men with the power of wealth use it. That is all the power they have. Men with political power use that. It is always the instrument at hand that we use when pressed. Give a man political power and the power of wealth combined and when he is pressed he will use the one or the other as the exigencies of the case demand, or both should he understand their use and find it necessary. Men prate of confidence in great officials, and say they have faith that they will not misuse their power, and yet the world's history is full of instances that rebuke such credulity.

John Clark Ridpath, the great historian, in an article in the Arena of April, 1898, on the Government of this country from the adoption of the Constitution, speaking of the abuses of governmental power, said:

This "divine fact," called government * * *, may call itself a prince, an emperor, a czar, a shah, a mikado, a sultan, a president, a Speaker of the House of Representatives. Whatever it is and in whatever shape it comes, whether it be angel or devil, its peculiarity is that it exists and maintains itself and exercises its authority outside of and upon the people governed. Did space permit I should gladly summarize the work of this monstrous thing among the nations of the earth. History is replete with the story of the abuses, cruelties, and tyrannies of the fact called government. It is composed also of the ignorance, superstition, and horrid profanation of the truth done in the name of government. It is composed of the inhumanity and cunning and mock religion which government has practiced. It is composed of the insatiable ambition and gilded pretense and pampered obesity which have been the most conspicuous signs of government. Government has killed one third of mankind, starved another third into specters, and reduced the remaining third to slavery.

You tell me men in great office will not abuse the power given them because of the confidence reposed in them and because of their great responsibility. One of the most dramatic struggles that has taken place in this House in years was the fight to take away from the former Speaker, Mr. Cannon, the power which you claimed he abused; and when I came here I heard men who are now fighting for this bill and contending that there is no danger in giving the President's board of seven power, according to Chairman GLASS, to determine the welfare, prosperity and happiness of every man, woman, and child in the United States arguing for a rule adopted at that time taking away from the Speaker the right to appoint the committees, because they said such concentration of power was dangerous. "Consistency, thou art a jewel." Were you sincere when you claimed the former Speaker had abused his power and that such power would be dangerous in the hands of the present Speaker, or are you sincere now when you claim there is no danger of abuse of power by public officials? We had a fight quite recently over the organization of a budget committee, and though I favored a budget committee, I opposed that organization because I believed too great a concentration of power would ensue if the budget committee was to be composed of the chairmen of the different big committees of this House. I did not oppose it because of the personnel of the committee, but because of the concentration of power. The chairman of the great Ways and Means Committee would have become the chairman of that budget committee. He knows my confidence in him and my love for him. He knows when I oppose him on any question I am following my judgment on a matter of principle and not my feeling. I hope he knows me well enough also to know that my confidence in his judgment and in his integrity and my affection for him, great as it is, does not lead me to follow him further than my judgment is convinced by the reasons he advances. I am sure that I have more real affection for one of the men who will become a member of the board proposed by this bill, should this bill become a law, more confidence in his judgment and integrity, than any man in this House has. I refer to the Secretary of Agriculture. But that does not take the deadly upas contained in this bill out of it nor lessen my fears for the per-

petuity of our free institutions should it become a law and be accepted generally by the 25,000 banks of this country.

OUR FINANCIAL LEGISLATION ALL ANTI-DEMOCRATIC.

Mr. Chairman, in the light of the history of the financial legislation we have had in this country, it occurs to me that we should proceed with the most extreme caution. Alexander Hamilton, one of the greatest of the men who figured in the founding of this Government, but not a Democrat, organized a national banking system by chartering what was known as the first Bank of the United States, in 1791. The charter ran for 20 years. The question of extending it came up during Jefferson's administration, in 1808. Gallatin, who was then Secretary of the Treasury, recommended the extension of the charter. Jefferson, the Democrat, opposed it, and the Congress backed him. In 1811, when the charter actually expired, Congress, dominated by the same men who had served in Congress with Jefferson as President, refused to recharter the bank.

The reasons Jefferson gave for refusing to extend the charter were that the bank had a monopoly that it should not have, a favoritism from the Government that it should not have, and a concentration of power that should not exist. He favored the banks in the different States, and said the small banks were as little apt to abuse the power given them as the gigantic central bank, and when a little bank abused its power the effect was inconsequential, whereas when a giant central bank abused its power the effect was destructive and the disaster widespread. What would Jefferson say about this bill, subject to every objection made to the United States Bank organized by Hamilton?

The second bank was chartered in 1816 during Monroe's administration, and its charter ran for 20 years, expiring during the administration of the immortal Jackson, the second great Democrat. His refusal to allow it to be rechartered is a part of the really great history of this country. The power of the bank was such, with \$55,000,000 capital, that it influenced the House of Representatives and the Senate of the United States, and was claimed to be able to make and unmake Presidents—but not such Presidents as Jackson. Only God and the people can make one of his heroic mold. It succeeded in forcing through the House and the Senate a bill rechartering it, and with a less determined, patriotic, and heroic man in the White House it would, with its great power, have forced Executive approval.

JACKSON SAID "DO NOT TRANSFER POWER FROM THE BANK TO THE EXECUTIVE."

Jackson said, in a paper on the refusal of the bank charter read to his Cabinet:

In ridding the country of an irresponsible power which has attempted to control the Government, care must be taken not to unite this same power with the executive branch. To give a President the control over the currency and the power over individuals now possessed by the bank of the United States, even with the material difference that he is responsible to the people, would be as objectionable and as dangerous as to leave it as it is.

NATURAL AND PROPER BANKING KILLED BY LAW.

The second United States Bank did not control the entire banking interests of the country as this bill seeks to do, nor did it have the monopoly of the note issue, as this bill gives to the reserve board. Its power did not compare with the power given to the President and his board by this bill. The Suffolk Bank of New England, organized in 1824, issued notes redeemable in gold and did the banking business of the New England States until 1866, when it was taxed out of existence in order to give place to the national-bank-note circulation; the bank at New Orleans, organized in 1842, had power to issue notes redeemable in gold and continued to do business with every note worth its face in gold until Gen. Butler captured New Orleans during the Civil War and took away the gold; the Bank of Indiana, with the note-issuing privilege, as stable a financial institution as the country had, answered every demand of that developing State until taxed out of existence in 1866 to give place to national-bank-note circulation; the Bank of Missouri, the Bank of Iowa, and the Bank of Kentucky were all great banking institutions that stood during Democratic administrations as the bulwark of the greatest progress and greatest and most uniform development of this country from 1836 to the Civil War. These banks were redeeming their notes at their face value in gold till taxed out of existence in 1866, when greenbacks of the United States were depreciated and Confederate money was valueless. These institutions are proof positive of the soundness, safety, and common sense of a rightly operated banking system with the note-issuing function, and they were allowed to live while Democracy ruled.

Had this Government maintained the banks scattered throughout the country, left them the right of note issue, but required a uniform note prepared by the Government to avoid counter-

feiting, subjected them to Government inspection, and required them to come to a safe standard of sound and conservative banking, the financial history of this country would have been very different from what it is; but in 1863 the Government, controlled by the Republicans, passed a national banking act which gave to organized national banks the exclusive right to issue notes on United States bonds. This was done for the purpose of forcing a market for Government bonds at an exaggerated price. It would not be difficult to figure the amount of fictitious value created by this iniquitous legislation, but the extent to which it has burdened our industries, kept back our development, and destroyed our institutions could not be estimated.

This privilege of issuing notes on the bonds, however, did not immediately give as ready a market for them as those responsible for the scheme desired, and in 1866 they taxed all other bank-note issues out of existence. This legislation was for the purpose of forcing national-bank-note circulation, and was as damnable and far-reaching in its effect as legislation usually is which is designed to force values, grant privileges, or stimulate industries. It was a fit companion for the protective tariff and other similar legislation indulged in by the party that was in power at that time. This national-bank act based the circulating medium created by it on the Government debt. If we have years of peace, development, and prosperity, during which our debt is not increased, our circulating medium stands still. Should we pay off part of our national debt our circulation is decreased; if we have war or other trials, increasing our national debt, our circulating medium increases. The expansion or contraction of our circulating medium under the present law bears no relation whatever to our commercial or industrial needs or our increase in wealth. The Republicans, even, have grown ashamed of this statutory iniquity, the Democrats have always protested against it, and each party in its platform of last year denounced the present financial system as inadequate and demanded currency revision.

WHY NOT LEGISLATE PROPERLY RATHER THAN HURRIEDLY?

The whole country is aroused at last to the enormities of the present system, and Congress, in obedience to that popular demand, has to legislate. Will you try to excuse yourselves or claim you have obeyed that demand by allowing this bill to be enacted? I had rather endure for a while the bad system we have, the iniquities of which we understand, than to usher in this Trojan horse, loaded with we know not what, and have to go through years of struggle and suffering before we understand its evils. The people of this country are entitled to banking and currency legislation that will be permanent, answer automatically the demands of commerce, be responsive to the strains of business, not subject to the control of any individual or board, safe from the domination of any coterie of financiers, and giving to the people and to trade the most mobile, inexpensive, elastic, safe, sound, and stable currency system that it is possible for the combined wisdom and courage of this Congress to work out; and they are entitled to it as soon as it can be worked out, but they do not want a measly makeshift, and there is no such hurry and pressure as to justify putting on the statute books any half-baked and imperfect legislation.

We can save more time to the people of this country, their industrial interests, and the future of the Nation by taking the necessary time to do this thing right, examine this spectacular monster inside and out, through and through, than we can by hurriedly putting through this legislation, which has been shoved inside the walls of the Democratic majority without them knowing the fatal possibilities lurking in its body. This piece of legislation is before this House for action with the Democrats pledged to pass it; but it is no more understood by this House nor by the Democratic Members of this House than the historic horse was by the Trojans, and should the banks refuse to accept it and thereby retire the \$750,000,000 in bank-note circulation we now have, it will prove as disastrous to the industries of this country as the Trojan monster proved to the people of Troy. Mr. BULKLEY says this is an emergency system. We want and we ought to have a permanent system. Why should we not inaugurate a lasting system now, a system not dependent on the will or caprice of a President or a board?

THE ALL-PERVASIVE POWER OF THE PRESIDENT UNDER THIS BILL.

This bill provides a board of seven, appointed directly by the President, subject, of course, like the Cabinet, to the President's will, which board has discretionary control over the 12 regional banks. The capital of these regional banks is to consist of one-fifth of the capital of the respective banks of their districts, together with 5 per cent of the deposits of these banks. The board has the exclusive power of note issue to the reserve banks,

the power to cancel the membership of any member bank at discretion, the power to accept or reject the security or any part of the security offered by the banks, and the power to fix the discount rate, with the accompanying power to increase or contract the circulating medium of the country at will. Summarize these powers, and you will find that power centered in this board, which Chairman GLASS said "could determine the welfare, happiness, and prosperity of every man, woman, and child in the United States," and majority leader UNDERWOOD declared "resolved itself into faith in the President's board, the whole question being whether the board was angel or devil."

The amount of capital subject to the direct control of this board, should all the national banks come into the scheme, would be 20 per cent of the capital of the banks, or \$206,600,000, plus 5 per cent of the deposits, or \$291,250,000, making a total of \$497,850,000, together with a dominating influence over the entire national banking interests of the country, composed of capital, surplus, and deposits amounting to \$7,708,000,000. Should the State and private banking interests come into the scheme, it would put under the direct control of the board additional capital amounting to \$200,400,000, being one-fifth of the capital of such State and private banks, plus 5 per cent of their deposits, amounting to \$254,450,000 more, aggregating under their direct control from State and private banks \$463,850,000, and giving them a dominating influence over the entire wealth affected by the State and private banking interests, amounting in capital, surplus, and profits to \$7,000,000,000. Jackson said Biddle's bank, with a capital of only \$55,000,000, had attempted to control government and "possessed a power over individuals that should not be intrusted even to the Executive, though he was directly responsible to the people."

If that central bank was a menace because of the enormous power it possessed over individuals, the interests and the commerce of this country, with a capital of fifty-five millions, with no control over the general banking interests of the country except as given it by its capital, with no insight into the innermost workings of each and every banking concern in the country such as this board will have, with no monopoly of note issue such as is given to the board by this bill, what think you of giving into the hands of this board the absolute control of \$661,000,000, together with a dominating influence over the entire capital and surplus and deposits of the banking interests of this country, amounting to \$14,907,000,000? Not only that, besides putting into the hands of the President and his board a power infinitely greater than a central bank would have, the President has combined with this the political power given him by that great office, which is now a dominating influence that most Federal officials stand in abject awe of. He appoints the members of the Cabinet, has the right to call for their resignations at will, and controls the general policy of each department of the Government. Combine this with a controlling partnership with the entire banking interests of the country and you have the President controlling the political and financial interests, and under this bill his board operates in partnership with the bankers. He has to have their cooperation before this bill can become effective, and the banks must have his cooperation after they enter the scheme before their business can be profitable. Necessity makes them act together. Where will the people come in? We are told to ask no questions; have faith, simple faith. Who usually gets a hearing, the man on the ground or the trusting man? Who has been favored in this Government, the principal business of which for the last 50 years has been granting favors to those who were sufficiently close, powerful, and persistent to get what they wanted? Has it been the people with faith? Is it faith or "eternal vigilance" that insures us "life, liberty, and justice"? Jackson said to give the President control over the currency and the power at that time possessed by the bank of the United States over individuals would be as objectionable and as dangerous as to leave it as it was, but here is a proposition to concentrate a power in the Executive infinitely greater than was dreamed of by President Jackson when he made that statement. Jefferson said he had an abiding faith in the common judgment of mankind and full confidence in their voice when honestly and freely expressed. Think you that the people of this country would freely express themselves at the ballot box in the face of such power as this concentrated in the hands of the President? If they did, they would do something this House has not done and will not do when the administration steps in with its present power, but combine with this the power which is given by this bill, according to Mr. GLASS and Mr. UNDERWOOD, and you have enormously reduced the possibilities of a free expression of the Congress or of the people.

It may be argued that all the banks will not come into this scheme, and therefore the wealth subject to the President's

board will not be as great as I have stated; but if they do not come in the scheme is only an iridescent dream, and the business of the country and the administration is at their mercy. If part come in and part stay out, it is not a national financial system, but a mess that gives us a national system in part and a private system in part. The whole argument for this scheme is the necessity for elasticity in the currency and taking the dominating control of the finances away from Wall Street and the Money Trust. If the bulk of the financial interests of the country does not come into this scheme, the domination of Wall Street is not broken, general elasticity of the currency is not obtained, and the bill is worthless. If they do come in, the partnership is established between the Presidency of the United States and the banking interests of this country, and when once the partnership is established they are bound to act together. Then, with the great financiers acting with the President, where are we? There is a partnership formed that must be regarded by each—a power in the President's board, Mr. GLASS says, to affect the interest of every man, woman, and child in the United States; a power, Mr. UNDERWOOD says, which makes the whole question whether the board be angel or devil. With such power in the President and his board, is this a free people and a free country? When a board appointed by any one man has discretionary power to determine the welfare of every man, woman, and child in the country, have we liberty? Is this a free people and independent when subject to a board which means weal or woe as it is angel or devil? The proponents of this measure assure us that the President will not abuse this power, but I tell you this is not a free country when its citizens are subject to any man's will. No man is a free man, no nation is a free nation, and no people is a free people which is subject to the will or caprice of any living mortal or bunch of mortals. This would not be chattel slavery, where men and women are put on the auction block and sold, but it would be industrial slavery, in which the welfare of the people would be subject to the President's board, a worse kind of slavery, said Horace Greeley, than chattel slavery. I am glad it was not left for me to say how absolute and far-reaching the power given by this bill to the President's board would be. I am glad the administration's agent in this House, Mr. GLASS, said it; I am glad the great leader of the majority, Mr. UNDERWOOD, said it. You, the proponents of this measure, can not answer by saying this power has got to be lodged somewhere, that it is now lodged in Wall Street, and that we are commanded by our platform to take it away from there; and then, in feigned obedience to that command, excuse yourselves by claiming that you have moved it to Washington and put it into the hands of the President and his board. We are commanded by the platform to obtain banking and currency accommodations on terms of absolute security to the public and under complete protection from the misuse of power. What protection have we here from the misuse of power? Faith, faith, faith; faith in man, fallible man, swept by all the passions, prejudices, and ambitions, mental misgivings, short-sightedness, and misconceptions of man. You may have such faith and confidence in the present Executive that you are willing to put such power in his hands, with an absolute faith that he will never abuse nor misuse it; but he is not always to be President; his term or terms will expire; and even should he prove to be such a beneficent and wise President as to induce you to abandon the platform and keep him two terms, or even sweep all precedent aside and continue him in office for life, he will not live always, and we hope this Republic will endure.

THE ATTRACTIVENESS OF THE PRESIDENCY TO GREAT BANKING INTERESTS.

When he is gone the control of this board becomes the greatest prize to the financial interests of this country ever held up to an interest such as the banking interest to be fought for; and it does not mean the same to one who would administer it honestly and rightfully as to one who would make it serve his personal ambition and private ends to the utmost. To the one it carries with it the honor and the salary; to the other it carries with it whatever his ingenuity can make of it. The race for it is not equal, nor the reward the same. A prize is the same only when it is of equal value to the different opponents when obtained. This place becomes to the one a prize inestimable, while to the other its limits are fixed. In the formation of this Government we hedged our Executive about by law. He had certain functions to perform within a given sphere; he was bound by law as other officials. Our legislative and judicial branches were also hedged about by law, limited to a given sphere, but this bill proposes to break down the barriers, gives the financial initiative to the President's board, and enables it, directly or indirectly, to hold the reins over the legislative and judicial branches also.

THE DRAIN ON THE INDUSTRIES IN THE COUNTRY.

The administration bill forces all national banks to come into the system and subscribe one-fifth of their capital stock, paying in half of it immediately with the other half subject to call. It allows banks 5 per cent cumulative dividend on the capital paid in, and an interest in 40 per cent of what the reserve bank makes over and above the 5 per cent on the paid-in capital in proportion to their average annual balances with the bank. This requirement that the bank subscribe one-fifth of its capital and pay one-half of it into the Federal reserve bank a thousand miles from home does not weaken or impair the capital of the bank, but the community loses the capital and the bank will be compelled to withdraw exactly that amount from the business of that community and send it as a reserve to the regional reserve bank. The community will suffer the loss, and where industries are already suffering from lack of capital to develop their resources there will be a calamity. This bill collects a reserve by diverting capital from sections now starving for more and profitably utilizing every cent they have, and you console us by telling us we can come to this reservoir and borrow it back provided our industries successfully stand the shock of having one-tenth its capital drawn off and can convince the President's board that our securities are better and our needs greater than other sections that are clamoring to have their paper discounted.

EXEMPTION OF BANKS FROM TAXATION.

This bill exempts the capital of the regional reserve banks from municipal, county, State, and national taxes. The schools, the eleemosynary institutions, the local government are weakened in the exact proportion this capital bears to the wealth of the community. The requirement that the reserve be kept with the reserve bank or in its own vaults cuts small banks off from correspondents which have heretofore, because of reciprocal relations, accommodated the small banks throughout the country and in a way thoroughly satisfactory to the small banks.

This bill is not in answer to any complaint from the small banker that he has not been properly treated by his correspondent banks. He makes no charge against them. His complaint is against the banking and currency laws that make rigid and inelastic our currency, prohibit it from responding to trade demand, and concentrate funds in central reserve cities. He is satisfied with the treatment he gets at present from his correspondent banks. They evidently answer his demands. Will your regional reserve bank do more than answer his demands in a way satisfactory to him? His present correspondents answer his demands without taking away from him control of one-fifth of his capital and taking away from him one-tenth of his capital in cash. What the small banker lacks is capital, and what the community he serves lacks is capital, and you propose to benefit them by hitting them in the weak place. In this bill you are following the doctrine practiced by this Government for 50 years.

To him that hath shall be given, and he shall have in abundance, while from him that hath not shall be taken away even that which he hath.

REFUNDING 2 PER CENT BONDS INTO 3 PER CENT.

The concentration of power—unlimited power—in the President's board is not the only bad feature of this bill. It proposes to refund \$750,000,000 of 2 per cent 20-year bonds into 3 per cents. This change will cost the people of the United States 1 per cent more on the bonds, and they lose the one-half of 1 per cent on the bank-note circulation, which makes this transaction cost them 1½ per cent annually until the bonds are paid off—20 years at least. It amounts to \$11,250,000 annually, or \$225,000,000 in 20 years, nearly a third of that bonded debt. The whole interest on those bonds could be and ought to be saved to the people of the United States by the use of a little backbone, common everyday horse sense, and a pencil. The Government at present guarantees the bank-note circulation, holds the bonds owned by the banks to secure the Government for circulating the bank notes. The Government owes the banks the amount of the bonds. The bank owes the Government the amount of the bank notes, or is bound to call them in and pay them off before it is entitled to its bond placed with the Treasury to secure the Government against the note circulation. The Government pays the bank 2 per cent on the bond; the bank pays the Government one-half of 1 per cent on the note circulation. The Government could, by agreement with the banks, assume complete liability for the note circulation, which amounts to the face value of the bonds, and cancel the bonds, carry a sufficient redemption fund in the Treasury to secure the note circulation, just as it does to-day for the \$346,000,000 greenbacks outstanding, and retire those bank notes as they find it to the public interest. But this bill, instead of doing a

sensible thing like that, refunds the 2 per cent bonds into 3 per cent bonds. If you would do the economical, simple, and wise thing I have just suggested, the Government could retire these bank notes at will as it had the funds, and in such a way as not to disturb currency conditions at all. That would not add to nor take from the circulating medium one cent. Any individual operating his own business would at once take advantage of an opportunity like that to simplify and economize his affairs.

Now, another proposition, and I hope if I get to the end of my time before I get to the end of my paragraphs, either Democrats or Republicans—one will give me time to finish. [Laughter.]

THE CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. CALLAWAY. I hope the gentleman from Virginia will give me five minutes more.

Mr. GLASS. I have no more time.

Mr. CALLAWAY. Will the gentleman from California give me five minutes?

Mr. MURDOCK. Has not the gentleman from Minnesota [Mr. SMITH] got some time?

Mr. HAYES. I will yield five minutes to the gentleman from Texas.

THE CHAIRMAN. The gentleman from Texas [Mr. CALLAWAY] is recognized for five minutes more.

Mr. CALLAWAY. It is a bad way where a Democrat has to get time from a Republican to discuss a measure that is undemocratic. [Applause on the Republican side.]

THE ADMINISTRATION PROSTRATE BEFORE THE BANKING INTERESTS.

If you would make that provision with reference to the bank-note circulation you would remove one of the embarrassing propositions that subjects you absolutely to the will of the bankers. Should the banks fail or refuse to come into the scheme, surrender their charters, and thereby stop the \$750,000,000 of bank-note circulation, contract the circulation that much, you and your majestic system would go up Salt River together. In this bill you are dependent on the bankers with whom you propose to enter into a partnership business. You are going to force them into the partnership or force them out of the national banking system, and should they go out the crash comes. There are 17,000 State and private banks and only about 7,300 national banks. State and private banking seems to be more popular than national banking under the present system. It does not therefore seem improbable that national banks would surrender their charters as national banks and take out private charters unless they get such concessions in this partnership as they desire. They have certainly got the last say. Suppose this measure, so dear to the heart of the President, should pass this House, go to the Senate, and they should pass it and the President approve it. It is then a splendid paper system, without a dollar with which to operate it and no power to get a dollar except the bird in whose presence the fowler has spread his net sees fit to come in and furnish the capital on the terms you have made to him. Has not the banker, then, got the President and his system at his mercy? Can not they say to him, "You can not have a dollar unless you appoint the four men we will name for you"? That is a possibility under this system, and in my judgment a probability.

Not only can they do that before they come in, but they can draw out at any time afterwards should they fail to get such concessions as they want and wreck the system, because it is wholly dependent on the banks furnishing the capital. If New York has the dominating influence in the banking world that is claimed for it, controlling by interlocking directorates and other devices one-sixth of the wealth of this country, \$22,000,000,000—and I do not at all question the claim—have not the New York bankers got the President at their mercy when you have passed this bill? He prepared this bill, pushed it through the committee, through the caucus, and through the House. Should he get it through the Senate, and then the bankers should balk him in putting it into operation, do you not think under such circumstances it would be hard for the President to refuse to accede to the recommendations of those who will have to put up the capital in the appointment of the board?

THE MONEY TRUST LEGALIZED AND DEIFIED.

The big banking interests have never at any time opposed this bill in its entirety. They have asked for changes in it here and there, but the general policy of the bill has suited them. Mr. James B. Forgan said before the Senate committee that this bill could be made, by a few changes not affecting the principle of the bill at all, thoroughly satisfactory to them. He said 12 banks did not suit them as well as 7, nor 7 as well as 5, nor 5 as well as 1; but since you had in this bill the control of all of them in a central board you had practically a central bank. You have 12 banks under one control each of the 12 regional reserve agents directly appointed by this board and

subject to its autocratic discretion. Through these reserve agents all paper has to be presented for rediscount and all issuances of notes made. You have 12 clerks in these regional reserve agents working at 12 respective windows of an immense institution presided over by 7 men who are subject to the will of the President. Forgan says that is practically a central bank, and it is a central bank so interlocked with the politics of the country that not only the banking business and the finances of the country will be controlled by it, but the politics of the country will be controlled by it. And now back to the control of this central bank:

This bill requires the establishment of 12 regional reserve banks of not less than \$5,000,000 each before business can begin. I have shown that the President is helpless when the law is on the statute books unless the banks come in with the required capital. A few big banks in New York, Chicago, Boston, Philadelphia, St. Louis, New Orleans, and San Francisco can stay the organization of the 12 regional reserve banks and force the President to grant such concessions as they demand, because the required capital is not subscribed and can not be had without these big banks come in. They can name the four members of the board, which he must accept or his scheme dies. These are possibilities. The Money Trust can take advantage of these possibilities for their own interest if they see fit. You can safely count on the bankers not overlooking anything that is to their interest, and you ought not to doubt they will take advantage of all possibilities.

These are some of the dangers in this bill as I see them. I have called your attention to them, have done my duty to my people and my country as God has given me to see it. If sustained by my constituents for daring to express my honest convictions, I shall be grateful and happy. [Loud applause.]

Mr. GLASS. Mr. Chairman, I yield 30 minutes to the gentleman from Texas [Mr. HARDY].

Mr. HARDY. Mr. Chairman and gentlemen of the committee, I can not understand the workings of the mind of my colleague [Mr. CALLAWAY] who has just addressed you. He bitterly complains that he has not time to discuss the merits of his own plan and demerits of this bill, and then he takes five-sixths of his time in discussing, not the measure, but extraneous matters, into which I shall not go, because they do not concern me. I am concerned only in the merits or demerits of this bill.

In another way I can not understand the operation of my colleague's mind, because in the time that he did devote to the discussion of the bill he began by trying to show that it is a Government tyranny of the most outrageous sort over the banks of the country and in the last half of his last few sentences on the bill he declared that it would be a tyranny of the banks, who would have a throttle hold on the Government of the country. [Laughter and applause.]

I do not know which he fears most under this bill, Government oppression of the banks or bank oppression of the Government. Mr. Chairman, I am as great a believer in personal freedom and in individualism as the gentleman from Texas or the gentleman from Georgia [Mr. HARDWICK]. I believe so greatly in individualism and personal liberty that I believe it is our duty to preserve the greatest possible amount of freedom of personal action and conduct and to promote individualism as the very highest type of citizenship; but I know that in order to secure such freedom and individualism every man must surrender to society just so much of it as will enable him to preserve the remainder of it. Much must be surrendered in order to preserve much. By refusing to surrender some of our liberty, our privilege, our individualism, we may lose it all. Place no shackles, no restraints on banking; give banks entire liberty, and they will end by enslaving government and commerce. Where to draw the line between absolute unrestraint and complete Government control in order to secure that which is best for a nation is the great problem for statesmen in questions of banking as it is in all other matters.

Now, I want to say just one word in answer to the gentleman from Iowa, Judge PROUTY. His authorities are all good, and he cites many of them, which all show that confiscation, taking property without compensation and without due process of law, is unconstitutional. The trouble with that argument is that there is no such thing done or contemplated by this bill. This bill will dissolve the present national banks, unless they accept its terms, which they are free to do or not to do. The law under which our national banks were created reserved the right in the Government to dissolve them—the right absolute and unconditional. To dissolve them, therefore, is not confiscation.

Now, let me give an illustration: Suppose the gentleman from Iowa and I make a contract, in which we agree that at any time either may terminate it. I come to him and I say: "I am

going to terminate our contract, but if you will accept certain alterations in it we will let it run another year." Is there any confiscation in that? That is all there is in this question of law, so learnedly presented by the gentleman.

I have said this much by way of brief answer to criticisms. I wish now to discuss the bill itself.

Mr. Chairman, the pending bill, when its structure and purposes are fully understood, will be found a startling departure from anything we have ever had in banking legislation in the United States. It violates many ancient precepts of supposed political wisdom. It ignores the protest of those who on all occasions hasten to warn us against paternalism; of those who insist that the Government should keep out of the banking business; of those who insist that the only proper function of government is to prevent crime and preserve property, meaning thereby to limit the definition of crime to such crude acts and deeds as assault, and murder and rape and robbery; and to limit the preservation of property to preventing the invasion of one's home, the taking by violence of one's personal property and the like. To prevent wrongs and preserve rights, both personal and property, is a great part of the proper purpose of government and just law, but the refinements and developments of modern civilization have taught us that our former narrow conceptions of the scope and functions of government must give way to broader views and higher estimates of the powers and duties of the State. We know now that murder may be committed by other means than the bludgeon or the dagger, and robbery by other persons than the highwayman, and that our homes and property may be taken away from us by other methods than violent ones. Therefore, we have entered the mill and the factory and the cities with laws to demand and insure the healthy home and workshop of the poor, the safe housing of the well to do, and sound and healthful food for all. We have said to the hotel builder, "In doing what you will with your own you must not build fire traps," and to the food vender, "You must not sell poison or tainted food." We have found that not the poor alone but the well to do need to be protected from the wiles and schemes and operations of the crafty, the greedy, and the strong, and so we have passed laws to prevent combinations and monopolies, laws that seemingly or perhaps really deny the freedom of contract, that fix hours of labor, that protect childhood and womanhood and even manhood against the strong and selfish who would oppress the helpless by lawful, because not heretofore prohibited, means beyond the power of endurance.

We have found there are other kinds of slavery than that witnessed by iron chains. We have begun to seek to lessen industrial slavery; we have gone even further than mere prevention of wrong, in this broader sense, and concluded that there is a wide scope for law and governmental activity outside of mere prevention of wrong perpetrated by the strong against the weak, and we are building schools and hospitals and giving aid in a thousand ways to help the weak and build up the feeble, but wherever we do, or try to do, any of these things for the betterment of the great masses we are met by the loud protest of fixed wrong and entrenched privilege. At least we are denounced as paternalistic and socialistic. Generally the cry is we are destroying vested rights, we are confiscating private property. I shall not discuss these questions except to say there is no vested right in wrong. That if this bill be paternalistic, the English-speaking peoples have never refused to adopt just such paternalistic laws when self-preservation or even the undoubted general welfare demanded; their wise purpose always being to preserve the greatest amount of individualism consistent with the highest good for the whole people, and to say further that there is no touch or taint of confiscation in the measure.

I grant that this bill does put the Government into the banking business. I shall try to give the reasons why I think the Government ought to go or ought to be in the banking business to the extent it is put there by this bill. What is a bank? A bank creates nothing. Banks keep the money and accounts of people who do create and help them deal with each other in their commodities. Banks have capital stock, which is money or property the banker has earned before he organizes his bank, and this practically is the pledge he puts up for the safe-keeping of other people's money. This is the national or State bank as we now have it and understand it.

But before the State took hold of the matter and authorized a bank charter there was no capital stock. Indeed, there is nothing now to prevent any man from building him a house with a vault in it and saying to all men, "Bring me your money and I will keep it for you and pay it out on your order or pay it back to you on demand." This was what was done by the first bankers. Such men were simply trustees of their depositors. There was nothing to prevent such a man from receiving money and giving a note for it and loaning money and

taking a note for it. Centuries ago the bank and banker proved themselves the finest development of commercial method, the best instrumentality of barter and trade, and of lending and borrowing money; but banking developed something else which I will try to illustrate. Let 100 men engage in gainful industry, earning money. They barter and trade and lend and borrow among each other. They select one of their number to keep their money and accounts with each other. It at once appears that the one man can do this with great saving and convenience to all. At first, doubtless, they would pay him a fixed wage and themselves take all the profits or interest paid by borrower to lender. If a whole State were to do this, employing their custodian and bookkeeper to keep the money and accounts of its citizens, we would have a Government bank pure and simple. But I expect the 100 men would soon say to the man they had selected, "We do not care to look after this matter. We will lend you our money and you loan it out to others. You pay us a certain interest and keep the money safely, loaning it safely for what you can get above what you pay us." In this way a private bank might start. At least this is the principle upon which private banking rested—the free banking so loved and lauded in the past. No capital stock was pledged to secure the deposit. Only the personal word and honesty of the banker was the depositor's security.

Now, in this little community of 100 men I have been talking about, the only man who added nothing of his earnings to the money in the bank was the elected or selected or self-constituted banker. But when that community was augmented to a thousand men or several thousand men and the bank had been running for 10 or 20 years it frequently happened that the earning members of the community had paid to their banker in interest enough more than the banker had paid to them to make the banker by far the richest man in the community. There was nothing wrong in this. The banker was wise, was honest, and effected a great saving to the other members of the community, and this was all fair and right so far. The free-banking advocates will say: Since this was all right, why not leave it at that? But people found that sometimes the banker did not have good judgment, made bad loans, lost their money, and was not able to pay back to his depositors, or he speculated and lost their money that way, or, as sometimes happened, he was dishonest and decamped between two suns with their money. Then people wanted something else. Apparently they applied to the Government to help them, and I have yet to find the man with the hardihood to say they ought not to have done so. Then the Government went into paternalism and into the banking business so far as to pass bank-charter laws, to provide for bank stock companies, the stock to be paid in by subscribers and to be held as pledge for the security of the depositors, and the law placed officers in charge of the bank and in custody of the assets of the bank subject to special pains and penalties for neglect of duty or for corrupt or dishonest acts; and then the paternal Government got very particular and had inspectors visit the banks, and did a great many other things in the interest of the public.

Now, under the extreme ideas of the gentleman from Georgia [Mr. HARDWICK], what had the Government to do with all this matter of safeguarding stockholder and depositor and the public generally? But banks, corporate creatures of the State, were still allowed great latitude, and we had in this country an era of wildcat banking, with thousands of bank notes issued. Other countries had the same, but we seem to have outstripped all others in the last century in the wildness of our wildcat banks. During all this time there were good banks and good bankers, but for a while they seemed the exception and not the rule.

In my opinion it was a good thing that came out of the War between the States, that war necessities caused the Federal Government to drive all irresponsible bank notes, together with some good ones, out of circulation by taxation and to permit no bank notes to be issued except such as were as good as the Government itself—notes based on the bonds of the Government. For that time that was perhaps the best law they could have passed. The same law threw its paternal care also very strongly about the depositors. It made stockholders in the bank subject to double liability for the debts of the bank, and provided periodical Government inspection of the books and condition of the bank, and assumed the right, without due process of law, to take charge of rotten banks. The Government went further into paternalism and into the banking business by, from time to time, going to the relief of banks when a crash or crisis impended and placing millions of dollars of its own in their vaults; but this act of paternalism banks and bankers have not complained of, since it gave them great benefit and brought nothing to the Government. And then we prepared to go into paternalism and into the banking business still further by passing the Aldrich-

Vreeland emergency currency measure, by which we proposed, if a panic threatened, to help the whole people, and especially the banks, by issuing and delivering to the banks five hundred millions of authorized notes on certain collateral they might be unable to realize on elsewhere, in order to enable them to meet their obligations and tide over emergencies; and this act of paternalism and socialism and going into the banking business was not objected to by the banks. And then we established postal savings banks, which would give safety to depositors when banks were not safe; and here the bankers did kick, since for the first time the banker was not to get all the benefit from the Government's banking activities. So that, Mr. Chairman, the Government is already in the banking business up to its neck. [Applause.] We are already paternally trying in every way, at all times, to help the people and the banks through our currency and money handling activities, without profit, but at some burden and some risk, perhaps, to the Government. Does it not seem late in the day to cry out against paternalism and the Government going into the banking business? Is it not all the cry of a selfish interest that is willing to ride on the back of the Government's horse, but unwilling to part with any of the profits it derives from the people through the service rendered with the aid of the Government?

But, Mr. Chairman, another phase of this question is that our Government is almost or perhaps quite the largest depositor in the world in banks. Its deposits have been practically heretofore without interest, and it is practically never a borrower from the banks. We must deposit it unless we would lock up the great revenues of the Government in the Treasury vaults, taking it out of circulation. We do not want to do this, so we ought to deposit our money in the banks that it may enter the channels of trade and industry. If we deposit it, who has more or as much interest in the banks as our Government. Ought these vast deposits be made without charge to the banks or profit to the Government? I say it with some diffidence, but it seems to me that a proper handling of the fiscal affairs of this stupendous Government requires that it be interested in what should be the great banking system of the United States. Any citizen or corporation having and handling such vast sums should take a very great interest in banking, and is the Government a faithful servant of the people if having the means of rightly earning something, having 10 talents, it buries them in a napkin or turns them over to another for another's profit?

But, Mr. Chairman, from another viewpoint, paternalistic, if you please, the question of the Government's participation or at least controlling supervision of banking seems more important still. All the people are interested in having a banking system as nearly perfect as may be. The great revenues of the Government should not be locked up. Neither should the great banks be allowed to lock up their currency as they do in times of stress, because there is no coordination and cooperation between them. It happens under our present system that in times of stress the only money not locked up is the Government's money. In Germany the great national bank, the Reichsbank, practically controls the cash or currency of the Empire, but holds itself at all times ready to discount to any amount the prime paper of any of the solvent banks of Germany, so that practically what cash the Reichsbank has each and every bank in Germany also has to the extent of its prime commercial paper, and in time of stress every bank has a ready helper. Here in the United States, with a crisis eminent, no bank holds itself ready to aid another. Each bank is independent of every other, and is scurrying to and fro to get cash in its vaults.

It is every man for himself and the devil take the hindmost. They all, and each of them, may in a vague way desire that other banks might not fail on account of the ultimate evil consequences to the public and therefore to themselves, but that desire is weak and remote in comparison with the desire to protect themselves individually and especially against immediate danger, and consequently has practically no effect upon their conduct. In the mad panic desire to escape from the burning building every man tramples and crushes every other man who may fall in his pathway. This condition will be greatly relieved, if not entirely removed, by this bill because it will provide each member bank with a source from which it can draw needed cash or currency by discounting its prime paper. It will render the prime paper of our banks equal to cash, just as it is in Germany. I believe this system stronger and better than the German Reichsbank. Let me present another matter. I said a while ago that if one man as banker kept the money and accounts for a thousand other men who were engaged in creative industry, earning money, that the banker by receiving deposits from some and loaning to others would perhaps in 10 or 20 years become the richest man in the community, having in the meantime created nothing.

Now, Mr. Chairman, we have reached a worse point than that in this country, and perhaps it is the same over the world. The community of a thousand men for whom the banker keeps money and accounts, from whom the banker borrows and to whom the banker loans, has become, here, a great Nation of 90,000,000 of people, and to go back no further under the system we have had since our great war our bankers have been steadily accumulating by the interest route the earning of the industries until the national banks alone have a capital stock of over one billion with a surplus, perhaps, of more than another billion and with deposits from the people of perhaps eight billions, all of which they control and all of which constitutes their working capital with which they are building up still further accumulations and by which even now they dominate the large transportation companies and to a great extent the whole industrial empire of the United States. Is not it time for the Government to wake up and get into the banking business for its self-preservation if not for the protection of the liberties and general welfare of the people? The bill before the House, Mr. Chairman, is such a waking up.

I wish to present its main features in such a way as to give a clear idea of its character as a banking system; in such a way as that the people of my district may fairly understand it if they will read what I say. The system begins with a "reserve bank organization committee," whose function is simply to place the system on its feet—to organize it. This committee is composed of the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, and when it has divided the country into 12 Federal reserve districts and organized in each such district a Federal reserve bank having a capital of at least \$5,000,000, as directed by the law, its functions cease. After that, when the Federal reserve board, as provided, has been appointed by the President, the system is upstanding. It is on its feet; it is organized. The Federal reserve board is its capstone. Its pillars are the 12 regional reserve banks, and its foundations are the member banks in each of the regional districts.

The Federal reserve board is composed of seven members. The Secretary of Agriculture, the Secretary of the Treasury, and the Comptroller of the Currency are ex officio three of the members, and the President appoints four others. In naming these four not more than two of them may be of any one political party and no two may be from the same Federal reserve district or the same geographical division of the country. All the members of the board must be confirmed by the Senate. No member may be an officer or stockholder in any bank or banking institution. The creation of this "Federal reserve board," with the powers given it, so criticized and belabored by the enemies of the bill, is the strongest evidence that our Government is at last awake. It is appointed as I have stated, it meets in the Nation's Capital, under the eye of the Nation's chief and the people's representatives, and must report its operations, which in great measure direct or control the operations of the 12 Federal reserve banks, annually to Congress.

It has power—

First. To examine all the books, and so forth, of the reserve banks, require reports, and publish weekly a statement showing their condition.

Second. To permit or require in emergency the rediscounting by one reserve bank of the discounted prime paper of another reserve bank, a power that may be needed to make liquid the entire resources of the whole system and make its whole strength available where it is needed in time of strain.

Third. To suspend the reserve requirements as to deposits and so render bank assets available for emergencies in which they would be needed.

Fourth. To regulate and supervise the issue and retirement of Federal reserve notes and thus break the strangle hold, if necessary, of any giant money combination, while ordinarily giving only such elasticity as any truly proper currency should have by making prime paper readily convertible into cash or currency.

Fifth. To increase the number of reserve districts, if needed; that is, if it shall be found that there is still further need to decentralize money or banking power.

Sixth. To remove for just cause the officials of the reserve banks and to remove at discretion certain of the directors of such banks, if they do not truly represent the agricultural, industrial, or commercial interests as required by the law.

Seventh. To write off worthless assets of such banks.

Eighth. To suspend the operation of a reserve bank for violations of the law and to appoint a receiver therefor.

These are the board's substantial powers and they are ample. Under them the reserve banks will be cooperative and, by the aid of the reserve banks in the rediscounting of prime paper,

all the member banks will be coordinated into a system of such strength as to weather any storm. They are great powers, but they are all for good. Let me tell you some of the powers for evil which this reserve board does not have, things it can not do, which a central bank, so much desired by Wall Street, could do:

First. This board can not loan one dollar.

Second. It can not earn one dollar.

Third. It can not own one dollar.

Fourth. It can not borrow one dollar.

Fifth. It can not finance an enterprise.

Sixth. It can not be interested in an enterprise.

Seventh. It can not crush an enterprise.

Eighth. It can not finance a candidate or a campaign.

After the Federal reserve board comes the Federal reserve bank. There will at first be 12 of them, one for each Federal reserve district. They are about as much public as private institutions. They are severally based and built on the individual or member banks of the several districts. The member banks are each required to subscribe for stock in their respective reserve banks to an amount equal to 20 per cent of their own capital stock and to pay in one-half that amount. The other half is subject to be called for only in case of need to meet the obligations of the reserve bank. The stock so subscribed by the member banks is the only stock in the Federal reserve banks, so that the latter is the link that binds together all the banks of each district.

The reserve bank has nine directors. Six of them are elected by the member banks, each bank, great and small, having an equal voice in their election. Three of these six may be officers or stockholders of the member banks, but the other three must not be officers or directors of any other bank or banking institution and must be fairly representative of the commercial, agricultural, or industrial interests. These latter three are subject to removal at discretion by the Federal reserve board. The remaining three directors are chosen by the Federal reserve board, and one of these is made chairman of the board of directors of the bank and "Federal reserve agent," representing the "Federal reserve board" in its relations and dealings with the bank. It is provided that these banks shall be the fiscal agents of the Government, and all the revenues of the Government are to be regularly deposited with them and disbursed by checks drawn on them, this service to be free to the Government. The Government funds are apportioned among these banks under equitable provisions by the Secretary of the Treasury, with the approval of the reserve board. The reserve banks have no other depositors, and may have none, except the Government, the member banks, and other reserve banks, when permitted or required to make deposits by the reserve board. Underlying, as I have said, the reserve banks are the individual or member banks, which are national banks organized as now—except they are not required to own any United States bonds—and State banks which comply with the requirements of the law. These hold the stock of the reserve bank and are the base of the whole system.

The reserve bank's operations are confined to the purposes named in the bill; that is, to conduct the fiscal operations of the Government and strengthen and support the member bank while making liquid the currency system. Its working capital consists of its paid-in stock and deposits made with it by the Government and by the member banks and of the Treasury notes provided by this bill. These Treasury notes are issued by the Government and loaned to the reserve banks in this way: Whenever a reserve bank needs such currency it takes from its prime paper which it has discounted for member banks the kind of paper described in section 14 of the bill, to the amount desired, and applies to the reserve board through its own local Federal reserve agent for the currency, tendering such prime paper as collateral. If the application is granted by the reserve board, the currency is turned over to the bank through the reserve agent. Whenever the reserve bank pays out any of these notes it segregates and sets aside in its own vaults 33 1/3 per cent of the amount thereof in gold or lawful money for their redemption.

The bank is charged when it receives the notes such rate of interest as is fixed by the reserve board. It may use this currency in rediscounting paper of the member banks of the kind described in section 14 and member banks use it as currency just as present bank notes are used. These notes are not legal tender, but are receivable for all public dues, and the ample provisions for their redemption by the reserve banks or the Government on demand makes them as good as gold.

It is provided that the earnings of the reserve banks shall be, after payment of all necessary expenses and the interest paid to the United States on its deposits, divided thus—

First. A dividend of 5 per cent shall be paid on the paid-in capital stock.

Second. One-half of the remaining net earnings shall be paid into a surplus fund until the surplus equals 20 per cent of the paid-in capital stock.

Third. Of the entire remaining net earnings, 60 per cent shall be paid to the United States and 40 per cent to the member or stockholding banks in proportion to their average deposits with the bank. The bank is allowed to pay no interest on deposits except to the United States. The earnings of the United States from the reserve banks go to pay off our bonded debt.

Mr. Chairman, bankers have complained of the burdens placed on them by this law. It has been claimed that the stock subscription with only 5 per cent dividend allowed is a great burden, and that the advantages arising under this law would not inure to the benefit of country banks, because they would have no paper eligible to rediscount under the law. I desire to examine both of these claims. A bank having \$100,000 capital stock must subscribe for \$20,000 stock in the reserve bank of its district and pay in \$10,000, on which it may receive only \$500 as dividend. If the normal earnings of the bank were 10 per cent on its capital stock, it would seem that instead of earning \$10,000 per annum, as it would under the present law, it would only earn \$9,500, or 9 1/2 per cent, under this law; but let us look a little closer.

A bank with \$100,000 capital stock usually has a surplus and deposits, and its working capital now consists of its paid-in capital stock, its surplus, and 85 per cent of its deposits (when it keeps all its reserve in its own vaults or gets no interest on any of it). Now suppose the First National Bank of Smithville has \$100,000 capital stock, \$100,000 surplus, and \$200,000 deposits. The proposed law reduces the reserve requirement from 15 to 12 per cent, but counting the reserves as the same under the present and under the proposed law, a correct statement of the earnings of this bank under the two different laws would be as follows:

Under present law:	
Capital stock	\$100,000
Surplus	100,000
Deposits	200,000
Working capital	370,000
Under proposed law:	
Capital stock (less subscription)	90,000
Surplus	100,000
Deposits	200,000
Working capital	390,000

If this bank earns 8 per cent on its working capital, under the present law its earnings would be \$29,600, or 29.6 per cent on its capital. Under the proposed law its earnings would be \$29,300, or 29.3 per cent on its capital. If its earnings were 6 per cent on its working capital, under the present law it would earn \$22,200, or 22.2 per cent on its capital, while under the proposed law it would earn \$22,100, or 22.1 per cent on its capital stock. If its earnings were 5 per cent on its working capital then, under the present law it would earn \$18,500, or 18.5 per cent on its capital stock, while under the proposed law it would earn precisely the same. I submit these figures and hope to be shown my error, if there is any error in them, and I submit that the national banker who can not bear the burden shown has only a weak strain of patriotism if this system is well designed for the good of the country, save and except for this burden on the banks.

But, Mr. Chairman, the figures I have given are unfair to the proposed system. In the first place, I have made no allowance for the fact that under this bill the bank will be required to hold 3 per cent less reserve against its deposits than is required now, which would give this bank \$6,000 more working capital from its deposits under the new law than under the old. Furthermore, I have assumed that the bank would not earn anything from its deposits in the reserve bank, although I believe it will. This is offset in part by the fact that I have not taken account of the 9 per cent of their reserves which country banks now generally deposit with the reserve city banks and draw some interest on. I did not do so because I think that practice ought to be stopped, whether we pass this bill or not. It is the lure of a small gain that tempts the smaller banks, to their own hurt and to the country's hurt. Certainly it will not be contended that country banks will have less deposits or make fewer loans by reason of this law. On the contrary, I believe that with better discounting opportunities, less reserve requirements, and a justifiable feeling of greater safety under this law the banks can and will make greater loans.

I come now to the rediscount feature of the bill and the claim of some of our country banks that they are not to receive any benefits under that provision. I have read section 14 of the bill over and over again. I have listened to every discussion of it in Congress. In my own opinion and in the opinion of

the chairman and every member of the Banking and Currency Committee that section will come to the relief of every small bank in the United States if they desire to use it. I think bankers should acquaint themselves and their merchants and other customers with its terms and advise their customers how to arrange their credit paper for possibly utilizing its benefits.

Under this section, if a farmer trades with his merchant all during the spring for supplies while he is making his crop and gives his note, due October 1 or November 1, and the merchant wants money from his banker, he can indorse that note to his banker and get the money, and on the 1st day of August the banker can rediscount that note with the reserve bank of his district and get the cash on it; and thus the local bank can get in the crop-moving season practically the full sum of all the moneys he has advanced during the crop-making season, and with this new supply of cash he is ready again to help the farmer and all other classes needing ready money. The merchant's paper and industrial paper has the same standing as the farmer's. If the banker sees proper he may loan the money to the farmer in the first instance and have the note rediscounted by the reserve bank. The Federal reserve bank will always be able to rediscount such paper as described in section 14—that is, "Notes and bills of exchange issued or drawn for agricultural, industrial, or commercial purposes"—and having a maturity of not more than 90 days, because if it has not sufficient funds on hand it may make application to the Government and secure the Treasury notes authorized by this law upon this kind of paper as collateral. I have said "having a maturity of not more than 90 days"; by that is meant that when the paper is rediscounted with a reserve bank it shall have not more than 90 days to run. When made it might have had 6 months or longer to run.

Of course, there are restrictions and safeguards in the law, but its terms are so broad and liberal that good short-term paper of the kind described will always be convertible by the banks into cash. Perhaps I ought to further discuss the details of the issue and circulation of the Federal reserve notes, but I can only take time to say a few words. There is no limit to them in amount except the discretion of the Government, but the Government has no interest in them except to provide for the necessities of commerce, industry, and agriculture. They are issued by the Government, but the Government does not pay them out on its own obligations. They are not issued by the banks, but they are issued only to the reserve banks and through them to the member banks, and through them to the people. They are the obligations of the Government in name and fact, but they have back of them and between the Government and any loss, first, the Government's absolute control of their issue; second, 100 per cent collateral, approved by the Government and indorsed by some member bank; third, the entire assets of the reserve bank to which they are issued, and, besides this, one-third of its amount in gold or lawful money of the United States is set apart for its redemption by the reserve bank whenever it is paid out by the reserve bank.

In conclusion, this banking system will give our farming community, our working people—the small man—everywhere an opportunity to make paper that can be rediscounted by the local bank with the reserve bank. By such rediscount the local bank can get further money in order to extend further credit. This system when put into operation will revolutionize the banking conditions of the country banking communities and of the great masses of our people. It is a grand conception, that, in my mind, will work out a grand fruition for the benefit of the whole country. It will break down the tyranny of the money power in the great centers, which grows every year more potent for evil. A new era will come to our people who have nestled down in their homes without any conception of the subtle influences, undermining the independent status and individualism of the average man. It will give them a new and, I trust, a right conception of the power and beneficence of our great Government. It is a measure that will help our people and take away no shred of their liberties. It is a measure that will help our banks, while it subjects them to the power of the Government and subordinates them to the welfare of all the people. I thank you, gentlemen. [Applause.]

Mr. HAYES. Mr. Chairman, I yield 40 minutes to the gentleman from Minnesota [Mr. SMITH].

Mr. SMITH of Minnesota. Mr. Chairman, the National Government is charged with the duty of furnishing a system of currency which will meet the needs of its people. This duty is not peculiar to our own form of government, but is recognized by all the great nations of the world. Neither is this duty a recent economic discovery, but it has been generally accepted since the establishment of the earliest governments.

The framers of the Constitution recognized the necessity of placing in the General Government the power to provide a suit-

able system governing the medium of exchange. Article I, section 8, of the Constitution provides:

The Congress shall have power—

To coin money, regulate the value thereof and of foreign coin, and fix the standard of weights and measures.

To provide for the punishment of counterfeiting the securities and current coin of the United States.

After the lapse of 125 years, notwithstanding the Constitution in express terms makes it the imperative duty of Congress to provide a monetary system suitable and adequate to meet the country's needs, it is admitted on all sides that our banking and currency system is inadequate to meet the requirements of the present day.

It is in response to a general demand for a better system that the proposed banking and currency bill was introduced in this House.

COMMITTEE METHODS.

If this bill when ready for passage is, on the whole, an improvement over our present system, I shall vote for it, notwithstanding its many defects and notwithstanding the methods adopted by the majority members of the Banking and Currency Committee and of the House in excluding the minority members from the committee room and from this legislative Chamber when this bill was being considered.

A more dangerous and unwarranted method of legislation has never been perpetrated—this in the face of the fact that the country as a whole has demanded that this legislation should be nonpartisan.

There is an imperative demand for legislation—

(1) That will prevent the concentration of the money and credits of the country in one financial center, there to be used on the stock exchange for speculative and gambling purposes to the detriment and often to the complete destruction of legitimate business and in utter disregard of the rights of the public.

(2) That will provide an elastic currency which will expand and contract with the rising and falling tides of trade.

(3) That will make it impossible for any set of men, either through private corporations or political organizations, to control the money and credits of this country.

As to the first of these, it is obvious that so long as speculation in futures and options is permitted to continue in the manner it is at the present time this bill will not be a complete remedy. I am inclined to believe, however, that it will tend to decentralize the flow of money, and to that extent will be an improvement over the present system, providing that the Federal reserve board is properly constituted.

As to the second, I believe that if the law is fairly and equitably carried out by the Federal reserve board without favor or prejudice against any section of our country, we will have a currency that will expand and contract according to the demands of trade.

As to the third, I likewise am of the opinion that if the Federal reserve board is properly constituted this bill will make it impossible for any set of men, either through private corporations or political organizations, to control the money and credit of this country.

POLITICS IN RESERVE BOARD.

The bill provides that the Federal reserve board shall consist of seven members, including the Secretary of the Treasury, the Secretary of Agriculture, the Comptroller of the Currency, and four other members chosen by the President of the United States, by and with the consent of the Senate. Of the four non-Cabinet members thus appointed by the President, not more than two shall be of the same political party. One shall be designated by the President to serve for a term of two, one for four, one for six, and one for eight years, respectively, and thereafter each non-Cabinet member appointed shall serve for eight years unless sooner removed for cause by the President.

Thus it will be seen that the Federal reserve board provided for in this act consists of seven members, four of whom—that is, the majority—shall retire immediately upon each change of administration, their successors to be appointed by the incoming President. To make the control of the banking and currency system of this country the prize of every national election is to place in the hands of partisan politics a power for evil the magnitude of which is almost beyond comprehension.

Where the majority of the board know that unless their party wins in the election their tenure of office will be terminated on the following 4th day of March, is it not within the range of probability that the majority will seek to perpetuate themselves and their party in power by using to their own advantage and for political purposes the tremendous power placed in their hands by this act?

BOARD IDEA NOT OBJECTIONABLE.

I do not wish to be misunderstood. I stand unequivocally for a governmental nonpartisan Federal reserve board, to be

appointed by the President of the United States upon the passage of this act; but I believe that the tenure of office of the members should be so arranged that in the future no incoming President shall immediately have the appointing power of a majority of the board as is provided for by this act. The board should be a Government board, but it should not be a political machine. To place in the hands of a political machine the powers vested in this Federal reserve board is dangerous. The misuse or abuse of those powers by a political machine for self-perpetuation would be a calamity.

POWERS OF BOARD.

The powers enumerated on this exhibit are the specified powers expressly conferred on the Federal reserve board by this act. They are as follows:

1. To readjust Federal reserve districts created by the reserve bank organization committee.
2. To create new and additional districts to those created by the reserve bank organization committee.
3. To prescribe regulations for establishing branch offices of Federal reserve banks.
4. To designate the three directors of the Federal reserve bank specified in this act as class C.
5. To remove any director of class B in any Federal reserve bank.
6. To designate the chairman of the board of directors of Federal reserve bank.
7. To prescribe regulations for maintenance of local office of Federal reserve board on premises of Federal reserve bank.
8. To designate the Federal reserve agent.
9. To require and receive reports of Federal reserve agents.
10. To fix compensation of Federal reserve agents.
11. To review proceedings of boards of directors of Federal reserve banks fixing compensation of themselves.
12. To remove chairman of board of directors of Federal reserve bank at pleasure and without notice.
13. To prescribe rules and regulations for permitting State banks and trust companies to become members of Federal reserve bank.
14. To pass upon applications of State banks and trust companies to become members of Federal reserve bank.
15. To establish by-laws governing applications of State banks for membership.
16. To require surrender of stock of State banking association or trust company upon receipt from Federal reserve bank of cash-paid subscription.
17. To require Federal reserve bank upon notice to suspend State banking association or trust company and make payment to suspended member for its stock.
18. To levy semiannual assessments on Federal reserve banks for expenses.
19. To examine accounts, books, and affairs of each Federal reserve bank.
20. To require such statements and reports of Federal reserve banks as it may deem necessary.
21. To permit rediscount by Federal reserve banks of paper of other Federal reserve banks.
22. To compel Federal reserve banks to rediscount paper of other Federal reserve banks.
23. To suspend reserve requirements for not more than 30 days.
24. To renew suspensions of reserve requirements for periods of not more than 15 days.
25. To establish a graduated tax upon the amounts by which reserve requirements of act may be permitted to fall below level provided for in act.
26. To supervise and regulate the issue and retirement of Federal reserve notes and to prescribe the form and tenor of such notes.
27. To add to number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements of this act.
28. To reclassify existing reserve and central reserve cities and to designate the banks therein as country banks at its discretion.
29. To suspend officials of Federal reserve banks.
30. To remove officials of Federal reserve banks for incompetency, fraud, or deceit.
31. To require writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.
32. To suspend for cause relating to violation of any of the provisions of this act the operations of any Federal reserve bank.
33. To appoint a receiver for any Federal reserve bank for cause relating to violation of provisions of this act.
34. To determine or define the character of paper eligible for discount.
35. To fix the amount which cash reserve of Federal reserve bank must exceed outstanding demand liabilities to permit discount of paper for member banks.
36. To prescribe rules and regulations governing the purchase and sale in the open market by Federal reserve banks of bankers' bills and bills of exchange.
37. To review rates of discounts fixed by Federal reserve banks.
38. To grant or refuse applications of Federal reserve banks to open and maintain banking accounts in foreign countries and establish agencies there for the purpose of purchasing, selling, and collecting foreign bills of exchange.
39. To approve apportionment made by Secretary of Treasury of Government funds deposited in Federal reserve banks.
40. To charge interest on Government deposits at joint discretion of Federal reserve board and Secretary of Treasury.
41. To issue Federal reserve notes.
42. To call upon Federal reserve banks at any time for additional security for Federal reserve notes issued to them.
43. To assign letter or serial number to Federal reserve bank for notes issued to it.
44. To require in its discretion Federal reserve banks to maintain on deposit in the Treasury of the United States a sum in gold equal to 5 per cent of notes issued to them.
45. To grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes.
46. To establish rate of interest to be paid on Federal reserve notes.
47. To prescribe regulations governing substitution of collateral security for the protection of Federal reserve notes.

48. To make and promulgate from time to time regulations governing the transfer of funds at par among Federal reserve banks.

49. To exercise at its discretion the functions of a clearing house for Federal reserve banks.

50. To designate a Federal reserve bank to act as clearing house for Federal reserve banks.

Mr. KINDEL. Mr. Chairman, if I may be permitted to interrupt the gentleman, has not the gentleman got his trolley mixed? I think the gentleman is reading two numbers ahead, and I want to call attention to that.

Mr. SMITH of Minnesota. In this list of powers from which I am reading I have combined some of the powers which are stated separately in the exhibit. Hence the numbers do not correspond.

Mr. KINDEL. But the gentleman is reading the wrong number.

Mr. SMITH of Minnesota. I have just stated why the numbers do not correspond.

51. To require each Federal reserve bank to exercise functions of clearing house for its shareholding banks.

52. To prescribe period within which and regulations under which national bank notes remaining outstanding after 20 years from the passage of this act may be recalled and redeemed by national banking associations.

53. To require Federal reserve banks to maintain lawful reserve.

54. To appoint receivers for Federal reserve banks failing to maintain lawful reserve.

55. To require examination of affairs of national banking associations as often as it deems necessary.

56. To determine salaries to be received by bank examiners.

57. To assess expenses of bank examinations upon associations examined.

58. To require examinations of national banking associations in reserve cities.

59. To require examinations of Federal reserve banks.

60. To add to the list of cities from time to time in which national banks shall not be permitted to make loans secured upon real estate.

61. To exempt savings departments of national banking associations from any and every restriction upon classes or kinds of business governing national banks.

62. To prescribe rules and regulations governing savings departments of national banks.

63. To make and publish lists of securities, paper, bonds, and other forms of investment which savings departments of national banks shall be authorized to buy, it not being necessary that said lists be uniform throughout the United States.

64. To prescribe conditions and circumstances under which national banking associations capitalized at a million dollars or more may establish branches in foreign countries.

65. To approve or reject applications of national banks to establish foreign branches.

66. To perform the duties, functions, or services specified or implied in this act.

Mr. YOUNG of North Dakota. Mr. Chairman, I would like to ask the gentleman whether he has made any enumeration of the implied powers conferred by this proposed bill?

Mr. SMITH of Minnesota. I wish to say that no man living could make an enumeration of the implied powers of this act. That is a matter only to be determined as the occasion for its exercise may arise. The implied powers often exceed the specified powers.

Mr. GRAY. I would like to inquire if the gentleman has made a list of the powers exercised by the President of the United States and compared that in order to see whether—

Mr. SMITH of Minnesota. No; I have not. Did I understand the gentleman to ask whether I had made a list of the powers of the President of the United States to see whether these powers overlap the powers given to the Federal reserve board?

Mr. GRAY. In order to see where the greater power lies—whether the office of the President should be abolished because of so many powers—

Mr. SMITH of Minnesota. I want to say it does not take much time to arrive at a conclusion on that. If this board is constituted according to the present bill, new and additional powers will be conferred upon the President of the United States far exceeding any he now possesses.

Mr. BARTLETT. Mr. Chairman, may I ask the gentleman has he got something else to suggest in place of this?

Mr. SMITH of Minnesota. Yes. I shall suggest an amendment, and will call attention to it later on.

The unenumerated powers so modestly and unassumingly embraced within the authority given "to perform the duties, functions, or services specified or implied in this act" are the most important and far-reaching of all of its powers.

Under the provisions of this act relating to the issue of Federal reserve or Treasury notes is this express power:

The said board shall also have the right to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes.

George H. Shirley, chairman of the American Bureau of Political Research, in a memorial entitled "Stable money, new freedom, and safe banking" (S. Doc. No. 135), after felicitating upon the success of the Democratic Party at the last election, calls attention to the tremendous political power in the hands

of the first and second national banks of this country in President Jackson's day by terming it the "greatest power then in politics." What was the power of those banks at that time compared with the power of the proposed Federal board if used for political purposes?

PRESIDENT JACKSON'S VIEWS.

Let us see what President Jackson said about that power. In the report read by him to his Cabinet in September, 1833, after stating the facts showing the abuse of its powers by the national bank, he summarizes his conclusion in these words:

The bank is thus converted into a vast electioneering engine which means to embroil the country in deadly feuds and under cover of expenditures in themselves improper extend its corruption through all the ramifications of society.

In that same report President Jackson further says:

It is the desire of the President that the control of the banks and the currency shall, as far as possible, be entirely separated from the political power of the country as well as wrested from an institution which has already attempted to subject the Government to its will.

In his farewell address, delivered March 4, 1837, President Jackson said:

Recent events have proved that the paper-money system of this country may be used as an engine to undermine your free institutions, and that those who desire to engross all power in the hands of the few and to govern by corruption or force are aware of its power and prepared to employ it.

In that same farewell address, referring to the power of the national banks of his day, he continues:

In the hands of this formidable power thus perfectly organized was also placed unlimited dominion over the amount of the circulating medium, giving it the power to regulate the value of property and the fruits of labor in every quarter of the Union and to bestow prosperity or bring ruin upon any city or section of the country as might best comport with its own interest or policy.

How much more "formidable" is the power of the Federal reserve board provided for in this act "to regulate the value of property and the fruits of labor in every quarter of the Union and to bestow prosperity or bring ruin upon any city or section of the country as might best comport with its own interest or policy"? Should this "formidable" power be vested in a political machine?

Should the incentive be legislatively enacted to bring about the condition which President Jackson in that same address so vividly depicted in these words:

The ruthless and unsparing temper with which whole cities and communities were oppressed, individuals impoverished and ruined, and a scene of cheerful prosperity suddenly changed into one of gloom and despondency ought to be indelibly impressed on the memory of the people of the United States.

If such were the effects of the misuse of those powers in that day for political purposes, can you picture the effect of the abuse of those powers in this day for those same purposes?

This bill, by reason of the manner in which the Federal reserve board is appointed, involves the substitution of political control for control by banks. What I contend for is the substitution of nonpartisan, nonpolitical governmental control for control by the banks. The bill falls far short of the ideal governmental control. The great political power which President Jackson saw in the first and second national banks of his day was the power of mere pygmies compared to the gigantic power imposed in the Federal reserve board, and which by the proposed bill is made the prize of each national election.

OPPORTUNITIES FOR ABUSE OF POWERS.

The proposal in the present measure to place in the hands of a political board the control of 7,400 national banks and over 20,000 State banks and trust companies, having aggregate deposits of \$18,000,000,000, with the additional right to issue and distribute an unlimited amount of paper money to such sections of the country as a majority of the Federal reserve board may deem fit and to deny to other sections of the country the privilege of getting or using such paper money, invites opportunities for abuse of this power, the extent of which no man can foresee.

If a method or means can be evolved by which the Government can maintain the control and regulation of the banking and currency system, and at the same time prevent it from becoming a tool and instrument of political pressure and party expediency, it would be a decided improvement over the measure now before this House.

ILLUSTRATION OF POLITICAL INFLUENCE.

The great civil-service system, which is intended to displace the spoils system and to secure to employees of the Government immunity from removal without cause and advancement according to merit, is one of the most praiseworthy institutions we have, and political influence enters less there than in any other branch of the Government. But even promotions of civil-service employees are not always free from the effects of political influence.

This was brought strikingly to my attention the other day. A Senator from a southern State, standing high in the councils of the present administration, secured the promotion of a friend to a more lucrative position in the Government service in the State of Minnesota over the heads of two other employees in the same office by simply writing a letter to the head of one of the departments here having charge of the office.

While the matter is a petty one, it is one of the clearest and most flagrant violations of the spirit of the civil-service law that has come to my attention. If political influence can sway the conduct of men who are sworn to uphold the law in such minor matters, how much greater is the likelihood of its swaying them when matters of moment are at stake and when the continuation of their party in power is in jeopardy and their own tenure of office is at issue?

I am glad to see that the majority members of the committee have seen fit to amend the original bill by providing that of the four non-Cabinet members of the board to be appointed by the President not more than two shall be members of the same political party. This is a step in the right direction, but it by no means changes the board from a partisan political board to a nonpartisan governmental board.

APPLICATION OF CAUCUS METHODS TO FEDERAL RESERVE BOARD.

Let us take as an illustration what is taking place every day in this House. I am a member of the Banking and Currency Committee, which consists of 21 members, 14 belonging to the majority and 7 to the minority. I will ask you gentlemen on the other side of this House, What part have the 7 minority members been permitted to take and what opportunity has been given to them by the majority members to participate in framing this measure?

By the action of the majority members the minority members have been practically excluded from taking part in the consideration of this bill in the committee. That is just what will take place with respect to the minority members of your Federal reserve board. Four members—a majority—will rule. Indeed, it will take four; it will take only three, because they can adopt the same system that you are now adopting, and a majority of the four will control the action of the board just as a majority of your caucus controls the action of this House.

Mr. STANLEY. Mr. Chairman, will the gentleman yield?

Mr. SMITH of Minnesota. Not at present. I will yield in a minute.

Gentlemen, it has been said on the floor of this House that it does not matter how this board is constituted, because we shall always have sitting in the White House a man who is so patriotic and so big that he will never make a mistake as to an appointment on this board. Gentlemen, I yield to no man in my appreciation of the high office of President of the United States, but I want to say to you that I do not think he has any greater respect for the rights of the American people than the House of Representatives has. I would just as soon trust the membership of this House on a matter of business or governmental policy as I would the President of the United States, no matter who he may be. I am not referring to the person. I say it requires just as great a respect for the rights of the American people and your oath of office to be a Member of this House as to be President of the United States. Are you willing to admit that the practices of this House are such that they will never be resorted to by the President of the United States?

Mr. STANLEY. Mr. Chairman, will the gentleman yield now for a question?

Mr. SMITH of Minnesota. Just when I finish this. Then I shall have a little time.

COMPULSORY REDISCOUNT POWER.

The two powers imposed in the Federal reserve board which are most far-reaching in their scope and most likely to be abused when reposed in a political machine are the power to compel Federal reserve banks to rediscount the paper of other Federal reserve banks and the power to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes.

In the original draft of this bill the first of these powers—the compulsory rediscount power, the power to compel a Federal reserve bank in one section of the country to loan its funds to a Federal reserve bank in another section of the country—was made to depend on the will of a bare majority of the Federal reserve board.

The majority members of the committee undoubtedly recognized the far-reaching effect of this power, for they so changed the provisions of the bill as to require the unanimous vote of all seven members of the Federal reserve board in order to invoke its exercise.

This was a great step in the right direction and lessened the probability of the misuse of this power for political purposes;

but, unfortunately, this bill had to go into the caucus, and when it came out the compulsory rediscount power was again placed where it could be easily invoked.

This feature of the bill has been so well analyzed by Hon. A. Piatt Andrew, formerly Assistant Secretary of the Treasury, that I shall take the liberty of quoting him.

Speaking of "the power given to this political board to compel one reserve bank to lend to another reserve bank without regard to the desires and opinions of its managers," he says:

Conservatively managed banks in one section of the country would thus be kept in constant danger of seeing their reserves reduced through an arbitrary order from the Federal board in order to support a weak situation elsewhere arising from imprudent and incautious banking, for which they were in no way responsible and which they have been in no position to prevent. Such concentration of banking power would be unwise under any conditions. It would be most unwise if located in a political committee. This would inevitably tend to sectional jealousy and dissension, to continual suspicion and partisan criticism, even if it did not lead, as it easily might, to actual abuse of power for political purposes.

ISSUE OF FEDERAL RESERVE NOTES.

The power which lies absolutely in the hands of the majority of the board to grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes is the most important power which this board has vested in it, and would be the most dangerous in the hands of a political board, because such a board could decline to issue currency to a section of the country that was hostile to the party in power, and it could grant an unlimited amount to a section of the country that was friendly to the administration in power.

ELECTIONS AND CROP MOVING.

The unlimited power of the Federal reserve board to issue Treasury notes through Federal reserve banks encourages inflation of the currency in sections of the country which are in good standing with the administration then in power, and will result in contraction of the currency in sections of the country in disfavor with the administration.

For example, the great Northwest needs over a hundred million dollars each fall to move its crops, and this demand for money comes always shortly before election. Suppose the administration in power, having absolute control of the Federal reserve board, were inclined to take political advantage of the great power of the board, as did the national banks of President Jackson's day. It could either favor or discriminate against that section of the country by either granting or refusing, as it saw fit, the application of our Federal reserve banks for Treasury notes, thereby causing in case of refusal a scarcity of money, which would reenact the scenes depicted by President Jackson in his farewell address, which I have already quoted. Is not just such a condition as I have referred to the thing that in all human probability will happen where the board having such power is always controlled by the governing councils of the party in power?

AMENDMENTS SUGGESTED.

At the proper time I shall propose such amendments as are necessary looking toward the making of the Federal reserve board a governmental board and eliminating the political features embodied in the present bill. The Secretary of the Treasury should not only be a member of the Federal reserve board but should be the chairman of it. The Secretary of Agriculture and the Comptroller of the Currency should be eliminated from the board. The Secretary of Agriculture is one of the members of the President's official family, as is also the Secretary of the Treasury. The Comptroller of the Currency is a subordinate officer under the Secretary of the Treasury. It is obvious that the Secretary of the Treasury will adequately represent the President's Cabinet as well as his own office without requiring the membership of any other Cabinet officer or of any subordinate in his own office. The only conceivable purpose for having all three of such officers on the Federal reserve board is to give each incoming administration those three appointments immediately, which, with the immediate appointment of one of the four non-Cabinet members of the board, insures political control, yielding to the beck and call of the administration in power. This is bound to be its effect and is its manifest purpose.

The Federal reserve board should consist of the Secretary of the Treasury and either four or six non-Cabinet members, to be appointed by the President for terms expiring at such times that no incoming administration will have in its power at its inception the appointment of a majority of the members of the Federal reserve board, so as to make the control of that board the prize contended for at each national election.

If such an amendment is adopted it will, to my mind, eliminate politics, so far as it can be eliminated, and at the same time keep the control of our money system where it belongs—in the hands of the Government.

Gentlemen, I call your attention to this exhibit; and I wish to say to Democrats, Progressives, and Republicans alike that you can not see all that that exhibit represents from any one point of view. Neither can anybody see and know from one point of view all that is to be known and all that should be known in order to enact a banking and currency bill to meet the needs of 100,000,000 people. You should have the combined intelligence of all parties in order to enact such legislation, and even then you will probably fall far short of having an ideal bill.

You can readily see from this exhibit that each incoming administration will immediately have to appoint the Secretary of the Treasury, the Secretary of Agriculture, the Comptroller of the Currency, and one non-Cabinet member of the board. Gentlemen said here yesterday that the Interstate Commerce Commission was comparable to this board in its make-up. Why, gentlemen, let me put the proposition to you: Are you willing now to change the method of the appointment of the members of the Interstate Commerce Commission and have each incoming administration appoint a majority of them? Are you willing to do that? Are you willing to change the method of appointing the judges of the Supreme Court and let each President that comes into office appoint a majority of that court? Whoever heard of such a proposition earnestly and honestly considered?

I am satisfied that the majority of this House believe that the Federal reserve board, as constituted in this measure, is wrong in principle. It is wrong from every angle. [Applause on the Republican side.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. HAYES. I yield 30 minutes to the gentleman from Ohio [Mr. FESS].

Mr. FESS. Mr. Chairman, when this special session of Congress was called, I knew that probably there would be at least two questions discussed, one the reform of the tariff and the other a change in the currency system, and being a sort of a student of these questions before I came here, I was naturally interested in a further discussion or investigation that would enable a Member on the floor of this House to vote intelligently upon some plan proposed on both of them. And when we got through with the tariff question I took up the study of the currency question anew. As a teacher of political economy for years, I had some sort of familiarity with the currency question. I do not agree with the distinguished chairman of this committee [Mr. GLASS] that there is uniformity of opinion upon this subject. On the other hand, he must recognize that there is no subject that has a greater latitude of opinion than the subject of the currency.

Mr. BARTLETT. And variance.

Mr. FESS. And variance. I prepared an elaborate address, which is written here and upon the table, but I have listened to the remarks of the various Members on this floor, and I find that they have covered almost every conceivable phase of the question, and it seems to me it would be utterly foolish for me at this time to arise to speak as I had prepared myself to speak, when I would be repeating so many things that have been said on both sides of the Chamber. Not caring specially to listen to myself talk, I am going to throw my manuscript away, pay no attention to it, and pay some attention to some of the features of the bill that I wish might be modified, so that we could vote for it.

Ever since I read Mr. Blaine's Twenty Years in Congress—years ago—in which he stated that our national banking system was based upon a Federal or national debt, and in that degree was weak and that it ought to be changed, I have thought about Congress sometime making the needed change. And yet, when President after President has called attention to the need, and when party after party have put it in their platforms, we have come here as a Congress and we find submitted to us this plan without the time for deliberation that we had hoped would be given to everybody, and we are asked to vote for it. I frankly confess to the Democratic Members that I shall be greatly disappointed if I can not vote for the measure, but I am afraid I can not, because there are three features in it that I think are serious. I am not going to take one minute of the time to speak of the strong points in the bill, for they are many. The bill seems to me to be quite comprehensive. But when you estimate the strength of a chain it is not necessary to see how strong the strong links are or how many are the strong links. You must estimate a law the same as you would estimate the strength of a chain, and if there is a weak link in the law that law can not be stronger than the weakest link.

Now, what are the weak features of this bill—not to take the time to discuss the strong ones, for nobody could discuss

them more elegantly, eloquently, persuasively, conclusively, and convincingly than they have been discussed by the chairman of this committee [Mr. GLASS] and my good friend the young Member from Cleveland [Mr. BULKLEY], for whose judgment as expressed upon this floor I have the highest regard?

I will not take a moment of time to speak of that side of it. But there are three features in this bill that are serious, and the first one is the fact that it is placed in politics. And of all the questions that ought to be kept out of politics, the currency question ought to be kept out. Somebody has said that the business of the country is like the business end of a wasp. You must not fool with it or you will get hurt. So it is with the currency question. You can not tamper with the currency question and place it in politics, which is to assure its being left in politics, without disturbing the business of the country. You make this a political bill, gentlemen. You bring it here as a partisan measure. You compel men to vote against it who would like to vote for it, placing certain partisan features in it that make you surrender your own views; and when you put it in that way you have the strongest assurance that that measure will come up in a succeeding Congress, for who can find anything so uncertain as the successive Congresses in this country. One party is on top to-day and another party is on top to-morrow, and what was done to-day as a partisan measure will be undone to-morrow for the same reason.

Why is it that we can not keep this question out of politics? You place it there, first, by creating a partisan board, and you fail to discriminate between the Government operating the banks and controlling the business of the banks. I will vote for any measure that is for Government control of the banking business. That is why I do not favor the Aldrich plan. It did not give the Government sufficient control, and it gave almost all of the power to the banking interests. Therefore it is faulty.

What does this plan do? Instead of putting the operation, the administration, the initiation on the part of the men whose money is used, whose property is used, and giving the operation to these men, under the plea of effective control of the Government you have used the control to extend it to the point of operation and have put the Government in the banking business. That is a thing we do not want to do.

The chairman of the committee said the Government was not in the banking business. Other men say the Government is not put in the banking business by this bill. I disagree. The Government is specifically put in the banking business. You make the Government the operating agent instead of the controlling agent, and what we want is the whole business to be operated by the owners under the most rigid control of the Government, the same as the railroads are operated by the owners of the railroads under the most rigid supervision of the Interstate Commerce Commission speaking for the Government. This is the thing we want. This bill does not give it. This bill supersedes the banking interests by the arm of the Government in making the Government the operating agent.

Somebody says that is not true. Gentlemen, if it is not true, point out why it is not true. I say it is true, and I want to point out why it is true. There are seven members to be appointed on the board, five of whom will be appointed by the same President, even after the present incumbent ceases to act. Out of the five members only one must not belong to the same political party that the others belong to. There at the start is your politics; that is the partisan phase of the matter. Look at the powers given to the board. Why should I take your time to enumerate them now, since they have been so many times enumerated? Take your textbook that accompanies this bill. There are 42 items in the textbook enumerating the powers of the Federal board. Then there is one item that covers all without enumeration of a single one, and that is the last one.

What is that? The board shall have such duties and services as may be expressed or implied in this act. What act? Why, this act. Not that clause, but this act, this bill—such power as may be expressed or implied. Gentlemen, what item of control is omitted in that implication? It covers the whole. The board does not operate directly only, but indirectly as well.

In the first place the board appoints three men of the local directory of each Federal reserve bank. One is to be chairman of this Federal directory. The same man is to be Federal agent. He is to speak as a representative of the Federal board. With them will sit two other men that are appointed by this Federal board, and then there are three more, subject to the Federal board. Hear me, you who believe in fair play. Three more appointed, by whom? Selected by the stockholders and then subject to removal by the Federal board.

Let me say to you that you do not end authority by the elective power in a body. In other words, the elective body does not necessarily imply all authority in the electors. Power to

control is power to remove, rather than power to elect. You have the same thing by removal that you would have by election, if not more. The power in the Federal board to remove three of the local directorate of the reserve banks, without stating the cause, places the local directorates of each reserve bank in the hands of the Federal board. So the board operates both directly and indirectly, and if you can conceive of a greater power than that I do not know what it can be. That is the thing I am afraid of.

Why, a man believing in the bill said to me, "But you need not fear that because the Federal board would not remove these three except for cause, and that cause stated, which is that they must represent an agricultural, commercial, and industrial interest, and if they do not represent these interests they will be removed." I do not want to speak, as would appear, for party reasons, for I hope that I can prove to this body that I will allow nobody to dictate to me as to how I shall vote on any question on this floor. This is what I ask you, my Democratic friend, to think of when I speak about this particular power. The power of this board being first direct and then indirect, what is likely to be its trend, as judged from what we have heard upon this floor recently of the charges that have been made from the Democratic side of the House in the discussion of the tariff question? What do I mean? I mean that every single time that any one of us has risen to speak on the subject of protection that we have had hurled back at us, "Oh, you are the representatives of the interests of this country and we are the representatives of the people of this country." I have heard coming from these men, for whom I have the highest personal regard, the constant charge that if I vote against the Underwood bill then I vote to represent the interests of the country—that I do not stand for the people of the country. What is to hinder a Federal board under the President, appointed by him, to indicate to the three local directors that they stand for a certain interest or they do not stand for a certain interest? Where is the appeal? There is no appeal. Of course, they can be reelected, but the power to elect is nugatory when the power to remove is in another power above the one to elect.

Mr. GRAY. Will the gentleman yield?

Mr. FESS. Yes.

Mr. GRAY. I want to inquire of the gentleman, which does he regard as sacred, the rights of property or the rights of persons?

Mr. FESS. Mr. Chairman, the question is in keeping with other interruptions that have been made upon the money question or the tariff question. Now, certain men would not ask that question, Mr. GRAY. [Laughter.]

Mr. GRAY. Does the gentleman refuse to answer that question?

Mr. FESS. Why, I would refuse to be interrupted because my answer would leave the gentleman where he is now.

The CHAIRMAN. The gentleman refuses.

Mr. BARTLETT. Will the gentleman permit me to ask him a question?

Mr. FESS. I will.

Mr. BARTLETT. I am very much interested in the gentleman's argument, and I want to call his attention to paragraph "(f)," on page 23:

(f) To suspend the officials of Federal reserve banks and, for cause stated in writing with opportunity of hearing, require the removal of said officials for incompetency, dereliction of duty, fraud, or deceit, such removal to be subject to approval by the President of the United States.

Now, I agree with the gentleman in that—

Mr. GRAY. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. GRAY. Is it proper to interrupt a person to whom a gentleman has just yielded? Is it proper for a gentleman to yield to an old Member when he will not yield to a new one?

Mr. BARTLETT. That is not a parliamentary inquiry.

The CHAIRMAN. That is not a parliamentary inquiry. It is entirely discretionary with the speaker as to whom he shall yield.

Mr. FESS. I yield to the gentleman from Georgia because he asked a question that is pertinent; the other gentleman did not. [Applause.]

Mr. BARTLETT. I only wanted to ask the gentleman what further restrictions or safeguards would he suggest to guard against removals other than those embraced in this paragraph "(f)" of section 23?

Mr. FESS. I think, Mr. Chairman, the answer is, whenever the final power of appointment is lodged in the President to appoint a board, and that board so appointed is to appoint a local directorate with the power to remove the directorate or a part of it not appointed by that board, but elected by persons not holden to the board, the same power that originally ap-

pointed the men would refuse to retain them if retaining them would interfere with the measures or plan of the administration. In other words, if for partisan reasons the local directorate is removed by the Federal board, for the same party reasons the President who appointed the Federal board would listen to what the Federal board would recommend.

Mr. BARTLETT. They might do it.

Mr. FESS. I think they would do it. I am afraid they would.

Mr. BARTLETT. There is a man now in the White House who will not do that sort of thing even for his party friends.

Mr. HELGESEN. Is he there for life, though?

Mr. FESS. I will allow no man on the Democratic side of the House to go beyond me in his admiration for the personal qualities of the man in the White House. Here we have an opportunity to judge the very sincerity of the man in the White House as to the use of his power. But this very sincerity is the most dangerous thing about it, and the gentleman knows it. Were the President less sincere in his insistence upon early legislation of specific character, it would not matter.

Mr. TEMPLE. Is it not true that the gentleman who asked that question voted for that paragraph on page 22 which gives to the Federal reserve board the power to suspend the officials of the Federal bank?

Mr. FESS. Yes; and not the local directors.

Mr. BARTLETT. The gentleman has not voted yet.

Mr. FESS. Mr. Chairman, there are two other points that I wanted to reach, and I am afraid I shall not have time to reach them. I am not speaking here in the hope that I can convince the gentlemen on the Democratic side who favor this measure, but I do hope that friends on that side will give respectful attention to the things that I think are serious. If you can convince me, I will vote with you on the bill; otherwise not.

Now, on this point I would like to have the arguments of these men—

Mr. WILLIS. Mr. Chairman, will the gentleman yield there?

The CHAIRMAN (Mr. WILSON of Florida). Does the gentleman yield?

Mr. FESS. I yield.

Mr. WILLIS. Before my colleague leaves that portion of his argument I would like to know what his opinion is with reference to the probable political effect of this language, which I read from line 21 to line 24 of page 8, where the bill is undertaking to define the powers of the Federal reserve agent. Then it goes on to say, speaking of the Federal reserve agent:

He shall receive an annual compensation to be fixed by the Federal reserve board and paid monthly by the Federal reserve bank to which he is designated.

What does the gentleman think would be the probable political effect of such a provision in the law?

Mr. FESS. It would have this effect: It would subject the local control, through a local directorate as expressed through its chairman, over the Federal bank, by putting at the head of that local directorate an appointive head whose position as the Federal agent representing the Federal board in the local directorate and in turn acting as the mouthpiece of the Federal board, to do their bidding. It puts him absolutely under the control of the central authority, which the Democrats have always been afraid of. It is another attempt to use the appointive power to secure its purposes.

Mr. WILLIS. His salary is to be fixed by the Federal reserve board?

Mr. FESS. Certainly. That is modern Democratic doctrine.

Mr. WILLIS. Now I want to ask the gentleman another question. Does he know of any other instance in which the Congress has proposed to abrogate its authority to fix salaries than in the section just read?

Mr. FESS. I do not.

Mr. BARTLETT. If the gentleman will permit me, there are a number of cases.

The CHAIRMAN. Does the gentleman yield?

Mr. FESS. I will yield to the gentleman.

Mr. BARTLETT. Take the provision authorizing the physical valuation of railroads. Then there are many others besides.

Mr. LANGLEY. Do they not always fix a maximum and a minimum, beyond which they can not go?

Mr. BARTLETT. No.

Mr. FESS. The gentlemen who framed this bill, investing this dangerous authority in the general board, have ignored the instructions of Gen. Jackson. May I, for the sake of my Democratic friends and in the interest of consistency, read this extract from Jackson's message September 18, 1833:

To give the President the control over the currency and the power over individuals now possessed by the bank of the United States, even

with the material difference that he is responsible to the people, would be as objectionable and as dangerous as to leave it where it is. Neither one nor the other is necessary and ought not to be resorted to.

That is the utterance of Gen. Jackson. Then I want also to refresh the memory of my Democratic brethren by referring to certain things that were said by Thomas H. Benton. I may say with respect to the great representation on this floor by the State of Missouri that it is one of the strongest delegations on the floor, and, with great respect for the presiding officer of this House, I may say Missouri never had a more powerful leader at either end of this Capitol than Thomas H. Benton. You will remember that Thomas H. Benton was the man who stood in favor of Andrew Jackson when the great coalition of John C. Calhoun, Daniel Webster, and Henry Clay battled against him. Finally the influence of those three men put upon the Journal of the Senate a resolution of censure against Andrew Jackson. Thomas H. Benton, after being defeated in his powerful defense of his chief, Gen. Jackson, stood in his place and announced, "At the beginning of every session of Congress I shall renew my efforts to remove that censure"; and he did it after four years and had it expunged in 1837.

Now, listen to what Thomas H. Benton says on this same question:

First, he indicts it for the keeping of the public moneys, which amounted to \$26,000,000.

Query: What would he have said of a proposition to have the custody of a billion dollars?

Second, the notes are receivable for all Government obligations.

Compare that with the Glass bill. It is the same thing.

Third, the bank has the name of the United States and the Government is a party.

The Federal notes are also to bear the name of the United States.

Fourth, it can discriminate against other notes, and so on.

Compare this provision with the proposed bill.

Now this introduces the question that I should like to have my Democratic brethren think of, the note-issue question. You speak of it in connection with the national-bank issue. The note issue, as provided in this bill, is not a national-bank issue. The note issue in this bill provides that the Government is the primary obligor, and the Government must be the redeemer, while the national-bank note is an obligation not of the Government, but an obligation of the issuing bank, bearing its own name. Of course, while the Government will redeem that note if the bank fails, the Government redeems the note with the property of the bank and not with the property of the Government, and that is the difference.

Why did you put that provision in there that the notes are to be the obligations of the Government, to be issued without limit, and mark you, redeemable in gold or lawful money on demand? Do you mean to maintain the gold standard? In certain sections you answer yes. In certain other sections you answer no. To certain men you say yes; to certain other men you say no, and you are absolutely right. Do you know—of course you do—that the phrase "lawful money" opens up the question of 1896, with all the vigor of that fateful year. For what was it that gave rise to that tremendous enthusiasm in 1896 that carried Mr. Bryan on the top wave of political popularity in the country? I speak of him with great respect, understand, with no criticism other than in this particular. What was it that gave the opportunity? Why, it was the Sherman note and two words in it. Those two words are "in coin." The obligation is exactly word for word the same as the obligation of the United States note or greenback with the exception of the two words "in coin."

If you read a greenback obligation it says, "The United States will pay to the bearer ——— dollars," and stops there; but the Sherman note said, "The United States will pay to the bearer ——— dollars in coin," and the whole excitement of the silver campaign in 1896 grew out of the policy of the Government as to the interpretation of the meaning of the phrase "in coin." If you say that "in coin" means that you can pay in silver the same as in gold, which, of course, was the legal right of the Government, and if when the holder of a Sherman note presents it to the Treasury to claim redemption in gold because it says in coin and the Treasury refuses him gold, because we have not the gold, or for any other reason, and offers silver or other lawful money instead, what becomes of your gold standard? When I demand the gold and my Government says it will not give me the gold, but pays me with silver or other lawful money, that minute the Government discriminates against silver in favor of gold, and thus silver loses the protection of the Government and rests upon itself and you are on a silver basis. [Applause on the Republican side.]

The CHAIRMAN. The time of the gentleman has expired.

Mr. HAYES. I yield to the gentleman 10 minutes. [Applause.]

Mr. FESS. Mr. Chairman, I greatly appreciate the kindness of the leader on the Republican side and the courtesy of the Democratic Members of the House. I was saying that lawful money, which is one of the redemptions of these notes, is first gold, with which may be included gold certificates, because they stand for the same, and silver, because the law of March 14, 1900, declared that there is no change in the original silver law which made silver a legal tender. Silver and greenbacks are lawful money. In other words, under the laws up to this present bill the Government has assumed the obligation of making a silver dollar worth about 50 cents in bullion and a greenback worth nothing on its face save the Government's credit, equal to gold, by obligating itself to pay out gold if necessary to preserve the current value.

This provision of the law will allow the banks to take these Federal notes and demand gold for them, and the Government has the power under this provision for lawful money to refuse to give gold and force upon the banks silver or greenbacks, for both are lawful money. If the Government will thus act, then you have the same question again of 1896. If the Government will not thus refuse gold, it does not mean so much. But the power is there to do it, if the Government so chooses, as it was in 1896.

Now, if you mean to maintain the gold standard and make it the redemption money in this bill, just observe what you are doing. Look at the burden which is put upon gold. First we have \$346,681,000 in greenbacks, with \$100,000,000 in reserve to keep them at par. This reserve fund, under law, must not be entrenched upon, even at the cost of issuing bonds. We have over \$2,000,000 of Sherman notes out of the \$156,000,000 of original issue, and we keep \$50,000,000 of gold in the Treasury to maintain them at par. Then we have over \$1,000,000,000 of gold certificates out in the country, and the gold funds must be kept without infringement to maintain the redemption of these certificates if the holders should call for them.

Then listen. We have in silver certificates and silver dollars nearly \$700,000,000, all of which since 1900 must be redeemed in gold. At least the Government is compelled to keep them at a parity. Add to the greenbacks, to the Treasury notes, to the gold certificates, to the silver certificates, to the silver dollars an unlimited amount of United States notes—Federal notes—provided in this bill, and where will you get the gold to redeem all of that? That is the question. What provision are you making for the gold?

Listen, men. Instead of your providing for an increase of gold you are keeping the gold supply out of this country by a provision in this bill. You say the Treasury note shall be receivable for customs, and customs have always been paid from the beginning in gold in order to supply our gold needed for redemption. Where on earth will you get the gold? You can not pick it off the trees; it can not be found that way. We collect it through the revenue officers in the customhouses of the country; but here, instead of doing with these notes what you did with the greenbacks, what you have done with the national-bank notes, what you really do with the certificates, both gold and silver, you make them acceptable for the payment of customs, whereby every note that you receive in payment of customs will deplete the gold to that degree. While you are providing for an increased demand for gold, if you mean to preserve it as a standard, you are cutting off the real source of its supply.

Mr. BARTLETT. Will the gentleman yield?

Mr. FESS. I will yield to the gentleman from Georgia.

Mr. BARTLETT. It is true that the national-bank note and the silver certificates can be received now for customs.

Mr. FESS. The national-bank note can not. I would not say as to the silver certificate, but am inclined to think not.

Mr. BARTLETT. They pay customs duties now in checks by a recent law.

Mr. FESS. The checks are redeemable in money which ultimately is gold.

Now, here is another question that I want to ask the Democratic Members. They will not agree with me in this, but I think it is worth while to think about it. Your tariff measure is professing to collect from imports into the country a large sum of money, and by your competitive system you promise a large increase of importations. If through the Underwood bill you increase the importations to this country to the point, which you might reach, of turning the trade balances against us instead of for us, so that we will be buying more goods from Europe than we are selling, then the balance will have to be settled in gold, the money of international exchange. If you reach that point, this country will be drained of its gold. Between the two bills, the tariff measure, which provides for

an increased importation, and the currency bill, which provides for receiving notes instead of gold for customs duties, between these two plans you are increasing the demand for gold and reducing the supply at both ends. Of course if, as I sincerely fear you are, you are planning to abandon the gold standard, it does not matter so much in either case.

Mr. PLATT. Could not the Government sell bonds as it did under the presidency of Grover Cleveland to obtain gold?

Mr. FESS. I do not believe in doing that unless it is necessary, and in this case it is plainly unnecessary. I defend President Cleveland in doing it when it was necessary to maintain the gold standard or to secure necessary money to care for the Government. I think it would have been wiser not to have made it necessary, though. What the Wilson bill of 1894 did the Underwood bill of 1913 may do. [Laughter.] There is another feature of the bill that is pretty serious to me. I want to say to my Democratic friends that I would like to vote for a currency measure. I wish to vote to assure my independence on this floor, but I want a measure that does not seem dangerous. Your bill has certain points that do seem dangerous to me. Now, what can I say about the one feature you have been so favorably and enthusiastically indorsing—the Federal reserve provision? You may be right there. It does not seem to me that you are. It is at least worth while to ask a few questions. Your point is to refuse to allow the money in the bank of my town of Xenia, Ohio, to go to New York, where it has been going; you want it to go to Cincinnati. You say that it ought to go to Cincinnati first, so it will not be out of the reach of Xenia, and, secondly, to develop Cincinnati. Now, why does it go to New York—or why does it not go to Cincinnati? Not because of some legal enactment of some legislature, but because it has opportunity to be employed in New York. Why does it not stay in Xenia? Because it is idle, much of it, much of the year. What good does money do in a bank if it is idle? Nothing. How does it in any way help the banker? Not at all. How does it help the country? It does not help it at all. What ought to be done is, the money ought to be allowed to seek the safest, the sanest, and the most profitable investment. Where would it go? To the centers. Why are you crying out against New York? Why do not you cry out against the growth of Detroit or Cleveland or St. Louis or Pittsburgh? Why is New York growing? Why is Pittsburgh growing? It is growing because all great movements in the city which need financing attracts money for the purpose. The \$2,000,000,000 to be demanded in the near future for electric utilities is a good example. The subway, next to the Panama Canal, the greatest feat of engineering in the world, is another good example. The money that is used and the work that is done are wonderful. Now, friends, you say we would not prevent its going to New York if it goes into these enterprises, but say you it goes into the gambling of stocks and we are going to prevent it. How do you know when you forbid the reserves going into gambling that your decrees are obeyed? How do you know where it goes when it leaves your hands?

The CHAIRMAN. The time of the gentleman has expired?

Mr. HAYES. Does the gentleman desire more time?

Mr. FESS. I would like to have a little more.

Mr. HAYES. I yield 10 minutes additional to the gentleman from Ohio. [Applause.]

Mr. FESS. I thank you, sir. I am glad to have that time, because this is one of the points of interest in the bill, and I want light from the men who know the bill, and I want to know whether I am wrong in this statement here. My position is this: You must not punish the innocent in the name of the guilty. If you want to punish the Stock Exchange of New York, get after them, if you have the power to do it from this floor, or let New York, which is the real power that ought to handle that question, take hold of it and solve it; but do not cripple the bank in my town in order to hit the evil in New York. That is punishing the innocent person in order to get at the guilty person. [Applause on the Republican side.] When you say money is going to New York out of these districts it is because New York demands it and New York has use for it. If it does not go to Cincinnati, it is because Cincinnati is not so active as New York and does not pay as good interest as New York, and would not take as short loans as New York, and would not therefore make use of the reserves as well as New York. A sane banking system must stand for the creation of a sound credit and then laws should be framed to maintain that sound credit in order that needed confidence in both the banks and the operators may be conserved.

Mr. SWITZER. I desire to call the attention of the gentleman as to whether or not the provision in this bill that obligations of the Government shall be payable both in gold or lawful money are not inconsistent with the provisions of the

act of 1890, which requires the money to be kept at a parity with the United States notes and Treasury notes to be paid in gold?

Mr. FESS. Does the gentleman refer to the act of July, 1890? Mr. SWITZER. Yes.

Mr. FESS. There were two laws, you know; that of July, 1890, which was known as the Sherman law and repealed in special session in 1893, and the law of March, 1900, which made gold the legal standard.

Mr. SWITZER. Are they not inconsistent when this bill provides that a Government obligation in the shape of money shall be paid "in gold and lawful money" instead of in gold?

Mr. FESS. To that, Mr. Chairman, I would say simply this, that the law of 1890 made possible the agitation over the standard.

Mr. HAYES. Mr. Chairman, I think the gentleman refers to the law of 1900.

Mr. SWITZER. Yes; the law of 1900.

Mr. FESS. The law of 1890 is what was called the Sherman Act, under which \$156,000,000 Treasury notes were issued.

Mr. SWITZER. I want to know what the gentleman's opinion is.

Mr. FESS. My opinion on that is that the law of March 14, 1900, was simply to establish by law what had already been established by custom since 1890, namely, the maintenance of the gold standard. This bill, if it becomes a law, will change that, as it provides money other than gold for the redemption of these notes.

Mr. SWITZER. Does it not change the law?

Mr. FESS. The feature of the bill touching the note issue would be inconsistent with the law of 1900 establishing the gold standard.

Mr. SWITZER. Does not the repealing section of this bill repeal the act of 1900?

Mr. FESS. In effect it does, though not in terms.

Mr. SWITZER. Then, in that event, Mr. Bryan would get in this bill what he did not get in 1896, would he not?

Mr. FESS. That is precisely what I said. Yes. In 1896 Mr. Bryan said the Government ought to exercise its option and discretion as to what a note should be paid in. This bill does exactly the same thing. That is what I tried to say a while ago. In my opinion the legal effect of this bill as written without amendment of the clause allowing other than gold to redeem these notes is inconsistent with the law of 1900, and in effect repeals the gold standard; that is, it gives the Secretary of the Treasury plenary power to refuse gold payment and force the holder to take silver, and thus place us on a silver basis.

Now I want to get back to these reserves. It seems to me when you are undertaking to prevent the money from going to the money center you are trying to do what is impossible, and I want my Democratic friends to hear this: When I spoke to one of the keenest students of finance in this country, a Democrat who is backing this law in influence, I said to him, "How can you, by law of Congress, prevent money going from my State into New York to be employed there in business?" What do you think he said to me? He said, "It will not do it. The best thing this law will do will be to disclose the hypocrisy of people who say they think it will." That is what he said to me, and he was right. You can not make water run uphill by declaring by an act of this Congress that it must. [Applause on the Republican side.]

You can not take a chip and, by the authority of the Government, stamp it a biscuit, and thereby make it a biscuit. You can not take a meal ticket and convince a hungry boy that the meal ticket is the meal, even though the Government said it was. [Laughter on the Republican side.] That is impossible. It makes no difference if the Government does say so. This Government can not say that money in my hands or in bank in my State can not and dare not leave my State. If it should say so its decree would not be observed unless that decree was in accordance with natural law. Neither can it say where it shall go. If money can be profitably employed in New York it ought to be allowed to go there, if there is better employment there for it than in Ohio, even if Cincinnati wanted it.

I understand the contention here. My friends from the far West will want a Federal reserve bank and they will probably vote for this bill, because their people think the bill will give it to them. The same can be said of the South, also of the Northwest. You can have a Federal bank in Maine, but that does not insure the profitable employment of money in business in that section, because that does not come by law or by decree. You have to observe the laws of trade, and if you undertake to counteract them, you might retard them, but you can not prevent them.

Therefore I say to you that this provision as to the Federal reserve is not what you think it will be, and I do not believe it should be put into law unless you can be assured that it can be made operative.

I would not be so unkind as to say in this magnificent presence of friends and thinkers that you are doing anything of that kind for the sake of favor at home, but it sounds a mighty sight like a good campaign proposition and a good campaign propaganda. [Laughter on the Republican side.] It sounds awfully like that, and yet I will withdraw that statement, because I may be wrong. But nevertheless this is true: This House, together with the Senate, can not counteract the laws of trade, and if New York is the center of growth, it is not because of law in this House, but it is because of the laws of trade. What are you going to do about it?

Mr. STEPHENS of Nebraska. Mr. Chairman, will the gentleman yield?

Mr. FESS. Certainly.

Mr. STEPHENS of Nebraska. The gentleman does not mean to say that by statute we can not prevent the legal reserves of the banks from going to New York, does he?

Mr. FESS. No, I do not mean that. I mean that whatever bank has legal reserves, it will have other money. And when you follow that legal reserve, are you sure that the money you put in there is the same money?

Mr. STEPHENS of Nebraska. This bill does not prevent your bank from sending other money than its legal reserve to New York.

The CHAIRMAN. The time of the gentleman has again expired.

Mr. HAYES. I yield one minute more to the gentleman from Ohio.

Mr. FESS. I want to say before I sit down that I do not share in the criticism that the bill has been prepared without thought. In my opinion the bill represents the keenest thinking of some of the keenest scholars on the subject. I am, however, somewhat distressed that it was made a partisan measure as it was. I wish it had been an open affair, where we could feel sure of safety in the multitude of council.

I want to congratulate the committee on the sort of bill they have brought in, but wish that some modifications might be made so that the rest of us could support it. [Applause on the Republican side.]

Mr. BULKLEY. I yield to the gentleman from Missouri [Mr. LLOYD].

[Mr. LLOYD addressed the committee. See Appendix.]

Mr. BULKLEY. I yield to the gentleman from Kansas [Mr. DOOLITTLE].

Mr. DOOLITTLE. Mr. Chairman, I have listened with some interest to the attacks of the opponents of this bill, and the more I listened the more certain I became that their diaphanous debate—and I think that well expresses it with only the requirement of casual thought and glance—is in reality a search for something in the bill to complain of and howl about. The opponents of the bill know it is a masterful piece of constructive legislation, destined to work wonders of good to all classes of the American people; and these opponents on the floor of this House will yet see, I venture to say, that their various and ridiculous positions are untenable, and that they will, to a large extent, vote for the bill regardless of party when the final roll is called. It is marvelous the discord displayed by those who think, or, rather, pose as thinking, for political effect, they are against the bill. We hear some gentlemen shouting at the top of their voices that the bill is class legislation in favor of the West, and against that we have others stating that the bill is all for the good of Wall Street, while a leader of a minority party on the floor calls it a make-believe device devoid of what he considers real worth. And with it all none of them offer anything that even they consider better.

No one has said this or any other bill is perfect; but it is as near perfect as the Democratic membership or any other membership of this House can make it. The bill is radical but rational. Their debate is transparent, ungenune, and through it all we see their extreme displeasure at the tremendous and popular strides of progress accomplished by this great administration, hand in hand with the House and Senate. By their attacks they hope to detract from the unprecedented popularity of our President and his wise, patient, aggressive, businesslike administration. Mr. Chairman, these opponents will suffer disappointment. The people of our country have absolute confidence in the great Executive in the White House, and never before in the history of this Republic has there been greater accord among the party in power, and never before has there been so great a zeal to do something for the masses of American people, who have come into possession of their own Gov-

ernment through their votes and their champion and President, Woodrow Wilson.

But to get back to the currency bill—and in passing let me say that no other political party in the past half century has ever been able to agree on a currency bill within its own party; and it is not because the Democratic caucus approved this bill that I am for it—I am not bound by caucus action—but it is because I think this bill is brimful of merit. We are to place on the statute books a currency and banking law that will emancipate the business of America from the hands and control of Wall Street and the Money Trust and put it on a basis of individual merit and responsibility where it can not be crushed by the Money Trust and the credit monopoly, as many legitimate enterprises in the past have been crushed. As glaring instances of the methods and power of the money monopoly I have in mind the 1907 money panic, and later the receiverships for two great railway companies—the Orient and the Frisco. Every man here and every citizen of the United States remembers how the banks refused full payment on checks and how many suspended any payment at all in 1907. You remember that it came on in less than a day—almost instantly—and you know whose fault it was. It was not your home bank's fault; it was the fault of the speculating reserve banks in Wall Street and other money centers with whom the home banks carried their reserves.

The Wall Street banks had loaned so much of the country banks' reserve on deposit with them to speculators that when crop-moving time came in the fall of 1907, and the home banks began to recall their reserve deposits to meet these legitimate demands, the big speculating reserve banks could not pay them because they had loaned it out. So, as the home bank could not get its money, just so you could not get your check cashed, whether it was your own or some one else's. The home banks simply could not get their cash, and in consequence were unable to let you have yours. This Glass currency bill is an insurance policy against any such panics, as I shall presently show you.

If the Money Trust puts such huge companies as railways into the hands of receivers, what chance has smaller concerns against it? The Kansas City, Mexico & Orient Railway Co., commonly known as the Orient, is surveyed and graded almost the entire distance from Kansas City through the great agricultural and stock-raising districts of Kansas, Oklahoma, Texas, and Mexico to the Gulf of California, and several hundred miles of its lines are in operation, but its further construction is at a standstill, and has been for many months past. Why? Arthur E. Stillwell, former president of that road, in his attack on the Money and Credit Trusts gave the reason—those trusts composed of directors and stockholders in railways and other huge corporations simply did not want any more competition for the transcontinental railways, so they refused to finance his road further or to allow it to be done—our antitrust legislation the coming session will put an end to the evils growing out of interlocking directorates. And the result is that perhaps this railway may never be built and the opportunity for employment for thousands of men lost. The great expanse of territory sought to be traversed, the counties, towns, and farming communities, that for years have expected this new vein of commerce to put them into better touch with the commercial activities of the world, to enlarge their populations and properties, to give them cheaper and more satisfactory railway facilities, to increase the value of their possessions and to put the products of their institutions, fields, and feed lots nearer to market, appear due for further and continued inconvenience, disappointment, delay, and loss.

When we take the control of the money of this Nation from the hands of a few individuals and huge banking corporations and distribute it in the several regional reserve banks, as provided by this bill, not controlled by any set of capitalists, but by the Government itself, it will be impossible for any legitimate business to be made the victim of some whim or scheme of destruction hatched out in Wall Street or some other money center or even inadvertently brought about by a restricted currency. Under this bill we shall have all the money required for every legitimate enterprise, purpose, or industry, and without having to ask Wall Street's consent.

And why should Wall Street have refused to renew the notes of the Frisco Railway early this summer? Never before had there been any trouble in having them renewed, and the railway company was in excellent shape. Why? For the answer to that I will insert herein an extract from Bank Notes, a bankers' journal, published at Indianapolis, and not connected with the Money Trust. The editorial from this paper follows, and should be given great weight. It is worthy of sober reflection:

WILSON CHECKED BIG PANIC—BUSINESS SOUND.

A credit panic, carefully planned out by Wall Street, was well under way on Friday, the 13th of June, when it was stopped almost instantly

by Secretary of the Treasury McAdoo's announcement, made with full approval of President Wilson, that the United States Treasury was prepared to loan the country banks \$500,000,000 to paralyze the Wall Street gamblers.

There is apparently no doubt that big financial interests deliberately mapped out a panic to throw some of their enemies into bankruptcy and to give tariff and currency reform a black eye. For three months their paid representatives had been traveling around the country spreading alarm among bankers and business men. Trust-owned newspapers had been following them up and seconding the motion by announcing a coming shortage of money and a country-wide stagnation of business to result.

All this time prosperity was on a sounder basis than ever before. Crops, steel production, and exports had broken all records. Wall Street sulked, then planned a panic.

It hoarded gold until the money market was almost cornered and country banks were squeezed hard. Many big banks announced that money was scarce; at the same time their vaults were bulging. One of the loudest howlers had reduced its loans and increased its deposits by weakening securities until it increased its stock of money nearly \$20,000,000.

Then they began to apply the screws. Loans were refused. A great western railroad with over 7,000 miles of tracks was thrown into bankruptcy because Wall Street refused to loan it \$3,500,000, a loan that this road had often floated without difficulty.

That was on Friday, the 13th. It threatened to be a second black Friday on the New York Stock Exchange.

A panic started. The stock market almost went into chaos; many securities fell in an hour to lower prices than during the panic of 1907.

Then came the official announcement that country bankers no longer had to look to Wall Street. The United States Treasury would issue up to \$500,000,000 in emergency currency under the Aldrich-Vreeland Act to meet any crisis. This meant a Federal war against Wall Street.

There was no need of the money—after it was offered. One threat was enough.

Metropolitan banks suddenly "found" millions and dumped them on the loan market. The high call loan rate was cut in two in a few hours. One New York bank reduced its rates for time money, offered to lend freely of its surplus reserve of \$28,000,000, and in one day bought \$7,000,000 of commercial paper; the day before this bank had been the loudest calamity howler about a money shortage.

Wall Street has been given a terrific beating, and the panic has gone over our heads like a black cloud—probably for good.

Now, watch the other banking magazines jump on "Bank Notes." Not one of them will print the truth about this deliberately planned panic, because certain of the financiers who were in on the diabolical, anarchy-breeding conspiracy advertise in those publications. "Bank Notes" is for the country banker; this is the story of the panic from the country banker's side.

Shortly after the Frisco receivership and the further threats of the trusts and combinations to bring on a business depression, President Wilson came before Congress in person and delivered his epoch-making message calling on the American Congress to deliver the country from the powers of the monied interests and to set business free. Have we responded to his timely warning and patriotic request? We have, and this bill before us bears the hearty indorsement of the President, and is known as an administration measure, and will receive practically every Democratic vote and, again I predict, many Republican and Progressive votes.

I shall not enter into a discussion of the bill section by section, as you have already listened to many excellent addresses that have shown far greater knowledge of banking and currency on the part of their authors than I possess. But in passing I should like to refer to the able statement of the gentleman from Oklahoma, Hon. CLAUDE WEAVER, a member of the Banking and Currency Committee, regarding the splendid items of reform this bill inaugurates:

1. Government control is substituted for bank control. Creating a currency for a nation is the highest attribute of a sovereign power deeply affecting all the diversified interests of the social state. To surrender this power to banks or any private interests is destructive to good government and treason to the people.

The Federal reserve board consists of seven public officers appointed by the President of the United States, subject to confirmation by the Senate, and the President himself is a public officer, and if he violates his trust is subject to impeachment and removal.

2. The bill provides for the mobilization and use of the cash reserves of the banks whenever needed in times of trouble.

3. It provides as a basis of the currency, in addition to the present currency, that it shall be issued upon gilt-edge commercial paper of an established standard, issued for the agricultural, industrial, and commercial purposes, thereby promoting industrially, agriculturally, and commercially the great producing and distributing agencies of the wealth of the world.

4. The surplus money of all sections of the country under the present system has been concentrated in New York and loaned on call and on stock-exchange security. It is withdrawn and distributed over the different parts of the country equitably in proportion to business demands, thereby becoming available to the great masses of our citizens instead of being monopolized by the gamblers and stock speculators in Wall Street.

5. By withdrawing from New York this surplus money at a single blow the Money Trust is destroyed.

6. Notes or bills issued or drawn for the purpose of carrying on trade in stocks and bonds are denied the privileges of discount at the Federal reserve banks.

7. Credit facilities between different sections of the country, so long unequal, are made uniform by virtue of the power vested in the Federal reserve board to require Federal banks to rediscount the discounted prime paper of other Federal reserve banks, thereby taking from a bank that is plethora in funds its surplus to relieve another bank in a section of the country that is flaccid and drained.

Our friend embarrasses me somewhat with his big words.

8. Adequate banking facilities for all sections of our country are thereby provided to promptly and on reasonable terms meet the ordi-

nary or unusual demands for credit or currency for moving crops or for other legitimate purposes.

9. An instrument is afforded by this bill, namely, the Federal reserve board, that can deal effectively with the broad questions which, from an international standpoint, affect the credit and status of the United States as one of the great financial powers of the world.

10. The bill provides for American banking institutions and branches of the Federal reserve banks in foreign countries, thereby giving American citizens in foreign countries improved banking facilities, facilitating and expanding American trade with all the countries of the world.

11. The provision for national banks to establish trust and savings branches will enable that department of the banks to give the public far better accommodations by making loans of longer maturity than commercial banking justifies.

12. The State banks, banking associations, and trust companies are admitted to membership in the system and thereby accorded all its benefits.

13. National banks are given the power to loan money upon real estate, thereby enabling them to serve farmers and other borrowers in rural communities.

14. The independent Treasury system is abolished. The irregular withdrawal of money from circulation in periods of excessive Government revenues is avoided and the entire revenues of the Government are placed in circulation, becoming thereby available to all the people.

15. The gradual retirement of the national bank currency is provided for, thereby paying off the national debt and carrying out Jefferson's pledge—the honest payment of our debts and sacred preservation of the public faith.

And the bankers should not complain of this bill, and I certainly believe they will not seriously protest when they thoroughly understand it; I dare say I know they would not complain if they thought another 1907 panic was anywhere in sight. I know of no better example of the first workings of the bill as affecting a bank than that expressed by the distinguished chairman of the Banking and Currency Committee, the Hon. CARTER GLASS, when he showed its application to a country bank, and I shall insert that clear and simple example herein as a part of my remarks. Of course a larger or smaller bank would be affected proportionately:

Let it be assumed that a bank of \$100,000 capital (no surplus) is the owner of \$75,000 in United States 2 per cent bonds and has outstanding \$75,000 of circulation. Let it also be assumed that this bank has total outstanding deposits of \$400,000. The bank is a country bank.

How will this new plan affect this institution? In the first place, the bank in question, if it has \$400,000 of deposits, must have on hand in its own vaults 6 per cent of that amount in cash, or \$24,000, and must have 9 per cent of that amount, or \$36,000, as a balance with the reserve bank.

Under this bill this bank must have a reserve of 12 per cent instead of 15 per cent, of which 5 per cent, or \$20,000, must ultimately be placed with the reserve bank and \$8,000 may be kept either in the one place or in the other, when the whole measure has become operative at the end of three years.

As the bank has \$24,000 cash when it enters the system it is \$4,000 ahead of the amount required to be held in its own vaults. It can draw for the remaining \$28,000 required of it upon its present reserve city correspondent, with which it holds \$36,000, sending the \$28,000 check to the new Federal reserve bank. After the transaction is over its reserves will be complete and it will have \$4,000 in cash and \$8,000 in balances over and above what it needs to meet its reserve requirements.

The bank, however, must contribute \$10,000 to the capital stock of the Federal reserve bank which it has joined. If it pays this amount out of the \$12,000 surplus it will become the owner of \$10,000 stock in the new reserve bank and will still have \$2,000 surplus out of its former balances.

This bank was receiving probably 2 per cent upon the \$36,000 balances it carried, making in all \$720 a year. Assuming that the stock in the new reserve bank pays 5 per cent it will yield an income of \$500 a year. The bank, moreover, has \$2,000 of free cash still remaining, which it can loan after withdrawing it from its present correspondents—say at 5 per cent—bringing in \$100 annually. Or if it were to use this \$2,000 as a reserve upon which to build up new loans, it could lend about \$16,000 thereon, which at 5 per cent would yield it \$800. On this basis the changed situation of the bank might result in a loss of about \$120 a year or in a gain of \$580 or in anything between those two sums. The reasonable expectation would be that the bank would get a material increase in its revenue. Just how much would depend upon the extent of the loans it could make in response to demand in the community.

The bank would be able to exchange each year 5 per cent of its present \$75,000 of 2 per cent bonds, or \$3,750. If we assume that the bank sells the 3 per cent bonds it receives through this exchange at par and with the proceeds pays off the notes now outstanding against them, the effect is simply to reduce its assets and liabilities by equal amounts, at the same time releasing it from the necessity of retaining the 5 per cent redemption fund in Washington, which at once becomes available as a basis for reserve loans at home. This 5 per cent redemption fund would be on \$3,750 equivalent to about \$185. If this were loaned directly at 5 per cent, it would yield an income of \$9.25. If the \$185 were used as a 12 per cent reserve against loans, about \$1,500 of loans could be made, which at 5 per cent would yield \$75. This, if taken in connection with the showing made above, would reduce the loss to \$45 a year, or would increase the gain to \$655, with corresponding changes in intermediate points between these two extremes. If the banks had no notes outstanding against the bonds which it converted and sold, it would get fluid funds equal to the amount of the bonds thus sold, which could be loaned at 5 per cent, instead of the 2 per cent now paid by the bonds. This would be a difference of 3 per cent a year in favor of the new plan on a principal of \$3,750. On the other hand, if the bank simply paid off its outstanding notes out of the nonreserve money on hand—as in many cases it might—and held the new 3 per cent bonds as an investment, it would profit to the extent of 1 per cent over the existing situation on a principal of \$3,750 a year, or \$37.50 the first year, \$75 the second year, and so on. At the end of 20 years it would be 1 per cent ahead on its whole \$75,000 bonds, or \$750 annually. In this event it is clear that within three years the increased revenue from its bonds would offset any possible loss due to the sacrifice on the 2 per cent interest on reserves. Against this might fairly

be set off the income, if any, that it might have made by loaning the cash used to cancel its outstanding bank notes.

Summarizing, it is safe to say that upon the narrowest possible basis likely to present itself in the case of this bank the institution would, if it paid up its whole reserves under the new plan in cash, fully clear itself and make an additional revenue of from \$200 to \$500. If instead of paying up its reserves in cash it got the reserve credit by rediscounting, it might profit to a very much greater degree; how much greater can not be estimated without knowing the rate of interest in the community and the extent to which it could obtain paper eligible for rediscount.

The banks are inclined to complain about the reserve requirements, but certainly it is not unfair to require that they keep handy a few cents of the depositor's dollar as a reserve to pay that depositor when he wants his money. A reserve is a reserve and must be available at all times.

In my speech on the tariff bill I said that we had gone far toward lightening the burdens of the American people, and I am now able to say that we will have further relieved them of onerous burdens. And, Mr. Chairman, I am glad to observe that this administration and Congress has not yet completed its announced and fixed program of relief for the people. A farm-credit system is yet before us, and it is much nearer than when I mentioned in my tariff speech a farm-loan bill and my purpose to introduce one at this session of Congress. As many of you know, on June 17 I did introduce a farm-loan bill (H. R. 6158) to provide 3 per cent money on long-time loans, and provided for its repayment at 2 per cent per year, making 5 per cent per year all told, which would wipe out the entire debt in 50 years without the borrower hardly knowing it and without his having to pay out as large a per cent as he now does for interest alone. Such a law would put a family on every quarter section in the Middle West. President Wilson has already stated in a formal interview, widely published, that he would ask Congress to pass a farm-credit bill at the next regular session of Congress.

And that great statesman, for whom every man in this House has a deep affection, the Hon. Speaker CHAMP CLARK, has formally given his support and influence to Government farm credits; and as almost a guaranty that we shall have a farm loan and credit law, the Democratic caucus has instructed the Banking and Currency Committee to report in such a bill at the next regular session of Congress. I shall appear before that committee and urge the acceptance of and favorable action on my bill, with such additions as may be advisable. But whether it be my bill or some other bill I feel absolutely assured when I say we will put it into law.

In conclusion, gentlemen, let me say that the people of my native State—Kansas—a part of which I have the honor to represent here, have no banking institutions within its borders that we are afraid of—we live together and are friends—all we want is a guaranty that the big city banks will not ever again be able to bring loss and confusion to our people through the unwilling instrumentalities of our local banks and the curtailment of legitimate credit. There is nothing the matter with Kansas. A shortage in one or two crops this year can not daunt the courage of her people. I protest against the false and lurid stories recently printed in the eastern press about suffering in Kansas. It is true that we have had a light rainfall this summer and it has been hot, but we have not been in "sore straits" at any time. On the other hand, more money is coming into Kansas this year than on the ordinary good corn crop years. Our alfalfa crop, which has been planted in large quantities for several years past, is worth \$65 per acre from many fields. Our wheat crop is one of the best in our history—right at 80,000,000 bushels—and the oats crop was good. Our valuation is about \$2,700,000,000—an increase of \$43,000,000 over last year. Kansas has contributed her full share of meat and breadstuffs to feed the world. The truth about Kansas is her best praise; take her and her people as they stand, they are unmatched and matchless—the greatest domain under the stars.

What a complete emancipation of all the people from trusts, combines, and money powers when the Underwood tariff bill gets to working, the Glass currency bill is a law, and a farm-credit system is established. The possibilities and the opportunities of the immediate future are many. The outlook is roseate and bright. The people are ready. New activities in the business world have begun; continued and enlarged prosperity is with us.

MR. BULKLEY. I yield to the gentleman from Virginia [Mr. SAUNDERS].

MR. SAUNDERS. Mr. Chairman, the preparation, and passage of the pending bill, will be the answer of Congress to a universal popular demand that has become more exigent with the passing years.

From its inception our present banking and currency system has been under fire. Attention has been often called to its manifest defects, with the hope that some expert, or body of

experts, would prepare an alternative system that would rest upon some other foundation than the Nation's debt. But while many have essayed this task, their suggestions have not been approved by the business and banking community. The most ambitious of all of these schemes was the plan submitted to Congress by the National Monetary Commission, commonly known as the Aldrich bill. But this scheme which proposed to organize one great central bank, with 15 branches to cover the whole country, did not find either popular, or congressional favor. The popular objection to a central bank is inherent and deeply rooted. The fundamental difference between the Aldrich plan, and the scheme of the present bill, is that the latter utterly rejects the central-bank idea, and contemplates a division of the country, for working purposes, into 12 great divisions. In each of these divisions a Federal reserve bank is to be organized. These reserve banks are severally independent, but are subject to the supervision of a Federal reserve board, consisting of 7 members. This board has been described as the "capstone of the scheme." The composition of this board is as follows, the Comptroller of the Currency, the Secretary of Agriculture, the Secretary of the Treasury, and four others to be appointed by the President for respective terms of eight years. The personnel of this board gives ample assurance that the delicate duties imposed upon it, will be discharged with an eye single to the public good. With a view to making the appointments of a nonpartisan character, so far as possible, the bill provides that no more than two of the appointees shall belong to one political party.

Much criticism has been directed toward this feature of the bill, particularly by the big bankers of the country, who seem to apprehend that this measure will impose some limitation upon the opportunities for excessive profits which they have long enjoyed under the present system. But these criticisms are singularly lacking in merit. No banking function, in the proper sense, will be exercised by the board. Its powers are the essential and vital powers of oversight, and regulation. The chairman of the committee speaks of them as the powers that relate to examination, regulation, publication, and control. It is almost a sufficient answer to the savage criticisms which have been so directly aimed against this board, to say that the powers which are conferred upon it solely in the public interest, have, in large measure, been exercised for many years past by the Secretary of the Treasury, and the Comptroller of the Currency in the oversight, and regulatory control of the national banks. If the proposed system is to serve the purposes for which it is intended, namely the utilization of our banking resources in time of strain, so that the whole system will be tied together, one for all, and all for one, then not only must such a board be created, but it must be clothed with the very powers conferred by the pending bill. Chief among these powers is the right of the board to require that the Federal reserve banks shall rediscount the discounted prime paper of other Federal reserve banks in time of emergency.

It is one of the inherent weaknesses of the present system that "under strained financial conditions, each bank is thrown on its own resources, and in self-protection must act independently of all the rest. There is no provision whereby all can cooperate in time of danger, though it may be manifest that safety lies in a common policy of action, and cooperation. At such a time it becomes necessary in the protection and maintenance of individual reserves, for each bank in the national system to contend against every other bank, thereby dissipating and scattering the great bulk of the reserve money of the country, into a large number of small boardings, and completely destroying at the very time when strength and power are needed to retain and compel confidence, the strength and power that would be gained by unification, and massing of reserves for the mutual support of the banks, and the common good of the public."

In consequence of this and other defects in our present unscientific system, chief amongst which is the absolute rigidity of the currency which it provides, and the vast amount of reserve money impounded in the reserve safes of the national banks, and the United States Treasury, this country has been visited with frequent and dreadful panics during the last 50 years. Several times at least have these financial disasters occurred within the last three decades. At the very time when help was needed, the system found itself unable to launch a single lifeboat. No wonder that the financial experts of other countries have denounced the system in vogue in the United States as "barbarous." No wonder that our own experts, though smarting under the charge, have been unable to deny the justice of this criticism. For it has been patent to all that the "prohibition of the lending power of the banks, in the presence of unusual demands upon them, due to their lack of means to protect their reserves by the use of any satisfactory substitute

therefor, or of replenishing them through adequate rediscounting facilities" has caused them to be weakest, when they should be strongest, has curtailed their facilities, when the demand for credit was greatest. So long as the winds are fair, and the seas smooth, the most rickety and unseaworthy vessel may make headway. Such conditions are no test of the sailing powers, or reserve strength of the craft to which our fortunes are committed. The real test comes when the hurricanes blow, and the billows rise. Our currency system, sufficient under ordinary conditions, has been proved to be inadequate and insufficient when exposed to a real financial storm. If it may be fairly said in its behalf that at least it did not founder, it is further true that at such times it was water logged, and helpless. Small wonder, then, that all thoughtful men have been concerned to provide some sufficient alternative system for this fair-weather craft. Small wonder that President Taft, speaking of the currency problem, declared that it is more important than the tariff, more important than the question of trusts, and more important than any political question that has been presented.

Small wonder that bankers' associations, monetary commissions, and financial experts have in succession, suggested various remedies for an intolerable situation. Small wonder that even the Republican Party was moved to create the Aldrich commission which if it produced an impossible scheme, at least collected a valuable library for the benefit of all students of banking and currency problems. Small wonder that the Democratic Party, ever on the alert for legislation in aid of the interests of the people, committed itself in its last platform to a systematic revision of the banking laws of the United States. This bill is in redemption of that promise.

Fundamentally this measure is at variance in many directions with the Aldrich plan, but notably so in its provision for Government control, and precautions against the possibilities of undue inflation. The foremost advocates of the Aldrich scheme have been forced to admit that it contemplated "such vast credit extending power, as to be almost beyond belief, and certainly far beyond the requirements in any panic." President Wilson in his recent message happily stated the fundamental requisites of a sound and adequate currency system:

We must have a currency, not rigid as now, but readily and elastically responsive to sound credit, the expanding and contracting credits of every-day transactions, the normal ebb and flow of personal and corporate dealings. Our banking laws must mobilize reserves; must not permit the concentration anywhere in a few hands, of the monetary resources of the country, or of their use for speculative purposes in such volume, as to hinder, or impede, other more legitimate, more fruitful uses. And the control of the system of banking, and of issue, which our new laws are to set up, must be public, not private, must be vested in the Government itself, so that the banks may be the instruments, not the masters of business, and of individual enterprise, and initiative.

Surely these are wise words, and it ought not to be hard to choose between a carefully worked out plan in which the control of the entire system of banking and of issue, is in the hands of the Government upon which rests the responsibility for the welfare of the whole country, and another scheme which remits this control to agencies created by, and responsive to the system itself. Strange to say however the sharpest attacks of the opposition are directed against the constitution and the powers of the Federal reserve board. The teeming imaginations of the gentlemen who are opposing this measure, have been overworked in the construction of direful pictures of woes unnumbered, to follow in logical sequence from this feature of public control, and the exercise of the power which is committed to the reserve board. This power has been described as the "power that would enable an administration to build up an invincible political machine, depress or stimulate the market, inflate the currency, favor one section of the country, and discriminate against another, and absolutely control the financial affairs of the people of the whole country."

It is needless to say that these suggested dangers are purely visionary. Theoretically in our scheme of government many things are possible, which never occur in actual practice. The time will not come, except with the failure of popular government, when a President of the United States, in the discharge of his responsibilities under this act, will undertake to hold up the whole financial system of the United States in the vain effort to further thereby the schemes of partisan politics, and of personal ambition.

The whisperings of conscience and the dictates of prudence will alike constrain the officials charged with the oversight of this vast system, upon which will hang the hopes of their country, to walk in the straight and narrow path of duty well done. Nor will another impulse to honorable action be lacking. Co-eternal with hope in the human breast is the ardent desire to hand down the rich heritage of a good name to our descendants.

Honorable men charged with the responsibilities of great position, mindful on the one hand of the interests of their country, and on the other of their own fair fame and reputation, standing well out in the open in all that they say and do in the discharge of these responsibilities, are not likely to prostitute their offices. If it is suggested that there is at least a possibility that this may take place, the sufficient answer is that this is a risk which must be taken whenever power is lodged in an individual, or an aggregation of individuals.

In aid of the reserve board, the bill creates a Federal advisory council to consist of as many members as there are Federal reserve districts. It is provided that each reserve bank, by its directors, shall annually select from its own Federal reserve district one member of this council. The meetings of the council shall be held in Washington at least four times a year, and oftener, if called by the Federal reserve board. This council is empowered to meet and confer with the reserve board on general business conditions, to make oral or written representations concerning matters within the jurisdiction of the board, to call for complete information, and to make recommendations in regard to discount rates, rediscount business, reserve conditions in the various districts, the purchase and sale of gold, or securities by reserve banks, and the general affairs of the reserve banking system.

The value of this board composed of men of affairs, skilled in practical banking, and acquainted with the conditions of business not only in their respective districts, but in the country at large, can not be overestimated. It passes belief that the reserve board, in the discharge of their delicate and difficult duties, would be unmindful of the weighty recommendations of such a board as this, or would not at all times welcome their suggestions, and often defer to their judgment. Through this advisory council, the reserve banks, to a substantial degree, will have a potential effect upon the deliberations, and policies of the reserve board.

It is true that the advisory council does not vote in the deliberations of the reserve board, and has no veto power over its orders. This feature of the bill has been the subject of acrimonious criticism on the part of many bankers. But the fundamental conception of the pending measure is a banking system free from the dominating control of that mysterious but real power, known as the Money Trust.

Having agreed upon this fundamental concept, and provided that the firm control, and steadying hand of Government authority shall at once guide and restrain the further course of banking operations in this country, it would be a manifest incongruity to subject the action of the reserve board to a veto power lodged in a council created by the very agencies intended to be restrained. The reserve board must, of necessity, be paramount and supreme, or the bill will fail in its manifest purpose. This measure is a beneficent creation, and not a malign monster, and the Democratic Party, in good faith, tenders it as the solution of a problem which has engaged the best thought of this country for many decades past. It is a constructive, not a destructive work that we present. While many abuses in the banking world have been uncovered by the investigations conducted by authority of Congress, and great potentiality for mischief lurks in the present system, we have approached our task of reformation in no spirit of hostility to the banking business. Far from it. The Democratic Party is well aware, that in this, as in all countries, now and at all times, a properly conducted banking system is necessary to the prosperity of every well-ordered community. It is our sincere desire to furnish, through this bill, an up-to-date system, and thereby promote the welfare, not only of the bankers, and of their customers, but of all the industries and interests concerned. The present system is not wholly bad, nor is it a reflection upon what is good in that system, to seek to rectify its abuses, and correct its possibilities for mischief.

The Democratic Party is not alone in its belief that reform in our present system is a crying need, nor is this the first step in that direction. The Lovering bill, and the Fowler bill were tendered some years ago to our Republican confrères by their respective sponsors, and rudely rejected. Later, that hasty enactment known as the Vreeland-Aldrich bill, provided for an emergency currency which has never been emitted. Still later, the Monetary Commission formulated the famous Aldrich bill which has declined in favor from the first day on which it was presented to the public, and is now thoroughly discredited by reason of certain very objectionable, not to say dangerous provisions which it contains, and upon which its friends insist.

One thing, at least, may be said to the credit of the national banking system; and that is that whatever may be its defects in other directions, it has given us a good dollar, one good at all times and everywhere. This fact, and it is a material fact, for the paper money of this country prior to the Civil War, was

far from satisfactory, has so much impressed the public mind that it has served to perpetuate the system, and postpone the reformation of its vital defects. No alternative system that does not provide for note issues, or bank issues, as good as the present issues, would ever be acceptable to the country, or win any decided measure of public favor. The pending measure provides that the Government shall issue Treasury notes through the banks, and solely upon the application of the banks. The provisions of the bill are that Federal reserve notes are authorized to be issued at the discretion of the reserve board, and for the purpose of making advances to reserve banks. These notes are to be the obligations of the United States, and receivable for taxes, customs, and other public dues. They are redeemable in gold, or lawful money, on demand at the Federal Treasury in Washington, or at any Federal reserve bank. Any reserve bank may make application to the local reserve agent, for such amount of Treasury notes as it may deem best. This application must be accompanied with a tender of collateral security equal in amount to the sum of the notes applied for. This collateral security must be notes and bills accepted for rediscount.

At any time the reserve board may call upon a reserve bank for additional security to protect the notes issued to it. In addition, whenever a reserve bank shall pay out reserve notes issued on its request, it shall segregate in its own vaults, and shall carry to a special reserve account on its books, gold or lawful money equal in amount to 33½ per cent of the notes so paid out by it, such reserve to be used for the redemption of said reserve notes as presented. Any Federal reserve bank, so using any part of such reserve to redeem notes, shall immediately carry to said reserve account an amount of gold, or lawful money, sufficient to make said reserve equal to 33½ per cent of its outstanding Federal notes.

Hence, it will be noted, that the foundation of these notes is of a most solid and panic-defying character. First, there is the obligation of the Government. Second there is approved collateral, equal in amount to the face value of the notes. Third, the reserve notes issued to any reserve bank, shall, upon delivery become a first and paramount lien on all the assets of such bank. Fourth, a special reserve fund of gold or lawful money is provided, to be segregated in the vaults of the bank, and equal in amount to 33½ per cent of the reserve notes paid out by it.

Who will dare maintain that the new reserve notes, so buttressed and supported, will not be as good as gold anywhere, and under all circumstances? Certainly no critic of the bill has undertaken to maintain otherwise.

A cardinal defect in our present system, recognized as such by the currency commission of the American Bankers' Association, is its lack of elasticity, or, to use their language, its absolute rigidity:

A bank, in order to take out circulation, must invest more money in Government bonds, than it is permitted to issue in currency, thereby impairing, rather than increasing its power to aid trade and commerce.

Responding to the query, whether an elastic currency should be authorized by law, the same commission declares that an elastic currency is a vital necessity in connection with the banking and currency system of the country, and should be authorized by law.

The national-bank notes could never be made elastic, for the simple reason of their fixed relation to the bonds of the United States. For this reason they must remain rigid and unalterable in amount. It has been remarked, in the course of this debate, by the gentleman from California, Mr. HAYES, that these notes, so far from responding to the demands of commerce, that is increasing in volume in proportion to the demand, and diminishing as that demand passes, actually increase, as a rule, when "the demand is least, and decrease when the demand expands. In the fall, which is the time of great currency demand, the amount of bank notes in circulation, generally decreases several millions of dollars, and in the spring, when the demand is light, the circulation has many times increased, sometimes as much as \$20,000,000 over the circulation in the fall. This, of course, is very unnatural, and the results are evil, accentuating the shortage of currency in the fall, and stimulating speculation in the spring."

When crop-moving time arrives, the demand for money frequently becomes acute. The local banks are often unable to meet this demand, and in their distress turn to the great banks in New York City, which heretofore have measurably carried the balances of the country. It is unfortunate that this has been the case, for it has tended to give an undue and preponderating influence to these banks, and create a sense of weakness and dependency in the country banks. Another feature of the present system which has tended to localize too much of the money of the country in New York, has been the increas-

ing tendency among the small banks to keep balances for reserve and exchange purposes, in the New York banks qualified as reserve agents. Hence, at times, New York has been so abundantly supplied with money that many forms of vicious and dangerous speculation have been stimulated to the great detriment of honest business. This withdrawal of funds from the local banks, and consequent congestion in New York, has an evil effect in another direction. In time of panic the country bank finds that a large proportion of its loanable funds and reserve money is tied up in New York.

The local bank may be perfectly solvent, with an ample supply of commercial paper, but commercial paper will not be accepted by its demoralized and excited depositors, and there is no efficient way in which these securities may be turned into cash, or any system of coordinated banks to which, in its distress, it may turn for aid. Single handed and alone it must fight its battle.

The currency provided for by this bill, and issued to the regional reserve banks will be responsive to the "varying commercial demands of the business community." Any local member bank needing money can carry its commercial, agricultural, or industrial paper to a Federal reserve bank, and after indorsing these securities, may discount the same, receiving notes therefor. Under the operations of this bill expansion will certainly take place, but healthy expansion is not inflation, and therefore is to be desired, not deprecated. In every direction the tide of the world's business is continually rising. To this tide, there is no ebb. Local recessions may occur, but the general movement is ever upward. The extent to which these notes may be issued, is determined by the discretion of the reserve board, acting upon the collateral that is tendered by the member banks. There are no means of compulsion that can be set in motion by the banks which tender the collateral, to compel the issue of Treasury notes. In this respect they are subject to the wise discretion of the board, reinforced by the suggestions of the advisory council.

It has been noted as a further defect of the present system, that it "lacks cohesiveness, there being no provision for co-operation among the banks composing it." In recent years the banks gradually learned the lesson that they must provide for cooperation by voluntary agreement, and in various sections of the country during the panic of 1907, these agreements saved many banks from ruin and disaster. In numerous instances menacing runs were averted by clearing-house certificates. One main purpose of this act is to knit together the national banks by a scheme of definite coordination. State banks, banking associations, and trust companies may subscribe to the stock of the appropriate reserve bank, under the conditions prescribed by the act. Once the new system is put into operation, certain very definite and positive advantages will follow.

The sense of weakness that attaches to individual enterprise, will be removed. In its place will come the confidence that follows coordinated participation in a great plan of cooperative action. Heretofore, until the formation of clearing-house associations, the individual banks fought their own battles, and established their own connections. Sometimes these connections proved to be broken reeds. A run is the most dreadful thing that can happen to a bank. The community loses its head. The depositors in excited throngs jostle each other in their frantic efforts to be the first to remove their deposits from the institution under suspicion. If continued, a run will drive any bank, however inherently sound and well conducted, to close its doors. The new system will be a prophylactic. It will steady the public mind by giving them confidence in the banks. In addition, it will furnish the member banks with "sources of strength in time of stress." Any bank short on cash, but supplied with good collateral, can secure all the money that it needs, either to meet a run, or for crop moving, by application to a reserve bank. Freed from their dependence on New York, and strengthened by their relationship to the new system, the country banks will be increasingly potent in their contributions to the growth and prosperity of the country. A simple illustration will suffice to show the steps by which a member bank will secure the funds necessary to meet a shortage, however occasioned. So far as the public is concerned, the patrons of such a bank will do business in the accustomed fashion. A, B, or C, wishing to raise funds to pay for land, to purchase goods, or to conduct any legitimate operation, commercial, agricultural or industrial, will take his notes to the local member bank, and discount them. Later, the bank may find that its supply of money is running low, dragging it for loanable funds, or threatening trouble in other directions. Formerly it turned to New York as its port in time of storm, but in the future, safety and relief will be found nearer home, in a bank with which it is intimately associated, and created for just such emergencies.

The member bank will take its paper to the regional reserve bank for rediscount. Should the reserve bank need the money with which to complete the transaction, and supply the wants of the member bank, it will take the rediscounted notes to the local Federal reserve agent, and request the issue of Treasury notes to the amount of the paper presented. Crop emergency periods have heretofore proved to be occasions of trouble and anxiety for the country banks. During these periods the cry for money with which to move the crops is urgent and insistent. Sometimes the Treasury Department has furnished essential help. Frequently, the country banks finding themselves at the limit of their loaning power, have been compelled to secure the money required for their operations, at exorbitant rates. Ordinarily this may not have been true, but in times of stress the sources of supply were uncertain and capricious. The panic of 1907 is often cited as a money panic. Business was at high tide, and crops were abundant. Out of that very abundance proceeded trouble. Called upon to furnish the needed currency, the banks approached the danger line fixed by the reserve laws in their efforts to meet the demands of their customers. In proportion to the reluctance of the banks to trench upon their reserves, and furnish additional money, the clamor for more money became increasingly violent. Suspicion and distrust stalked abroad. The banks took fright, and organizing for mutual protection, refused to provide the money needed, and in many instances, even to pay the balances to the credit of other banks. Business halted at full tide, freights ceased to move, industrial operations were curtailed, men walked the streets vainly looking for work, and distress like a pall settled over our fair land. In time the cloud lifted, but the lesson of that near disaster is not far to seek, and that lesson is that no system is fundamentally sound which, so far from affording relief under these recurring conditions, actually aggravates the mischief. It is not enough to furnish a good dollar. This is only one necessary feature of a comprehensive financial and banking system. Such a system must go a step further, and furnish an abundant currency, when such a currency is required. This is what the pending bill proposes to do through the machinery which it provides.

The reserve banks are so constructed that they will be provided with ample capital, and their business will be of the most solid and substantial character. The national banks located within a given district, will be required to subscribe to the capital stock of the Federal reserve bank of that district, a sum equal to 20 per cent of the capital stock of such national bank, fully paid in and unimpaired. No reserve bank shall commence operations with a paid up, and unimpaired capital, less in amount than \$5,000,000, and the shares of the capital stock of Federal reserve banks shall not be transferred, or hypothecated. The member banks will receive a cumulative 5 per cent dividend on their paid-in stock in the reserve bank, and a participation in certain further profits. State banks, banking associations, and trust companies, as heretofore noted, may become stockholders in these reserve banks which hold out great possibilities of profit from their legitimate operations. Should a regional reserve bank find itself in difficulties, a section of the bill provides that the reserve board, in time of emergency, may require other Federal reserve banks to rediscount the discounted prime paper of that bank. Thus the banking strength of the whole system may be mobilized when occasion requires. The regional banks provide for the wants of the member banks, while a failing, or halting regional bank is taken under the sheltering wing of the whole system. It is apparent that under the operations of this bill, in normal times, the money of the country will be localized, and distributed with far greater uniformity than exists at present; while the resources of the whole system may be concentrated at any point of danger, or center of disturbance. One feature of the pending bill, which is of particular interest to rural communities, is the provision for rediscount.

Under section 14, any notes or bills, drawn for agricultural purposes, or the proceeds of which have been, or may be used for such purposes, may be discounted by the appropriate reserve bank upon the indorsement of the member bank, these notes and bills to have a maturity of not more than 90 days. It will be noted, that by the operation of this section, long-time paper may be discounted by the reserve banks. Suppose a farmer, needing funds, obtains a four months' loan from the local member bank. At the end of 30 days this note could be rediscounted with the reserve bank, and the proceeds of the note thereby made available for further loans. Should the member bank choose to renew the farmer's loan at the expiration of four months, its own liability to the reserve bank could be discharged from other funds received in due course of business, while at the expiration of 30 days, the renewal could be rediscounted. Thus the provisions of this section serve to multiply

the loaning power of the member banks. While some criticisms have been directed toward this portion of the bill, these criticisms have proceeded, in large measure, from a pure misconception of its meaning, intent, and effect. Another feature of interest in the pending measure, and one devised for the benefit of the farmers, is the section providing for savings departments in the national banks. Any national banking association, on application setting forth that it has complied with the terms of the statute, may be authorized to open such a department. The beneficial effect of such an annex, or department in the country banks, will be clearly manifest, when it is noted that in this department loans may be made upon the security of real estate. By this provision the present limitation on national banks, with respect to loans on farming, or other lands, will be removed, and the banks will thereby be enabled to supply a long-felt want.

The farmers have always complained, and justly for that matter, that the present system discriminated against them, and extended superior opportunities for credit to the merchants and manufacturers. This bill removes that inequality, and places the farmers upon a basis of equality, in the matter of credit extensions, with the other classes of the local community. We have tried the old way and it has proved to be insufficient. With the passage of this bill, the old will be replaced with the new, and I firmly believe, the better way. This bill is an intelligent and patriotic effort to take the great underlying principles of well-established banking institutions, including our own, and upon that foundation construct a modern, up-to-date system adapted to the habits, sentiments and business needs of our people. Too long has our financial legislation been of a patchwork character, a thing for the needs of to-day, rather than for all time. This bill marks the end of tinkering with the old system, of devising emergency schemes for anticipated trouble, of putting new cloth on an old garment. That system has been weighed in the balance, and solemnly adjudged by all men to be wanting. There are none so poor to do it reverence. It has been a conspicuous success in one particular, and a failure in many others. Even its commonly ascribed merits, namely that it has furnished the Government with a market for its bonds, and furnished a bank note circulation of undoubted strength and uniform value, are offset in the opinion of the bankers, by the fact that "the artificial market maintained for Government bonds, has been so maintained at the expense of the banking development, and commercial growth of the country, both of which have been seriously retarded by the costly periodical panics, for which the defects of the banking and currency system are principally responsible." This is a serious admission by the men who have been concerned with the administration and development of this barbarous and unscientific system. No language is too severe in criticism of a system, charged by the bankers themselves with responsibility for the ruin and misery occasioned by the panics of recent years, panics which have been worse than battle, murder, and sudden death.

The pending measure is not offered as a panacea for panics. Nay, rather, it is intended to avert panics. It is a challenge to the money power. It marshals the forces of the Government in one comprehensive plan, to afford the fullest opportunity for development to every healthful scheme of commercial, industrial, and agricultural development. It stabilizes our currency, and provides that an expanding want shall be furnished with an expanding supply. It opens the door of hope, and exorcises the specters of distrust and apprehension. The very magnitude of the institutions which it creates, the relationship which it establishes between those institutions, backed as they will be by the power of the Government, will steady the public mind, allay their fears, and thus avert panics. When money is required, it will not be afforded on terms that will increase in severity in proportion to the urgency of the demand, but a key is furnished whereby unfailing springs of supply may be unlocked, should occasion demand, or panic rear its horrid head. The country will save itself by the exercise of its own powers, and will be spared the humiliation of salvation through the efforts of agencies which have taken to themselves the powers, and assumed the attributes which belong to their creator. Never again will this country know the shame of dependency on the banks of one great city for the means to move its bumper crops, or find itself facing disaster when the money needed for such a situation, is not forthcoming.

This measure will compose the minds of those timid voters who deprecate any changes in the laws which establish our tariff rates, lest in that event the offended money power might, in some mysterious way, withdraw the money needed for the conduct of our industrial enterprises, and by closing the sources of supply, bring on ruin and disaster, thus compelling a return to the old ways, and the old rates. Surely a bill that will afford the reforms provided in this measure, deserves our ardent sup-

port, and the approbation of the entire country. It makes its appeal to the thoughtful and patriotic men of all parties. Conceived in no desire for partisan advantage, intended to promote no schemes of selfish interest, designed to enlarge the operations of the banks, and enable them to perform their functions in a more helpful and beneficent fashion, this bill undertakes to meet the requirements of modern conditions. It furnishes a currency "elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings." It arranges to mobilize the reserves. It renders impossible "the concentration of the monetary resources of our country in the hands of a few, or their use for speculative purposes in such volume as to hinder, or impede, other and more legitimate and fruitful uses." It vests the control of our system of banking and issue "in the Government itself, so that the banks may be the instruments, not the masters of business."

It is the answer of the Democratic Party to a long, insistent, and clamorous public demand, and on this measure we challenge an appeal to the country.

Mr. KINKAID of Nebraska. Mr. Chairman, in my estimation, rightly comprehended, the securing of a scientific banking and currency act is one of the most important, if not the most important, of our economic questions. Some high authorities even believe it comes near to comprehending all political economic questions in one. As our country advances changes will from time to time be made for better and more scientific banking and currency laws, but, optimistic as we may become, we can hardly hope to attain soon a perfectly fair and sound money or currency. But we may more nearly approximate the goal by legislating a new system, and such should be our earnest aim. Money standards are likened to the means of measurements and are often compared to the length of the yardstick, when the fact is the length of the yardstick does not change, but the values of real moneys, and likewise their substitutes, such as paper currencies, do constantly vary in values, both from natural and artificial reasons. There can be no question but that material increase and decrease in the production of our standard of value, gold, have their corresponding effects upon the value of products, of property, of labor and, consequently, on the cost of living. The theory of the virtue of gold as a money standard is that it contains no fiat, but instead rests upon its own intrinsic value; thus, it logically follows that its value must increase and decrease under the law of supply and demand like other commodities. We have had many demonstrations and verifications of this principle. Mr. Chairman, we can not control the supply of gold, hence can not commercially regulate its value; but when legislating for a paper or credit currency we should strive to so legislate as to prevent expansions and contractions for private gain, at the sacrifice of the public, and such safeguards should be secured in currency legislation. The aim should be to preserve intact the length of the imaginary yardstick, to the end that every individual shall be secured his own and no more.

CHECKERED CAREER.

Mr. Chairman, our banking and currency laws have had a checkered career. Our aims were all right at the start for a national currency. We made a good start by our second Government bank, but the successful war made against it by President Jackson and the nonfulfillment of the promises made by President Tyler to restore it by legislation, by his refusal to sign bills passed by the Congress in fulfillment of platform pledges made during his campaign, rendered impracticable and impossible, for a long term of years, the use and enjoyment by the United States of a national paper currency or a national system of banking and currency laws. The deplorable result was that the Government was inflicted until the Civil War with State bank currencies of many varieties, most of it unsecured and irredeemable, depreciated and depreciating, fraudulent and dishonest. True, there were some highly creditable exceptions; a few of the State banks were conducted upon issued notes which they were pledged to redeem and which they did redeem and constantly maintained at par. Such banks did much for the business and commerce of the country, and in many instances rendered praiseworthy and patriotic service to the Government.

NATIONAL BANKING ACT.

Mr. Chairman, our present system, our national banking laws, constitute the solution of the combined exigencies arising out of the operation of State banks and the demands of the Civil War. The national banking act as completed by amendment the year following the initial enactment, relatively considered, was one of the greatest achievements of financial legislation. True, experience has shown that it contained defects, but it must be plain that it would have been impossible, even if a system of elasticity such as is now generally commended had been con-

ceived, to have made it acceptable and successful under the then existing exceptionally unfavorable conditions. It was necessary to be constructive from the viewpoint of the then existing environments. With the Union itself imperiled, with the large Civil War debt already incurred, daily increasing by the millions, with the consequence of greatly impaired Government credit and interest rates increasing, and, added to this, the demoralized condition of State-bank currencies, the plan evolved and adopted in these darkest hours of our Republic, by the tests made of it for now nearly 50 years, show Secretary Chase and his most active supporters entitled to have their names placed with the greatest of the architects of financial systems. For this achievement Chase could not have been more than fully rewarded by an election to the Presidency. Mr. Chairman, I regard this tribute as due the great Secretary of the Treasury and the national banking act, despite the fact that I entertain a very decided conviction that the system is fundamentally defective and unscientific. The act was the very best that was securable under the unfortunate existing conditions.

Mr. Chairman, the effect of the national-bank act was to immediately emancipate the United States from the hitherto State-bank currencies, so pernicious and demoralizing in trade, and to supply instead a national currency—honest, safe, and sound, and redeemable at par and acceptable at its face value everywhere. Not the least of the virtues of the system was that a market was made for the bonds of the Government at lower rates of interest than hitherto obtained. With this added market for bonds and the agency of greenbacks the administration was able to keep pace with the extraordinary demands. Without particularizing, the act was one of the greatest of the war measures. Its effect was like a breastwork for the preservation of the Union.

Mr. Chairman, it is clear it has been the judgment of a large percentage, if not a large majority, of the membership that banking and currency legislation should not be hurried through at this extraordinary session. It was thought at the start that it would suffice to pass a tariff-revision bill at this session. I am frank to say I have personally shared in this predilection, but for the reason only that I felt sufficient time would not be permitted to do justice to the subject. I regard it as well settled by the consensus of opinion of those who have enjoyed the greatest amount of experience and have given the subject the most careful study and attention that our present banking and currency system is fundamentally defective and unscientific. It is my judgment that a new system should be legislated for so soon as the subject may be given that careful, deliberate, and thorough consideration which its very great importance requires. I am ready to meet the question now and to remain here even until the commencement of the next session, in December, assuming enough others are so disposed, for the purpose of passing the right kind of legislation. I am thoroughly convinced that much may be done for the public welfare by the adoption of a new system which will afford an elastic currency, to expand and contract in keeping with the volume of legitimate business and otherwise meet the reasonable wants of trade. I should have liked much to have voted for such legislation in the last two previous Congresses, after much preparation had been made in the gathering of statistics and information bearing upon the subject, but factional differences rendered this impracticable.

Mr. Chairman, I regret to be impelled to the belief that the provisions of the present bill, duly enacted and put into operation, would not facilitate and subserve business transactions and business interests as it is conceived a thoroughly scientific system should accomplish. Being truly desirous of a complete change in our banking and currency system, believing the welfare of the country may be greatly advanced thereby, I shall hold myself constantly open to conviction of the merits of the different provisions; but I am now duly admonished by the action of the caucus, adhering so determinedly to the provisions of the bill as they were when it was submitted to the caucus, and what has already transpired here on the floor of the House that while it is possible I do not regard it as probable that such amendments will be secured in the House as will remove the serious objections I entertain.

Mr. Chairman, unless most of my objections to the provisions of the bill shall be removed by amendments made in the House I shall deem it a duty I owe to my constituents and the country in general to persevere in behalf of such changes as my judgment commends; I shall consider it my duty to continue with my protests that the same may be considered, with the objections of others, by the Senate, and that such weight be there given to our views as in the judgment of that body they may be entitled to receive. I am optimistic enough to feel warranted in predicting that if amendments are not made in several

material respects here in the House that the bill will be changed in most, if not all, of these respects in the Senate and that finally I shall have the pleasure of voting for a bill containing provisions, if not entirely satisfactory to me, yet not so seriously objectionable as is the bill in its present form. So long as it is my judgment that the bill is not the best that ought to be attainable by the Congress and there is another body to appeal to in behalf of improvements I shall deem it my official and constitutional duty to earnestly continue my objections in behalf of changes which commend themselves to my judgment.

Mr. Chairman, what I have said so far is with respect to commercial banking, but really I think banking and currency legislation will only have been halfway completed when we shall have duly legislated for commercial banking. In my judgment it is equally important that we promptly legislate for a rural credit system, for banks or associations or institutions duly constituted to loan money in farming communities. More than a year ago I commenced my preparation for the drafting of a bill of this kind, but a press of work then more exigent caused me to delay the matter until one or two bills had been introduced by other Members upon the same subject, since when I have been content to join with others in behalf of the desired legislation to be secured through the agency of one of these bills. If the right kind of legislation can be secured for meeting the wants of rural communities with loans at living rates of interest, such rates and terms and times of payment as are consistent with the farming industry, I shall be gratified without being entitled to be credited with the authorship of a bill. The majority party having and fully exercising, in this instance, its control over the bill, has decreed, and that in solemn party caucus, that this branch of legislation must go over to the regular session, so all that the opposition can do is to respectfully submit; but I predict that if such legislation shall not be passed at the regular session the country will hold as very derelict the membership responsible for the omission.

POLITICAL.

Mr. Chairman, I regret very much to be impelled to the conviction that it is a mere theory to be talked about and commended—not to be fulfilled—that banking and currency legislation should and would be nonpartisan. If one side, and that the majority side, makes it partisan, this renders it impossible for the minority to preserve the legislation as nonpartisan, however much they may try. Quite a number on the minority side, and a lesser number of Democrats not feeling bound by the action of the Democratic caucus, have on this floor earnestly protested against the extremely partisan way in which the bill, constructed by whom they do not know, was put through the majority-side caucus, thus binding the majority membership to its support throughout. It would seem the bill was made up for the Democratic caucus for it to adopt, and that very few, particularly in the first instance, were permitted to participate in the very exclusive council self-appointed to draft the bill.

The secrecy, mystery, surrounding the origin of the bill is, to say the least, very incompatible with present-day professions that the white light of publicity be kept upon the acts of public officials, especially the acts of our highest legislative body.

Mr. Chairman, the public interests involved in this subject of legislation are too great to justly permit of any partisan predilection prejudicing the merits of the bill in the minds of those who seek only to conserve the interests of the public. Personally I shall strive to hold myself free from any political bias, however great the provocation, and to give the same favorable consideration to the provisions of the bill as I should have felt disposed to do had it come before the House with the unanimous report of the committee composed of the different political parties.

Mr. Chairman, that the principles involved in the provisions of the bill are so very inconsistent with and repugnant to the foundation policies of the old Democratic Party should not affect the bill unfavorably. The fact that the decentralization of Federal power has always been one of the principal tenets of the Democratic Party and that the bill is the very essence of power concentrated in the National Government need not be taken into consideration by Republicans. The Jeffersonian doctrine, so often affirmed by his Democratic devotees, "The least governed the best governed"—even the pending bill constitutes an extreme example of the most governed—need not be taken into consideration. The fact that the Democratic Party is changing its front on principles need not prejudice the bill. On the contrary, if the Democratic Party is to continue in power, the only hope of the country may be that it will make a radical change of its policies.

Mr. Chairman, it can not be gainsaid that the bill constitutes an intricate network of power over the banking business very strongly centered in the Federal reserve board. Function upon

function, power upon power, is heaped upon the board. It will possess the powers expressly given it, and with it its implied powers, which may prove greater still. It will possess all its own power, express and implied, and in addition, by reason of possessing the authority to discharge from office and fill vacancies, prescribe policies, and fix salaries, it will possess all the power of the subordinate officers.

But I shall grant that this may be necessary, in a large measure, in this kind of legislation, and I am willing to go to a reasonable limit in this respect, if the bill may be improved in other respects, for the purpose of affording a fair experiment of such provisions and the kind of a new banking and currency system we have in contemplation. I appreciate great latitude must be accorded and exercised to meet the different conditions which may arise, with their various extremes and at times exigencies, the extent of which latitude could hardly be fixed by statute, and to meet which wants our present system has proved to be wholly inadequate. But I do maintain more autonomy should be secured to the subordinate officers, or that they should be more exclusive in the sphere in which they act. Dominated as the bill with its present provisions would permit, the officers lower than the reserve board should hardly be called officers. They might be more properly called clerks of the Federal reserve board.

Mr. Chairman, I entertain very serious objections to the clause that notes authorized to be issued shall be redeemable in gold or other lawful money. My objection is to the words "or other lawful money." To retain these words in the enactment, the result of the legislation must be admittedly retrogressive rather than progressive, and I think it will be agreed on all hands that the Congress is now making an earnest effort to be scientific and progressive in banking and currency legislation. Payable in gold or lawful money renders the promise a no greater one than to pay in the least valuable money or currency. I think it will be agreed that it is against sound policy to have cheaper and dearer moneys, and while such conditions may unintentionally be brought about it certainly would be unpardonable to consciously legislate therefor, which this very clause would do. By adhering strictly to the law of 1900, establishing the parity of our different moneys and currencies, we avoid any disadvantage existing in the difference of their values. Not only this, we avoid multitudes of difficulties and injustices which would result with the old condition reinstated, which the words "other lawful money" would bring about. The interests of the public and the interests of every individual in our country will be subserved by maintaining as equal in value, or on a parity, every dollar made standard or lawful money; in other words, every dollar should equal in value every other dollar authorized by law. We should have no one money or currency better or poorer than another.

Mr. Chairman, I do not coincide with the views of those who find serious objection to the compulsory requirement that national banks shall adopt the new law or forfeit the charters they now have. To permit national banks to adopt the new law or continue under the present system at their option would, in my judgment, make the success of the new act wholly impracticable. Besides this, the principle would be wrong, while adopting a new system, believed to be a great improvement upon the old, to permit a bank, or even a number of banks, to constitute an obstacle in the way of its adoption and success. It seems plain to me that the new act could not possibly succeed without being generally, if not universally, adopted by the national banks. Therefore, to give national banks their choice either to adopt the new or continue under the old system, to say the least, must result in delay and confusion, with the resulting demoralization in banking, which would spell failure for the new system, however meritorious it might be. Prudently, Congress must say whether we are to have an exclusively new national system or adhere to the old. To leave it to the option of bankers to adopt the new or to divide in the use of two systems would augment rather than decrease the disadvantages of the present system. In my judgment such a division would result in a crisis. Its success would be even far better assured if in addition to being adopted by our national banks it be also largely adopted by our State banks, but, of course, State banks must have their choice to adopt or not the new system. Essentially the system must be very generally adopted, if not entirely adopted, by national banks in order that its merits may be afforded a fair opportunity for a test.

Mr. Chairman, I am not allowed the time either to make all the criticisms I would otherwise make of the provisions of the bill or to express specifically my approval of such parts as I find acceptable. The basic principle of the bill for an elastic currency meets with my hearty approval; but, in my judgment, in order to best subserve the interests of the public, material

amendments should be made in its details. Unless such amendments shall be made in the House I shall unhesitatingly vote against the enactment of the bill and await the action of the Senate, and with confidence, too, that more or less improvement will be made by the upper body.

Mr. BULKLEY. I ask the gentleman from California [Mr. HAYES] to use some of his time.

Mr. HAYES. I yield 15 minutes to the gentleman from Pennsylvania [Mr. KELLY].

Mr. KELLY of Pennsylvania. Mr. Chairman, with all others here present I have listened with great interest to the instructive speech of the gentleman from Ohio [Mr. FESS], and have appreciated it the more from noting in to-day's press that at a meeting of the Ohio bankers in Cleveland yesterday only one banker was willing to declare that he understood the contents of the Glass bill.

The bankers of this country are directly affected by this bill and should at least know its provisions, but of just as much importance is the effect upon the people, and their interests as well as those of the bankers depend upon the attitude of this lawmaking body toward this legislation.

Underneath the fact that this bill is before Congress and underneath all the speeches of this debate is the recognition of the predominant problem in America to-day. It has many phases, and some of them have already been considered, while others are yet to come before this body for action. But, however expressed, it is the same problem—that of securing a more just distribution of wealth between the factors producing it.

The production of wealth has monopolized attention largely, and America has astonished the world by her success in that direction. Crops and manufactured articles to the value of thirty billions are produced every year. Hundred-handed machines, directed by intelligent workmen, pour out a stream of all the countless products necessary to twentieth-century civilization. The increase of wealth between 1800 and 1910 was twice the entire value of the Nation in 1870. One year of modern American progress adds more to the total wealth than a century of earlier American history. The per capita wealth in 1870 was \$708; to-day it is almost \$1,400.

The problems of production have largely been solved, but the problems of distribution have been neglected, and they now confront us with a profound menace.

Concentrated wealth and diffused poverty have become national characteristics. With 96,000,000 of people and wealth of one hundred and twenty billions, 10 men have personal fortunes of three billions and one group of financiers controls twenty-two billions of dollars. While the average worker produces \$1,300 of wealth every year, after allowing for the cost of materials and necessary expenses, he gets but \$435 of the amount. Two-thirds of the wealth he produces goes to other men. As a result the average man is finding it increasingly difficult to make his income meet the actual expenses of livelihood for himself and family. Soaring prices for the necessities of life mean that he must live from hand to mouth and in constant dread of any misfortune which might prevent his ability to work for even a short period. Little children are compelled to toil while able-bodied men go idle. With all the marvelous production of wealth millions of American citizens are in poverty. With bumper crops and gigantic output of commodities, they are ill nourished, unprotected, and ill clad.

Such conditions, growing more pronounced every year, are filling the land with distrust and discontent. They vitally affect the Nation, for no nation can remain stable and secure when millions of its citizens are systematically starved in body, mind, and soul, while at the same time a few men add to their colossal fortunes through injustice and oppression.

Carlisle phrased a question and answer which applies most forcibly to the conditions of to-day:

How have you treated us, how have you taught and led us while we toiled for you? The answer can be read in flames over the nightly summer sky. This is the feeding and the leading we have had of you. Emptiness of pocket, of stomach, of head and of heart. Behold there is nothing in us, nothing but what nature gives her wild children of the desert—ferocity of appetite, strength grounded on hunger. Did you mark among your rights of man that man was not to die of hunger while there was bread reaped by him? It is among the rights of man.

It is not too much to say that concentrated wealth and widespread poverty form the greatest curse in this Nation to-day. It is the parent evil, and other evils are its offspring. It is the cause of the conflict between capital and labor. It erects a barrier between class and masses, and lends strength to the arms of anarchists and all assailants of government. It has a vital bearing on corruption in politics because some men are rich enough to buy others so poor that they are tempted to sell themselves.

That a large part of this inequality is due to financial jugglery is apparent to every unbiased and thoughtful observer. The

control of money and credit is the power of life and death. Through the exercise of that power in private hands inflation and contraction have reaped their harvest of gains to the few and losses to the many. Artificial panics have been manufactured and false booms engineered, while the masses of the people have paid the full cost. Through this control a few men in this Nation have secured a hunger hold upon the people, and it becomes the imperative duty of Congress to face the facts fairly and unafraid. To destroy so great an evil should be the first aim of every patriotic legislator. Justice and the common heritages of citizenship demand its overthrow, and that demand is at the bottom of the widespread desire for banking and currency legislation at this time.

I believe that determined and radical action is imperative, and that no milk-and-water remedies will avail. I would not in any degree lessen the regard for the rights of wealth. I believe it has its rights and should be accorded full justice. But when the confederated money interests of this Nation seek to rule the Republic, when they flaunt their power in the face of the citizenship, when they dictate the making of laws or prevent the fair and free administration of law, I maintain that the time for forbearance is over and the time to strike has come. These interests have themselves forced the issue and we must decide whether manhood or money is to rule in this Nation.

The banking and currency questions are at the very source of this problem of the distribution of wealth. The financial system determines the relative prices of commodities, and upon these prices rest in a large measure the distribution of wealth. If it be true that these questions are of such vital importance, it should follow that the political parties of to-day should have principles of action which should coincide with fundamental beliefs of the parties. But we do not see such a dividing line, and that accounts for the bitter denunciation of this measure on the part of Democratic Members and the support of its provisions on the Republican side of the Chamber. If any one thing is patent in this debate it is that there must soon come a new alignment among political parties of this Nation. There has been little said during this debate concerning principles, but there has been a great deal said about interests. There must come soon a real dividing line between the parties, and it must be a line of principles instead of interests.

To my mind, that dividing line will be that which separates the national idea from the individualistic idea and the commercial idea.

The gentleman from Georgia [Mr. HARDWICK] and the gentleman from Texas [Mr. CALLAWAY] have given able expositions of the individualistic idea, which is fundamental with the Democratic Party. They object to the centralization of authority contained in this bill and uphold personal liberty while they would enforce free competition. They have expressed the historic attitude of the Democratic Party, yet the Democratic majority in this House will vote solidly for this bill and a Democratic President gives it his complete approval and, in fact, has inspired its character.

The gentleman from Pennsylvania [Mr. BURKE] and others have given able expression to the commercial idea, which is fundamental with the Republican Party. They object to this Federal reserve board solely because it centralizes authority with the Government. They desire a central authority named and controlled by the banks, and with that provision would give full approval to the bill.

But neither of these ideas meet the demand of the aroused citizenship of America to-day. The people see and know that the individualistic idea meant simply the law of the jungle, with the strong always overcoming and overriding the weak. They saw the commercial idea following and giving all attention to these successful ones in the hope that if the few were made prosperous their prosperity would leak down on those below.

Now, the American people are turning to the national idea, the principle that this is a Nation created by the people, whose powers shall be used for the common welfare of all the people. They demand that their Government shall be used to prevent the triumph of strong-armed lust for gain, and to secure prosperity for the many, being content to allow that prosperity to find its way to the top.

In so far as the Glass bill is in accordance with that principle it is worthy of support, and where it departs from that principle it deserves only condemnation.

In its provisions it does not touch the question of enforcing fair and just dealings by individual banks. It follows here the individualistic idea in spite of the fact that the let-alone policy of the past has brought about a condition which menaces the entire fabric of the Nation.

The Pujo Money Trust investigation, one of the most important inquiries by Congress in the past decade, proved beyond

the shadow of a doubt that the concentration of credit in New York was due to combinations between great banks. That report was conclusive evidence that changes must be made in existing laws regarding banking if the liberty of business enterprise is to be safeguarded.

The uncontradicted testimony before the Pujo committee shows that one group in Wall Street has acquired such control of money and credit that, acting through 118 directors in 34 banks and trust companies, it controls total resources of \$2,269,000,000 and total deposits of \$1,983,000,000. With such power over money and credit it controls wealth of various kinds amounting to \$22,000,000,000.

The testimony further shows that many of the greatest banking institutions in the country have degenerated into instrumentalities for the control of money and credit, using the money of the people against the people themselves. This condition has been brought about through legislation and lack of legislation, and the cure must come through legislation.

All must admit that the banks render a valuable public service by safekeeping funds that are saved from earnings by economy and thrift or are temporarily idle, and at the same time loaning them out so that business undertakings may be carried out for the benefit of society. But all must also admit that banks are quasi public institutions and that their proper conduct has a vital relation with the public welfare. Justice demands that they shall not be permitted to have exclusive domination of business through the monopolistic control of credit. They are not the masters of the public but the servants, and it is the sacred duty of government to exercise control over them to the extent of making sure that the public shall be given a square deal and that the people are not left at the mercy of banks that have the power of sacrificing legitimate business to reckless and injurious speculation.

The national idea requires that very action, and I am confident that the people will be satisfied with nothing else. The Glass bill does not recognize this requirement, and as a result is a structure raised upon a shaky foundation. It is a weak measure, for however strong the building erected upon shifting sand it can not be stable and enduring.

To meet the demand of the people this bill should contain provisions for the strengthening of the present banking system so that it will inspire the unquestioning confidence of the public in its justice and in the ability of each individual bank to adequately and justly serve both depositor and borrower.

It does not require a wholesale overturning of the present system and the creation of an additional system to attain that end. The present national-bank system has shown that it has splendid characteristics of service and it has become a part of the web and woof of American business.

There is much merit in the axiom, "Prove all things; hold fast to that which is good." Our national banking system has been in use for half a century, and with the changes which experience shows to be necessary it can be made the best in the world. The defects are recognized and they can be easily remedied.

The Pujo report shows that the system of interlocking directorates has established a community of interest between banks which has practically destroyed competition and which is a vital factor in the control of money and credit. On page 140 of its final report it states:

When we find, as in a number of cases, the same man a director in a half dozen or more banks and trust companies, all located in the same section of the city, doing the same class of business, and with a like set of associates similarly selected, all belonging to the same group and representing the same class of interests, all further pretense of competition is useless. For all practical purposes of competition such banks and trust companies may as well be consolidated into a single entity. If banks serving in the same field are to have common directors, genuine competition will be rendered impossible. Besides, this practice gives to such common directors the unfair advantages of knowing the affairs of borrowers in various banks and thus affords endless opportunities for oppression.

Monopoly without the obligation of public service is always a menace to free institutions, but a monopoly of money and credit is more dangerous than any other. When it is evident that one of the chief causes for the united action of banks in the accomplishment of common purposes is in interlocking directorates it becomes a sacred duty on the part of Congress to prevent it. No new system is needed to deal with this evil, and no new system that does not deal with it will be effective. A simple provision that no director of a national bank should serve as a director of any other banking institution would cure this evil.

Added to that, a provision that boards of national banks should consist of not less than 5 nor more than 11 men, and that they should be fully responsible for every act of the bank, and a long step in the right direction would have been taken.

The concentration of money in New York City is another evil of the present system. It is dangerous because it induces speculation in Wall Street and robs the local communities of the money needed for legitimate business. Immense amounts are loaned by banks in stock-exchange loans. On November 1, 1912, 32 of the New York banks had \$240,480,000 outstanding in such loans, placed by them directly for their correspondents independently of the deposits of those correspondents. The deposits of out-of-town banks in these 32 New York banks at that time was \$493,373,000, and a large part of that sum was also used in stock-exchange loans.

This condition can be met by a change in the reserve system and the express prohibition that national banks shall not loan money on securities dealt in at stock exchanges which refuse to incorporate and submit to proper public supervision and control. The New York Stock Exchange and other similar associations are voluntary private associations that have steadily fought all attempts to subject them to such regulations of law as would provide an adequate safeguard against the methods by which stock-exchange quotations are manipulated according to the purpose of stock-gambling pools and individuals, and which costs the American people \$3,000,000,000 a year.

Another change necessary to insure safe and just banking is to prohibit bank officers and directors from borrowing from their own banks.

This practice has been a fruitful cause of bank failures, the First-Second National of Pittsburgh being a recent case in point. It is beyond reason that bank officials desiring money for speculative ventures will use proper caution in the use of bank funds, and the public, both the depositors and borrowers, should be protected against such a dangerous practice.

Another provision necessary to secure safe and just banking is the requirement that banks make public the list of assets held by them. Banks invest the money of depositors and stockholders and they have the right to know what disposition is made of their money. Not only that, but free and full publicity would benefit the banks themselves for it would add to public confidence. The list of stockholders and the assets held by the banks should be placed in a public place in the bank, where all who cared might see for themselves the investments made by the banks to which their money has been trusted.

The Pujo report shows, too, that much of the business done by many national banks is not properly banking business. They devote their energies and funds to the work of promotion, speculation, syndicating, and trustifying. They are extending their efforts in these unwarranted fields through a strained construction of the national banking act, although Chief Justice Waite declared that national banks are prohibited from dealing in stocks and bonds through the failure of the act to expressly grant that power. An express prohibition of the power to invest banking funds in such speculative securities would go a long way toward making the resources of the banks available for the needs of the legitimate business of the different communities in which they are located.

But while the banks are to-day engaging in transactions which are not a part of legitimate banking business, they are prohibited from engaging in some transactions which belong to them by right. They should be permitted to accept time drafts and bills of exchange, a provision which is one of the most commendable in the Glass bill, although an additional system of banks is not necessary in order to have its benefits.

At present the banks are not permitted to accept time drafts in spite of the fact that these bills of exchange, drawn by one bank and honored by another and bearing the names of one or more responsible indorsers, and having salable merchandise back of them, form the safest and most liquid form of credit in which funds can be invested.

Such a provision is a benefit to the banks and to business men. To-day American dealers must pay 7 per cent or 8 per cent for the money with which to discount bills, even though they borrow at 6 per cent nominally, for they must carry a portion of the loan as balance in the bank. The right to discount a bill of exchange would be a regulator of business. It would represent an actual transaction, and would be paid by the realization of money for goods sold. The use of such paper would rise and fall automatically with the needs of business, and would, in fact, assure a self-regulating currency, which in itself would be a great protection against arbitrary contraction and inflation.

The banks should also be permitted to establish savings departments by express provisions of law and not through the subterfuges which obtain at present. This department should be kept separate and distinct from demand deposits, and from its funds loans should be permitted on real-estate loans for maximum three-year periods. This right should apply also to city real estate and not be confined, as in this bill, to farm

lands alone, for the owner of a town lot should be given justice in this matter as well as the owner of farm land.

These changes would not injure, but benefit, every honestly conducted bank in this country. They would put the banking business on a safe basis and allow the banks to occupy their rightful field. I believe there is vision enough and leadership enough and courage enough among the bankers of the country to demand these remedies for existing evils. I know personally many bankers who desire the changes which will enable them to transact only banking business in a fashion which will recognize the rights of the public as well as the opportunities to make money. B. F. Harris, vice president of the First National Bank of Champaign, Ill., in a recent article in *World's Work*, sums up that thought when he says:

It is all-round good business for the banker to enlist himself as a militant campaigner in the field of public welfare and good citizenship.

But regardless of the attitude of the bankers the people of this Nation will have their way. They know the need of these reforms in banking conditions, and no private interests, however powerful and entrenched behind existing laws, can hope to succeed against the aroused majority in this land. The monopoly of money and credit in private hands strikes at the very equality upon which this Republic was founded. It is incompatible with the public safety and the common welfare, and this lawmaking body has no more sacred duty than to end the possibility of such control. It is not so much a question of establishing a new system as it is a matter of clearing away existing abuses and strengthening the good qualities of the system which is now an established part of American business and which has proved its right to survive. It is a recognition of the principle that the people of this Nation are sovereign and through the Federal Government have the power of enforcing their decrees in order to secure justice to all.

I have tried to prove that the best interests of the people demand that no one class of individuals be permitted to control credit, but that the power of government should be exerted to its full extent to prevent a few men, through the control of dominant banks, from dictating the terms on which credit can be secured.

But credit depends on money, and therefore it is of even greater importance that the control of money be vested solely in the government of the people. Money is the lifeblood of commerce. It makes it possible for men to divide the multitude of labors necessary to maintain our civilization. By means of it each man while performing his own special work benefits from the great variety of work performed by other individuals. It brings labor and capital together and associates them in productive capacity. It is the yardstick by which all products of labor are measured.

The control of this standard of value should be in the hands of the Government just as much as the control of weights and measures. Any power that can control the volume of money, increasing it or decreasing it arbitrarily to serve selfish interests, has the power of life and death over American business and industry.

If there is more money than is needed for the actual demands of trade, speculation is induced, production is overstimulated, prices rise much faster than wages, and all industry is deranged.

If there is less money than business requires, prices fall, goods are sacrificed, production is curtailed, wages are decreased and men thrown out of employment, and again all industry is deranged.

When the currency of this Nation is either inflated or contracted without reference to the demands of trade, industry is paralyzed and the people suffer, and one is as disastrous to the interests of the average man as the other.

It therefore follows that the best interests of the people demand that the volume of money be just sufficient to meet the demands of business, increasing as the demand increases and diminishing with lessened demand. The production of money must keep pace with the production of all other products of labor.

In other words, the first necessity is to have the value of money uniform from year to year, to have the standard of value retain the same purchasing price, for that means a stable price level of commodities, and security, and prosperity for the people.

And for my part, I would hesitate at no step necessary to secure that condition. I believe that the only function of a just Government is to promote the common welfare, and that any action is justified to secure that common contentment and prosperity which can only come when those willing to work can find employment at just wages, when the products of labor and the farm can find a ready market at profitable prices.

That is the prosperity we need to-day in this Nation. Not the prosperity of the few at the top, even though we admit that some of their prosperity may leak down on those below. Real prosperity means the prosperity of the many, which in just proportion will find its way to the top.

A stable price level of commodities is necessary to that prosperity and a stable price level depends on the volume of money and the freedom of credit.

It is admitted that the discount rate is a powerful factor in controlling the volume of money. It is believed that it can be kept where just enough money and ensuing credit will be used to produce a stable price level. It is presumed in this bill that the discount rate will be raised if prices should rise above the level and lowered if they fall below it. But the reserve banks do not deal with the people at all and borrowers must discount their notes with institutions not directly affected by this discount rate. The idea, of course, is that the control of discount rates to banks will affect the dealing of banks with their customers. But that in turn presupposes competition between the banks, and that brings us back to the fact that fair competition must be secured if that principle will operate.

If a system of reserve banks is deemed necessary, why do you not reach directly the ends desired by having them banks of the people and for the people. The banks object bitterly to enforced contributions to the capital of these banks. Why not have the capital stock subscribed by the people and controlled by them? Then all the powers granted would be used directly for the benefit of the public.

I believe that the ends which are declared to be desired by the passage of this legislation can be secured without the organization of reserve banks and the destruction of our present banking system and Independent Treasury. A Federal currency board, representing the Government solely, should be given the powers vested in the Federal reserve board in this bill and under requirements of law so rigid that it would use no discretionary power whatever as far as rediscounting commercial paper is concerned. The requirements could be fixed and currency issued on all Government-inspected and Government-passed securities. The Government funds would then not be in the hands of a private corporation—a system which has so many obvious disadvantages.

This board should have the power of fixing discount rates. None can deny that the present high price of commodities is due in large degree to the inflation of money and bank credits which has taken place in the past 14 years. This must be corrected, and the only way in which it can be corrected without bringing the dire evils of contraction is to vest control of the discount rate in the Federal board. Admitting that such a power is the power of life and death over industry and trade, I contend that it should be taken out of the hands of private interests which profit most when interest is high and should be lodged in the Government, representing the interests of all the people.

This control has been in the hands of private interests, and we have seen money increase 60 per cent faster than population in the past 14 years, while the prices of the necessities of life have been increasing to approximately the same degree. Bank credits have increased still more and have also affected the price of every article bought and sold.

What do the American people desire in banking and financial legislation at this time? They want the national idea recognized and the powers of Government used to promote the common weal. They want safe and independent banks, conducted on behalf of legitimate business interests, each serving its constituency adequately and justly. They do not want nor will they tolerate a central bank with its gigantic monopoly in private hands, as provided for in the Aldrich plan, and they will accept no substitute which masks the same powers and attributes, no matter what name may be given it.

They want an ample currency, adequately secured, and issued solely by the Government, so regulated as to maintain a steady price level. They want a national currency, intelligently controlled in the interests of the whole people, so that a dollar shall at all times represent the same amount of commodities and services. This bill aims to secure that kind of a currency and it is a step in that direction, even though slow and halting. Its composite character, its confused principles, and its yielding to expediency weaken it and make it certain that further steps will be necessary in the near future. It will without doubt better existing conditions, but it does not strike the blow the American people have a right to expect against the power which is desecrating their liberties, the irresponsible power of a few men over the great mass of the people. That great cause still demands champions and bitter battles; the cause age-old and never won but always winning; the cause of the throttled and thwarted and enchained against the despot and the tyrant; the

cause of the weak against the strong; the cause of every American who believes that the individualistic and commercial ideas have become outgrown and outworn and must give way to the national idea, with a government of the people, for the people, and by the people, exerting its every power to assure equal rights and equal opportunities for every man, woman, and child in the Nation. [Applause.]

Mr. GLASS. Mr. Chairman, I yield to the gentleman from Kansas [Mr. CONNELLY].

Mr. CONNELLY of Kansas. Mr. Chairman, it had not been my purpose to offer any remarks on the bill under consideration. I confess to you, and freely so, that I have no scientific knowledge on the question of banking, with which this bill largely deals. My remarks will necessarily be along the line of fundamentals, to which every Member has given some consideration. It is fundamental principles that I wish to discuss more than the intricate provisions of the measure. In the reading and consideration of so comprehensive a measure as this we are compelled to apply those standards of measures to it that we have learned to consider as basic principles. If the provisions of the measure are such that they conform to our ideals as we have set them up, we are liable to agree with them that far. If they do not, then we are prone to attempt to reason from the known to the unknown and try to arrive at a proper conclusion.

I am free to say that I have much more faith in the bill since getting a closer glimpse of its intent and its provisions than I had at the beginning. I confess that I have much faith in the honesty and ability of the members of this committee of distinguished gentlemen who have prepared it and who have defended its provisions so ably here. I have a great deal of confidence in the great leaders of the Democratic Party, some of whom I have unwaveringly followed for many years and have found them worthy at all times of this great leadership. These leaders, as well as some of the men in the Republican and Progressive Parties, whose patriotism and loyalty to the institutions of this great Government I do not doubt, have expressed a confidence in most of the provisions of this bill, and that to me is, to an extent, assuring.

I will say to you in the beginning, however, because it is true, that the bill is not in some respects what I would have made it had I been allowed to frame it. I am not one of those who feel or express the contempt for the teachings and the principles of the old-time greenbacker that has been manifested by some who have spoken here during the consideration of this measure, both in the caucus and in this committee. I am one of those who believe it possible for this Government to issue and maintain a full legal-tender paper money, limited in quantity to the needs of the country. I fear that when this bill is brought to the test that it may be found that you have exaggerated the inverted cone of your present financial system by making this money redeemable in gold, and thus make it possible for those who would profit by embarrassing the Government to gather up this money, carry it to the Treasury, and compel the Government to go out into the marts of the world to secure the gold to redeem it. I hope my fears and alarms upon this matter may prove groundless, but I am free to confess that I believe it is possible. That there are many wise provisions to the bill everyone must confess. The provision that places the supreme control of the whole system in the hands of the Government, where men who manage the monetary affairs of the country may be reached by the electorate, is to my mind so wise that I feel that I would be justified for that reason alone, if for no other, in supporting the measure. Then, again, I have faith in the future of this country and the men who will come here to make the laws when we are here no more. I believe that they will remedy by legislative enactment any defect that may show in the working of the scheme that this body, with its splendid endeavor to frame a good measure, may overlook. I believe that there is intelligence enough among the people of this country to demand that any weakness shall be remedied as soon as it begins to show in the fabric under the acid test in the great loom of experience. I believe that we have reached the happy time in our national life when men will have to appeal to intelligence in the future instead of to prejudice, as has been the case in so many instances in the years that have gone by. I believe the people of this country will not demand that the measure be perfect in all of its details upon its inception; they will only demand that it be honestly administered and promptly remedied when the weak places, if such there be, begin to show. I will not be ashamed in years to come to say that I voted for a bill that had so wide an application and was intended to ramify every fabric of our country's commercial and financial life that was in some detail imperfect. Perfection is a rare commodity. I have known but few in my life who claimed to be perfect, and not one of these would I care to imitate or make a day's journey with. The

people of this Nation are not demanding perfection. They are demanding honesty and a fair degree of intelligence.

I have spoken of my fears of the bill loading down the gold upon which it is based with too heavy a load; I would like the bill better if it made every one of these notes when issued a full legal tender for all debts both public and private, with the single exception that it should not abrogate any pledge or any contract now made by the Government. While I do not believe in gold redemption of money, I do believe that a contract made by a Congress is just as sacred and binding as contracts made by individuals, and I would never consent to violation of contracts that this Government has assumed, though under what I consider an unwise policy. I do think that future contracts should not be made in such a way as to place the Government under the possible condition of having to go out and sell bonds in time of peace to satisfy the demands of men who are unpatriotic enough to embarrass the Government for selfish gains. There are gentlemen who know the evil results of the present system who are not sure that they have exactly the right plan to remedy these evils. We see under the present system of loaning money that the fellow who borrows money must pay more for the hire than the average business will permit. We can see with conditions just right—with money drawing a fair and just rate of interest—it should be a strong indication of the prosperity of the individual, and a compliment to his ability as a business man, if it were known that he was a great borrower and was using a great deal of hired money. I find, however, that in the practice, under conditions to-day, the reverse is true, and if it is known that a man is a big borrower it is oftentimes counted against him, for there are few legitimate businesses that will justify him in hiring money at the rate of interest that for many years has obtained in this country. My idea is that if there is a just rate of interest for the loan of money it should be based to an extent upon the natural increase of the wealth of the country. *I do not know of any reason why the man who keeps his wealth or holdings in liquid assets should be especially favored over the man who keeps his holdings in other forms of property.* I do not see in this bill any particular thing that will promise any material lowering of the rates of interest that the final user will have to pay. While I believe the bill contains much more of the good than it does of the bad, and its sins that I would criticize are rather the sins of omission than sins of commission, I would like the bill better were more consideration given to these features.

Mr. Chairman, there is no ground for any class hatred in this country as between the borrower and the lender of money. You will find the banker averages very well with his neighbor in the civic and social virtues that we all encourage and admire. I do not know a banker in my county, my district, or my State that I am not proud to count my friend. I have along with other gentlemen found the friendship and confidence of my banker a valuable asset not a few times in my life. If he has fared better in the gathering together the wealth and goods of the world it is not because he is vicious but rather because he has taken advantage of the conditions, and for these he is not to blame. He is only one to the many who are engaged in other business. I have no sympathy for the sentiment that carries a class hatred. I think it has no place in the making of laws or shaping of statutes. I would approach all legislation with the common good in view and not with the idea of getting even. However, there is a great responsibility resting upon those who are intrusted with the making of financial law. I want to approach it in a spirit of fairness to the rich and the poor, the strong and the weak that should ever be shown in a task so great. I am persuaded that later on, in this Congress, the matter of farm credits should be given that rational consideration that its merit deserves. I know that in my district as well as in many of the other districts of the country, men with ample security are often compelled to pay through commissions and intermediate charges a much higher rate of interest for the hire of money than they should be compelled to pay. I want to have an opportunity to vote for a law that will not permit any class of men to stand between the Government, whose functions it is to coin money, and the user who needs it to conduct his business, and demand that they be given a rake-off in the course of the deal. I know that there are gentlemen here who look upon this proposition with some misgivings, but I believe that it is not only feasible but practical, and I stand ready to assist in every way in my power to place such a law upon the statute books of our country. I have heard some gentlemen of the opposite political faith blame the management of the Democratic Party here because this farm or rural credit plan that is contemplated has not been acted upon.

It seems strange, indeed, to see how placid were these same gentlemen through a term of 50 years that the Republican

Party failed to do these things, but who now grow so impatient in six months of Democratic rule, because the results are not already apparent. I believe that this Congress will pass a farm-credit law. I believe that the country wants it and that Congress will be responsive to the demand. I want to observe that it does not become gentlemen on the other side of the House who have so much fault to find with the way business is conducted by the Democratic majority. You profess to see great danger to the liberties of the people from the secret caucus, where representatives of a party meet to lay out their plans of procedure and make sure that they will carry out the pledges made to the people. This is another reform that has found recent lodgment in the minds of you gentlemen. You practiced this policy every day that you were in power in this country and will practice it again in all probability should the unfortunate day come when you will again be intrusted with its affairs. I have no fault to find with the honest reformer. I believe he will ever have an important place in the affairs of a republic. I submit, however, that the primary essential of the true reformer is to be willing to practice when he is in power the policies he pleads for when he is not in power.

Mr. Chairman, I represent, in the main, a great agricultural district where the sources of wealth are stock and grain raising. True, we have all of the other interests incident to the industries of such a community, such as banking and milling and mercantile business, but all are primarily dependent on the man who guides the plow. This great rectangle of land has all the elements of primal wealth in the line of agriculture. I may be pardoned in passing in saying to some of you gentlemen who live in the East, and who I fear at times get the idea that the range of great things is bounded on the west by the rolling waters of the Mississippi, that one county in the district that I have the honor to represent—Smith County, Kans.—in the year 1912 produced more corn than any five of the New England States combined. It produced more corn that year than any like amount of territory in this great Nation. We are a cosmopolitan people, where the interest of the banker, the farmer, and the merchant is so interlinked and interwoven that what affects one class quickly and surely affects the other.

These interests are so close in my country that I would hesitate to support a measure that would embarrass the bankers there. I am free to say that while I have taken some trouble to place the provisions of this bill before them I have not received a letter from a banker in my district protesting against the measure. I am therefore persuaded that they believe that this bill, which makes it possible for them to accommodate their people through the agencies of the discount features of the bill, makes it more easy for them to secure the money to meet any stringency in the times of panic; makes them less amenable to the greater banks in the financial centers, where money naturally flows under the present system; meets to a considerable measure their approval, and has their support.

Mr. Chairman, finally I want to again say that I have never held or expressed the feeling toward the teachings of these old monetary reformers that has been shown by some gentlemen who have spoken here—that old reformer pleaded for a limited full legal-tender money, composed of gold, silver, and paper money, each dollar the peer of every other dollar, and each armed with the sovereign power to walk the royal highway of commerce and slay every debt it chanced to meet. I have never held a contempt for their teaching, for I have never been able to see where it was capable of doing a wrong to any class or to any legitimate business. I know that the great majority of these men who believed in and taught this doctrine were farmers, who usually paid the interest instead of the high financier who collected it, but I have never considered that sufficient excuse for holding the theory in contempt.

These gentlemen who take so much pleasure in showing their disapproval for that class of money that they are pleased to call "gutter script" and "rag money" should quit abusing paper money for the good it has already done in the Nation's history, though it may never be called upon to do more.

In reading the history of my country I find that when Jefferson—who was, to my mind, one of the great characters of history—when he, through the eye of the sage and the patriot, saw the great possibilities of that vast empire known as the Louisiana Purchase and sought to obtain it, it was paper money that came to his rescue and made it possible for him to secure that great domain and dedicate it to freedom for all the years to come. When the haughty Britons waged a war of hatred against this struggling Nation in 1812 and sent her armies and navies here to pillage and destroy, it was paper money that again guided the pathway of our fathers and stood true in that great struggle.

When the Nation was rended in civil strife in the dark days of the early sixties, and gold had hid like a craven from the eyes and haunts of men, it was the old-time greenback that paid for provisions, equipped armies, and made it possible for Old Glory to continue to wave over a united country. It has stood in every crisis of our Nation's need as our sponsor and our friend. It has gone down into the valley and the shadow side by side with every patriot, only to be denounced and despised when the shouts of victory came. It has always been a friend in need, to help, to succor, and to save. It has never deserted humanity in the time of her distress.

Mr. Chairman, we hold no contempt for the old-time greenbacker. He thought he was right, and he had the courage to say so. He was not afraid nor ashamed to be on the losing side. It was such as he that the poet had in mind when he wrote:

And I honor the man who is willing to sink
Half his present repute for the freedom to think;
And when he has thought, be his cause strong or weak,
Will risk t'other half for the freedom to speak,
Not caring what censure the mob has in store,
Be that mob the upper ten thousand, or lower.

[Applause.]

Mr. GLASS. Mr. Chairman, I yield to the gentleman from Maryland [Mr. LINTHICUM].

Mr. LINTHICUM. Mr. Chairman, it is not my intention to take up the time of this House with a discussion of this measure in detail, for its provisions have been made plain by those who have given long months of study to the subject and who are therefore more familiar with what will be its probable operation than I am. Having kept in touch with those bankers living and doing business in my congressional district, and having always endeavored to accommodate them in all matters when it was consistent and possible for me to do so, I am sufficiently close to them to feel that if the present measure was regarded by them as one fraught with disaster to the banking interests of my city or of the country in general they would have availed themselves of their privilege to set forth their objections, and I should certainly have heard from them.

I have made a studious effort to keep the bankers of my district fully informed regarding this proposed currency legislation. I have mailed copies of the bill and the committee's report on the same far and wide throughout my district, and both in writing and in my conversation with individual members of the banking fraternity I have invited expressions of their views on the measure, stating that I would see that they were placed before those in charge of this legislation that no point worthy of consideration might be overlooked.

I have heard but little objection in my district to this measure, and the general tenor of the correspondence has been similar to that of this letter I hold in my hand, which was received this morning from Mr. William Ingle, vice president of the Merchants-Mechanics National Bank, of Baltimore. In acknowledging receipt of certain literature which I forwarded him relating to this currency legislation he says:

My offhand judgment is that the worst feature of the bill is its commitment of the Government to active banking and responsibility therefor, in that it guarantees the redemption of credit obligations. As far as Government control is concerned, I feel that as the general thought is in the air, right or wrong, once we admit that it is to be recognized we are able to very much more readily assent to many other principles found in the bill. Personally, I am in entire accord with one of its main purposes, and that is to give all sections of the country the same chance for the future, something which has been for 50 years denied under the provisions of the present banking act.

That the pending bill is the most comprehensive reform measure on this subject considered by this House within the past 50 years I realize. It is not to be expected that everybody will favor the provisions of this bill, and there is always a difference of opinion upon all important legislation; but so far as I am able to judge, I feel we have a measure which will meet the needs of our people, and I heartily indorse its passage. Furthermore, I am confident that such is not only the general opinion in my congressional district, but that of the country at large.

I regret, however, that this bill does not make provision for a system of agricultural finance, for, in my opinion, the subject is one of enough importance to have our attention at this time, and upon the need for such legislation I would like to address this House.

At a recent convention of the Associated Advertising Clubs of America, Col. Henry Exall, president of the Texas Industrial Congress, in the course of a most careful and interesting address upon the necessity of conserving the soil, raised the finger of warning when he stated that so general has our method of soil spoliation become that it has been stated upon good authority that more than half of all lands in cultivation in the United States have greatly deteriorated in the power to produce. Despite the fact that we have learned more about seed selection

and have had better agricultural implements for cultivating and for harvesting than ever before, so universally have we robbed the earth, milking without feeding, subtracting without adding, checking out without depositing, that we now produce less wheat and corn combined per acre than we did 40 years ago. In extracting everything from the earth we have failed to create a sinking fund to pay this debt and have in many instances destroyed both principal and interest.

The truth of Col. Exall's statement must be apparent to every man familiar with agricultural conditions in this country, and when one reflects upon this statement, dwells upon the gravity of the conditions which it conjures, the query which inevitably arises is, Why is this so?

CAUSES OF SOIL DEPLETION.

I do not believe that I am far astray the mark when I attribute our soil depletion to three principal causes:

First. Our wastefulness;

Second. Our failure to regard agriculture as an industry and to apply to it the business methods of such; and

Third. Our neglect to provide farmers with a financial system adapted to their particular requirements.

Through the natural alertness of our people, assisted by the educational efforts of our Federal and State Governments, our wastefulness has been in great measure checked. Literature and teaching has brought home to the rural resident dependent upon the soil for a living the realization that farming is an industry, and I am happy to say that the great majority of our farmers are managing their acres with as careful consideration of true profit and loss and with as wise regard to the financial aspects of the situation as is manifested by the most keen and enterprising business man engaged in the conduct of any industry. I am in hopes that this House will see fit to remove the last of these contributing causes by placing within the reach of our agricultural population, or assisting them in bringing within their reach, a system of agricultural credit that will enable them to have easier and quicker access to the dollar when it is required for farm purposes.

I believe that when we have done this not only will we have removed the last of the contributing causes of our present soil depletion, but we will have placed within the reach of the farmer the opportunity to make his farm a contented center of profitable industry.

To some Members of this House it may appear unusual that I, representing a congressional district in the city of Baltimore, should manifest so great an interest in a subject not immediately affecting my district, but I have a farm on the outskirts of Baltimore, and I am a farmer myself on a small scale. Furthermore, I was born and raised on a farm. For more than 50 years my father was a farmer, and we boys of the family were brought up to understand that we contributed materially to the successful management of the farm, and our counsel was invited when father considered the many problems which arose. In this way I gained an insight into the problems of agriculture, and I will say in passing that I do not believe any education gained in any institution of learning is of more practical value than those lessons of industry, thrift, and honesty which every farmer's boy has instilled in him through association with those engaged in cultivation of the soil.

Being thus conversant with the practical conditions of rural life, it is most natural that need for legislation of this kind should be so apparent to me, and I am sure it is equally so to every man who has any knowledge of farm life. I have come to learn that the prosperity of the farmer regulates that of the city dweller; that the ties of interdependence are manifold; that in no relation of society is cause and effect more strikingly illustrated. When the farmer is prosperous his prosperity invariably extends to the city dweller, and when it is at low ebb the prosperity of the city dweller is correspondingly restricted.

One of the anomalies of our financial legislation is the fact that always heretofore it has been shaped, molded, and adapted to the interests of the banks, bankers, manufacturing and commercial men, while our agricultural population have been either totally ignored or given but scant consideration. It has required a long time for us to awaken to the fact that the prosperity of those who are adding each year close to \$9,000,000,000 to our national wealth is worthy of attention.

IMPEDIMENTS OF OUR PRESENT SYSTEM.

Let us consider for a moment that the 12,000,000 farmers of the United States are actually adding each year to the national wealth \$8,400,000,000. They are doing this on a borrowed capital of \$6,040,000,000, on which they are paying annually interest charges of \$510,000,000. Counting commissions and renewal charges, the interest rate is averaged at 8½ per cent, as compared to a rate of 4½ to 3½ per cent paid by the farmer of France or Germany.

But an excessive interest rate is not the only hardship from which the farmer suffers. Countless are the cases in which the would-be borrower, often a small farmer of the best moral character, is unable to furnish the security required by institutions at present engaged in loaning in agricultural communities. In consequence he is deprived of that financial aid which is such a valuable ally of his more prosperous neighbor.

We should bear in mind that the pinch of an inadequate financial system is felt first by the small farmer or agriculturist. Inability to secure funds not only entails personal sacrifices and hardships, but neglect of the land, with consequent soil depletion, followed by diminished or restricted crops.

Farming is an industry, and the lubricant of all industry is capital. The farmer takes the seed and by labor and care and through exposing it to proper conditions of earth and air develops and converts it to food. It is an industry just as truly as that of the man who takes wood and builds it into furniture, or that of the man who takes leather and fashions it into shoes. To farm profitably requires the applied combination of intelligence, knowledge, human labor, beasts of burden, and implements of scientific husbandry. This necessitates the use of money, the investment of capital. The dollar is therefore a factor just as important and essential in successful and profitable farming as in any other industry.

It is not my present purpose to advocate any particular system of agricultural credit. At this time it is sufficient that attention be directed to the need for institutions designed to quickly furnish the farmer with financial assistance that his recurring necessities create. When we have decided that institutions of this character will prove of material assistance to our agricultural population, when we have dispensed with this preliminary phase of the subject, the wisdom of the American people may be trusted to adopt that plan which will best answer their purpose.

INADEQUACY OF PRESENT FACILITIES.

Much unjust criticism has been directed toward our present banking system and our bankers because of their failure to meet the financial needs of our agricultural communities. Those who have indulged in this criticism have quite overlooked that our present system has been built up to meet the needs of the commercial and manufacturing element rather than of the rural population. In vain it has been explained that our system of reserves in the national banks, which has been necessarily largely followed in the State banks, has tended to concentrate funds in the large institutions in the reserve and central reserve cities and has forced the banks to deal in "liquid" or easily convertible securities. The farmer's assets, not being liquid, are necessarily excluded from participation in our banking facilities, and until his assets are made liquid he is doomed to continue to be shut out from his fair and proportionate use of the great aggregations of money and credit representing the available working capital.

But even were there no restrictions to the loaning of this money for agricultural purposes the insufficiency of present conditions would be apparent. Many State banks are now loaning money on farms and in some sections securities based on farms are extensively dealt in. But these isolated instances go but a short way toward meeting our national requirements.

Let us glance for an instant at the magnitude of the field. In 1910 the value of all farm property, including land, buildings, implements, machinery, and live stock, was \$40,991,449,090. This amount represents the assets of the farmers. Upon the basis of this valuation to loan 50 per cent would require \$20,000,000,000, a total far in excess of the resources of all the banks in the country; yet, doubtless, this amount could be wisely and profitably used to bring these farms to an increased state of productivity. In 1910 there were 1,327,429 farms mortgaged and 2,361,283 un-mortgaged. In other words, 33.6 per cent of all farms in the United States were mortgaged. The rate of interest which these mortgages bore was approximately 8 per cent. It is apparent, therefore, that under our present restrictions it would be impossible for our financial institutions to loan at less than 5 per cent, which is what the European farmers are paying. Clearly, therefore, one of our needs is a means by which our farmers will be enabled to borrow the money they require at an interest rate as low as that which is aiding European farmers.

NEEDS OF THE SITUATION.

In considering the financial assistance we should extend the farmer, analysis will show that his needs may be divided into two classes: First, small loans of short-time duration; and, second, large loans of long-time duration. Many instances arise in which the farmer requires sums ranging up to \$300 for use in his work. These amounts he is generally able to repay after harvest; therefore they are merely required tempo-

rarily. There is also constant demand for large sums ranging from \$300 upward. I take it that the establishment of agricultural banks, operated under proper laws and possessing the necessary capital, will be able to meet the demands of those desiring the larger loans.

Those who have given much thought to the subject tell us that the rural bank must be a special bank, with special powers and obligations, in order to meet special requirements; that it must be initiated and operated by the farmers themselves, who know their own necessities and who will give their time to its management. Its fundamental principle must be the cooperative interest and effort of the neighborhood in neighborhood affairs, but it must also be conducted so as to insure a recognition of its sound financial standing and its unquestioned credit outside of the community to which its operations are confined.

The necessities of those requiring small loans must be met through the aid of an entirely different institution from that of a bank. Organizations or institutions patterned after those doing business in European countries, conducted along lines not wholly unlike our present building associations, will be required in order to look after the farmer without assets who desires a small loan for a short time.

In every community the man with assets usually possesses a corresponding amount of credit. He is, therefore, better able to care for his interests than the man with no assets. If we will aid in accumulating something for the man who has nothing we will have given a powerful stimulus to the basic foundation of our national prosperity.

In considering the needs of that class of our farming population having practically no assets, we should bear in mind that every man who tills the soil is, in the best use of the term, a creator of original wealth. Being a creator of original wealth, it is sound policy on our part to aid and encourage him. The difficulties confronting this class are particularly severe, and to familiarize yourself with these difficulties consider the situation of a farmer desiring a small loan who can not furnish the security desired. I want you to note how inadequate are the offices of present established institutions. I shall take a practical everyday case for example, that of David Selby, who really existed—not under the name I have given him, but in flesh and blood. There are many thousands whose experiences have paralleled his.

AN ILLUSTRATION.

David Selby was born on a farm and grew to manhood a tiller of the soil. A more industrious, steady man or better farmer never guided a plow or handled a hoe. Upon the death of his father and after the old home place had been sold, he secured under lease for a term of years with an option of purchase the best available farm he could find, comprising about a hundred acres of land. After paying a half year's rent, \$300, he had left \$500. To stock and equip his farm and have capital available until his first harvest it was necessary to pay half cash and give the dealer a chattel mortgage to secure the balance.

The farm he rented was the best his limited capital would secure. On closer examination he discovered that its soil was far from being in the condition required to produce abundant crops. He found there was as much difference in the soil of "rented" farms and "owned" farms as there was between a cab horse and a carefully groomed, well-kept racer. The soil had been so scantily replenished with fertilizer that its spots of unproductiveness suggested the hide of a mangy dog. Several of his friends, men of extensive experience, who had been friends of his father before him, came and viewed his new place. They were unanimous in the judgment that what the soil required was fertilizer and assured him that its application would more than repay the outlay necessitated. They pointed to the folly of attempting profitable farming on land whose vigor already was nearly exhausted.

It was an easy matter for his friends to tell what he should do, but the problem facing David was how to secure the funds necessary to carry those suggestions into execution. He thought upon the subject for several days and was convinced that his friends' advice was sound, that the farm required at least several hundred dollars in fertilizer, that as a result of such expenditure his crops would increase from 20 to 50 per cent within the next few years; but his capital was gone, and to secure this money he must borrow. The very word caused him to hesitate, for at once it brought before him the deep-set aversion of his father to debt in any guise for any purpose. The elder Selby had been a man of tenacious views, who feared debt more than he did the evil one. He would let the products of his field rot in the ground before he would incur a debt to purchase the necessary crates in which to ship them to market. He would suffer a short crop rather than borrow funds for

fertilizer to insure a maximum of production. In short, he inviolably adhered to his principle to deal with cash, and clung to it with the devotion of a martyr, although it entailed many sacrifices and was the author of innumerable lost opportunities. And to this persistency probably might be attributed the fact that, although he had been a hard worker all his life, a successful producer from the soil, and a systematic saver, he died comparatively a poor man. It was the fear of debt that caused David to hesitate before assuming the obligation he was already under, and only the absolute necessities of his position drove him to do so; and now the thought of plunging further into debt restrained him. He regarded the course urged upon him almost as the height of recklessness.

DEBTS FOR CONSUMPTIVE AND DEBTS FOR CREATIVE PURPOSES.

David Selby was a "good farmer" in the full meaning of that phrase. His father before him had been a "good farmer," and although both thoroughly understood the soil from which they got their living, neither had given any thought or study to the economic problems incident to agriculture.

It was a revelation, the unfolding of a new chapter in his education, when one of his father's friends explained to David that the same agricultural laws which govern in commerce control in the agricultural world; that farming was in reality an industry in which competition was becoming keener every day, and the rewards and exactions of successful management enormously multiplied. This friend made clear that debt was not always to be feared; from one point of view it was the measure of people's confidence in the debtor; that there were two kinds of debt, each as different as day from night; that debts incurred for consumptive purposes, where the money was not put to work to multiply and increase and return an additional amount to the borrower, marked the slipping back, the economic decline of the debtor, while those for creative purposes in which the money borrowed was to be multiplied and increased, placing the debtor in better position than he was before, were evidences of advancement and progress.

This line of thought was something new to David. It had never before occurred to him that such a distinction existed, but on reflection it was perfectly clear; he realized the soundness of the argument justifying debts for creative purposes. And with the recognition of this distinction came also the realization that the money he would borrow for fertilizer to multiply the production of his soil was a debt for creative purposes.

THE DYNAMIC DOLLAR.

Nor did his friend's instruction stop here. He took pleasure in explaining that in the commercial world money had two forms of employment; that a dollar used for creative purposes, which was continually reinvested and handled, became in itself an agency of force and was known as a "dynamic dollar." A dollar not so used, which remained unemployed and nonproducing, was immobile or dead, and known as a "static dollar." He pointed out that business men everywhere required the use of dynamic money; that to furnish this money banks are established, the office of which it is to make loans; that the merchant or manufacturer who did not employ the dynamic dollar was as poor a manager as the farmer who never fertilized his land. He explained that the dynamic dollar ordinarily was secured through a bank, not through mortgage of the property of the borrower, for by means of an account with a bank every dollar borrowed when not actively at work might be returned, ceasing to pay interest. A mortgage, on the other hand, gives merely a fixed amount for a stated period, an arrangement too rigid for successful commercial usage. Again, if the sum obtained on a mortgage were employed and found insufficient, an additional loan would mean a second mortgage, and then, perhaps, a third mortgage. It was plain that a commercial house or business man compelled to secure funds in this manner soon would be driven to bankruptcy.

THE SMALL FARMER VERSUS SECURITY.

When Selby finally decided to borrow money for fertilizer with which to increase the yield of his land the next question which presented itself was how and where he should get it. He knew that he was generally known as a "good farmer." He knew also that neither he nor his father had ever contracted a debt which they failed to pay. He was of good moral character, worked hard for his money, and always had been most careful to see that it was wisely expended. A few days later he drove to the county seat, where was located the only bank his section boasted. The cashier received him courteously, and to that gentleman he explained the object of his visit. The cashier complimented him upon the wisdom of his decision and expressed the hope that he would be able to accommodate him, but his first question went to the weakest point in David's case.

"What security have you to offer?" he asked. David explained that he did not own his farm. Reluctantly he admitted that even the stock and equipment were only half paid for and were mortgaged to cover the balance due. The cashier easily surmounted these difficulties by suggesting that David secure the help of several of his friends as indorsers on a note for the amount desired.

When David left the bank he went direct to the one man in the county whom he believed would help him. This man was the president of his district grange. In David's mind there was no question but that he would be glad to help him. He was a man of large means, prosperous far beyond the average, and sincerely interested in the welfare of the county. Only a few weeks before David had attended a grange meeting in which this gentleman had pointed out with impressive sincerity that the progress of every agricultural community was measured by that of its individual members; that it was the plain duty of every farmer to assist his fellow man in the upbuilding of his farm; that the owner of a good farm surrounded by poor farms was not much better off than the owner of a poor farm surrounded by good farms; hence it was to the interest of each of them to encourage improvement, to aid, if necessary, in making their neighbor's farms as valuable as possible.

David could not see how the grange president could refuse to assist him in face of these emphatic declarations in behalf of the doctrine of mutual aid.

The money he desired was needed to improve his farm, to make it produce more abundantly. Certainly in improving the value of his land he was adding to the wealth of the district in which he lived. His case was clearly and fairly within the mutual-aid doctrine, and it baffled him to foresee how the president of the grange could fail to assist him without being guilty of the most arrant hypocrisy.

The grange president listened with attentive and sympathetic ear to David's statement of his case. When he concluded, he said to him:

I sympathize with you, young man, and believe that money expended as you propose will amply repay the outlay. In fact, I have helped in quite a number of cases of this kind. The great majority have recognized their obligations and promptly met them; but in some cases I was not so fortunate, my credit was tied up, and I was put to much trouble. I am now getting along in years, and I do not wish to add to my responsibilities. I believe that you will repay this money, but, beginning this year, I resolved never to indorse another note, and to that resolution I shall adhere. Not that I am averse to doing my share toward the upbuilding of this county, for I am willing to loan you outright a third of what you require; but I do not wish again to enter upon a practice that may involve me in the indorsement of several thousands of dollars of paper and keep me continually harassed as to when I shall be released from those obligations. Find one or two other men in the county who will aid you, and I will join them in advancing the amount you need. This I am willing to do, and it is all that I can do consistently with my duty to my family and myself.

When Selby left the president of the grange he was deeply angry. It appeared to him as though he were the victim of a conspiracy. The bank cashier had pointed out how impossible it was for the bank to make the loan unless he could secure the necessary indorsements, and the one man in the county in position to help him declined to do so because of his trouble with others who had failed to meet their obligations. He was convinced that a man who had no money could get none, regardless of how good his moral character might be or how certain repayment at the time promised.

Of what value, then, was the county bank to him and those in his situation? He had always been given to understand that the bank was an institution that would aid the farmer when he needed it, but of what help was the bank unless the farmer had security to offer or friends with money willing to indorse his paper? It was self-evident that a man who had money would not need to borrow. The more he thought over the matter the more bitterly he felt, and it was several days before this feeling subsided sufficiently to allow him to consider the subject calmly.

Little by little it dawned upon him that possibly the bank cashier and the president of the grange were both sincere and prohibited by their limitations from assisting him. It was evident the county bank was not designed to offer help in cases like his. He could see now that were they to make a practice of accepting loans of such character and were not extremely fortunate it would not be long before they might be involved in interminable difficulties.

Upon reflection, too, he saw that he had no right to expect the president of the grange to indorse the paper of his neighbors. True, he was a man of large means. But he had accumulated these means through hard labor, and he owed a duty to himself and his family to conserve them through the observance of reasonable precaution. Selby admitted that he had no claim on him; that it was no more the duty of the grange president to indorse his paper than it was that of several less public-spirited men, almost as wealthy, of whom he never would have

thought of making such a request. Obviously his lack of success was owing to the fact that no institution, society, or other organization existed whose object and facilities it was to give the assistance required in cases such as his.

His experience was the subject of his reflection for a number of weeks and he made many inquiries and gained much additional information. Then he awoke to the realization that his case was not an isolated one; that there were many farmers in his district who needed precisely the assistance he sought, who had made the same efforts which he put forth, and after meeting with failure were struggling along as best they could unaided. And if he had gone further in his investigation he would have found that the same condition which he faced was true in every district of his county, in every county of the State, and in nearly every State in the Union.

REPORT OF COUNTRY-LIFE COMMISSION.

Although he did not know it at the time, the conditions of which David Selby was the victim were the same discovered by the Commission on Country Life appointed by President Roosevelt in 1909 for the purpose of calling attention to the opportunities for better business and better living on the farm. The findings of that commission, based upon a study of rural life as a result of 30 public hearings and 120,000 answers to printed questions sent out by the Department of Agriculture, were such as to induce the commission to refer specifically to the limited credit facilities of the farmer. Question No. 10 on the circular of questions was as follows:

Have the farmers in your neighborhood satisfactory facilities for doing their business in banking, credit, insurance, etc.?

The commission's views on the subject were expressed in the following language:

A method of cooperative credit would undoubtedly prove of great service. In other countries credit associations loan money to their members on easy terms and for long enough time to cover the making of a crop, demanding security not on the property of the borrower, but on the moral warranty of his character and industry. The American farmer has needed money less perhaps than land workers in some other countries, but he could be greatly benefited by a different system of credit, particularly where the lien system is still in operation. It would be the purpose of such systems, aside from providing loans on the best terms and with the utmost freedom consistent with safety, to keep as much as possible of the money in circulation in the open country where the values originate. The present banking systems tend to take the money out of the open country and to loan it in town or to town-centered interests.

Selby was not a man of broad education; the only schooling he had was that gained at the district school. He was of German extraction, but he did not know that the same problem which baffled him and brought discouragement and heartburning was the identical one with which his Teuton ancestors had struggled long before he was born. Nor did he know that in the storm and stress of their travail, through the ingenuity and philanthropy of two men—Frederick William Raiffeisen and Francis Frederick Schulze—there were evolved in the years 1849 and 1850 two systems of cooperative rural and urban credit societies destined to give to the small farmer and town resident facilities he could obtain through no other channels, the success of which systems was to place the achievements of their authors "among the greatest romances of finance."

ORIGIN OF THE RAIFFEISEN SYSTEM.

We are told that it was in 1848—the year in which the acute distress of the poor at last found vent in revolutions and uprisings throughout Europe—that the seeds were first sown of that great system of cooperative credit, whose influence on the agricultural world it would be difficult to overestimate.

The circumstances which called forth their energies were the same in each case, namely, the helpless distress of the poor. They saw, as others did, that it was the economic waste caused by want of capital which lay at the root of the evil. But they alone were able, in the face of general incredulity, to devise a remedy. The first efforts of both were of the nature of individual attempts to relieve distress in their districts. And when experience taught them that permanent amelioration could only come through self-help, it was in the direction rather of cooperative supply than of cooperative credit that they set out. They organized small cooperative societies for the purchase of necessities of life and raw materials. This, however, they soon saw was not sufficient, because the poor were already deeply in debt to money lenders. It was the presence of money lenders in their midst that led the way to cooperative credit. Relief measures were of little avail while the burden of debt remained. Their efforts were thus directed toward the establishment of credit societies, and as the outcome we have the two distinct systems.

The small agriculturist, while he needs credit and can put it to good use, suffers from the great disadvantage that he has no adequate security of the type usually required to offer. Now,

the place of material security can only be taken by personal security, by a system, in fact, by which the borrower will borrow on the security of his own character, together with that of a number of his friends, who may be willing to back their good opinion of him by guaranteeing the payment of his loan. For the success of this plan it is manifestly essential for the members of the society in general, and the guarantors of a loan in particular, to keep a sharp watch on the borrowing member to see that the loan is duly applied to the purpose for which it was granted, and that its repayment is not jeopardized by the folly or incompetence of the borrower. The situation is summed up with characteristic felicity by M. Decharme, of the French Ministère d'Agriculture, when he describes credit banks of his country as being "in communities where everybody knows everybody else, and they always ask what the man wants to borrow for, and if he says he wants 400 francs to buy a cow they watch him, and if four or five days afterwards he has no cow, they know it."

The system is, in fact, an extension of the cash-credit system of Scotland, to which, in the words of Macleod, "The marvelous progress and prosperity of that country is mainly due." Its fundamental characteristic is that the supervision of loans is conducted without expense, and conducted efficiently, because it is to the interest not only of guarantors, but of all the members of a society, to exercise the strictest vigilance.

ORGANIZATION OF RAIFFEISEN SOCIETIES.

Raiffeisen societies are organized along simple lines, and have maintained this simplicity with few changes to the present day. The organs through which the society acts are four:

1. The general assembly of the members.
2. The supervising council.
3. The board of directors, whose president is the president of the association.
4. The secretary.

The general assembly, composed of all the members, is the source of all power in the society. It elects all officers and receives their annual reports, determines the amount of money to be borrowed by the association, the rates of interest to be charged for loans, terms for which loans shall be made, salary of the secretary, and so forth.

The supervising council is, as its name implies, a supervisory board, one of the principal duties of which is the quarterly revision of the debts due the association, which it examines one by one, taking into consideration the guaranties furnished by the debtors and their sureties, respectively.

The board of directors, which meets once a month, or oftener if the business of the association requires, makes the loans. In order that it may have as wide an acquaintance as possible with the members, their characters, and circumstances, the members of this board are chosen from different parts of the district in which the society operates. It also passes upon the admission or exclusion of members.

The secretary, who is the only salaried officer of the society, is required to furnish bond. He is responsible for the cash, keeps the books, receives and pays out the money, and usually conducts all the correspondence.

Applications for loans are made to any one of the directors, who obtain information as to the object of the loan, character of the security, and so forth, sufficient to enable him at the next meeting of the board to recommend the granting or refusal of the application.

That the circumstances and character of all the members might be easily known and the members keep themselves informed as to the action of the officers and the operations of the society, Raiffeisen laid special stress on limiting each association to a local area of small extent with a population not exceeding 2,000.

In order to avoid any danger of capitalistic speculation, Raiffeisen excluded shares altogether from his banks, but in 1876 he was obliged to comply with the law which compelled cooperative societies to have foundation capital, and fixed the shares at a maximum value of 10 marks (about \$2.40). In societies where the liability is unlimited a member can not take more than one share; in societies with limited liability, however, he may take more. The value of the shares, and, in the latter case, also their number, are fixed by the rules. The shares are repayable to the members upon withdrawal from the society, and interest is paid upon them at a rate which must not in any case exceed the interest which borrowers pay upon loans from the society.

The following are the principal safeguards of loans made on personal security:

Loans are only made to members of the group and only those known to be trustworthy are admitted.

Membership is confined to persons residing within a small district, so that members are personally known to one another.

Members being mutually responsible, it is to the interest of all members to keep an eye upon a borrower to see that he makes proper use of the money lent to him.

It is to the interest of all members to help a member when he is in difficulties.

The borrower furnishes sureties or gives other collateral security for the repayment of the loan.

The borrower binds himself to apply his loan to a specific purpose which will bring in a monetary return sufficient to enable him to repay the sum borrowed and leave a profit for himself.

The whole of these safeguards are not adopted in all cases, for loans are sometimes given on the borrower's note of hand without any collateral security.

The fixing of the amount of the loan is most important where the borrowers are small cultivators unaccustomed to commercial methods, and is usually relaxed as their economic education becomes more advanced. We thus find it more generally insisted upon by the Raiffeisen banks in Austria and Italy, where they are of more recent introduction than in Germany, where the members have now become familiarized with the commercial uses of credit.

SPREAD OF RAIFFEISEN METHODS.

That the societies devised by Raiffeisen met fully the purposes for which they were created is best shown by their growth in Germany and their almost universal adoption by other nations. Out of the few small banks which Raiffeisen and Schulze started midway through the nineteenth century there has grown up in Germany a vast system of more than 15,000 separate offices, of which over 13,000 are of the Raiffeisen type. As a whole the management has been efficient, and most of the banks are on a sound financial footing, while it is claimed that there has not in either system been a single failure—a truly remarkable achievement in view of the difficulties with which they have had to contend.

From Prussia the idea extended, little by little, to all the other nations of Europe. Austria adopted it in 1851. The same year Hungary attempted its first experiments. In 1864 Belgium inaugurated its special movement by founding the People's Bank at Liege, while at the same time, in Italy, through the incentive of Signor Luzzatti, similar banks were instituted at Milan and Lodi. The example gradually became contagious, and the movement extended, with varying success, to Russia in 1866, to France in 1883, to Scotland in 1889, to Ireland in 1894, and spread to the youthful Balkan States—Roumania, Servia, Bulgaria—and finally, crossing the seas, the idea took root in Syria, under German influence, in the Antilles and India, through that of England, in Algeria, Tunis, Isle of Reunion, and Canada, through that of France.

These associations are in fact the only banks which the farmers will patronize for short-time loans in the nations where they abound in the greatest numbers. With their aid poverty and usury have been banished, sterile fields have been made fertile, production has been increased, agriculture and agricultural science raised to the highest point. Their educational influence is no less marked. They have taught the farmers the uses of credit as well as of cash, given them a commercial instinct and business knowledge, and stimulated them to associated action. They have encouraged thrift and saving, created a feeling of independence and self-reliance, and even elevated their moral tone.

The picture can hardly be overdrawn. Every traveler who visits the places where these little associations exist speaks in glowing phrases of the prosperity and contentment that prevail. They are organized on such simple lines that their management requires only ordinary intelligence. Failures have rarely occurred. In France and other countries they hold a record of having never lost a cent.

The Raiffeisen system alone has been able to utilize satisfactorily the only security which the small agriculturist has to offer, namely, his personal pledge to repay, supported by the guaranty of men of his own class and standing. It alone has been able to perform all that is demanded of an agricultural credit bank, without subsidy from charity or the State; not, indeed, without the assistance of the man of education and the philanthropist, but at least without his financial assistance, which alone could deprive it of that spirit of robust independence in which lies half its value. And this it has done, not in one country alone, or even in Europe alone, but throughout the civilized world wherever it has been tried, with a success that is beyond question and has all but silenced criticism.

NEED FOR THE DYNAMIC DOLLAR.

What is sorely needed by the American farmer to-day is easier access to the dynamic dollar. Never can this be secured so long as he persists in depositing his surplus in town-centered institutions and paying interest funds to the same sources. If the American farmers had a thoroughly organized system of mutual credit societies they would not only annually save two hundred or two hundred and fifty millions of dollars to themselves individually, but in course of time the entire debt would be transferred to the societies, the interest paid to them, an economic waste stopped, and this stupendous sum restored to agriculture. This assertion is neither fanciful nor extravagant. It is below the actual ratio obtained by a comparison with the German figures.

There is practically no limit to the amount of capital that could be advantageously employed for rehabilitating worn-out and abandoned farms, opening up new areas, and introducing modern methods of cultivation; and it is of vital importance that this capital be obtainable at once in sufficient volume and on easy terms. The world-wide problem caused by the pressure of population upon the means of subsistence now confronts the United States in the very face of its matchless natural resources and vast acreage of arable lands still remaining untouched by the plow. The \$385,000,000 of foodstuffs exported last year barely equaled 76 per cent of the annual interest charges on the debts the farmers owe.

Prior to the passage of the Morrill Act creating the Department of Agriculture it would have required no small amount of credulity to have believed it to be possible for a branch of the Government to accomplish the benefit which has resulted from the efforts of that bureau. What the Government has done in educational uplift it can do as well in financial matters. I do not mean that its efforts should be too paternalistic, but that it should aid where it is just and proper to do so.

WHAT THE GOVERNMENT CAN DO.

Through a policy somewhat similar to that adopted by European countries, our Federal Government can give aid in financing the farmer. This aid can be extended either independently of or in conjunction with that of the States. I have no doubt that within the next 12 months this House will pass some measure giving financial aid for agricultural purposes. I assume that this will be done upon the basis of agricultural population and that the State institutions which are made the depositories of these funds will come under the regulations of the Federal Government. I take it that the amount allowed each State will be distributed by the State institution among the different counties according to population; that the county institution to which it is loaned, and from which it is finally secured by the farmer, will also come under Federal regulations.

If some measure of this kind is enacted into law, as I believe it will be, I hope that provision will be made by which some portion of these funds may be allotted the several counties for the aid of institutions in those counties whose objects shall be similar to the Raiffeisen societies of Europe. In my opinion, aid of this character will prove of the greatest value to our agricultural communities, because it will go to the bottom and help those most needing help. Such cooperative, self-help societies answer the purpose of an elementary or kindergarten training to our agricultural population, imparting a valuable knowledge of how to employ money most advantageously in farm work.

By printing bulletins dealing with farm finance, by recording the progress of these cooperative societies in the different States, the various systems under which they are conducted, the regulations adopted for safety and success, our Department of Agriculture can render invaluable assistance. The wider knowledge disseminated through such publicity will eventually result in societies of this character being organized along common lines differing only in fundamental characteristics where such difference is necessary by reason of the changed conditions of agriculture in the respective communities. Through the cooperative effort of such societies many industrious farmers who suffer the need of a small amount of capital and lack specific knowledge of farm finance will gain that help and education that will raise them from the nonasset-holding class to the asset-holding class. The hardest work is always at the start. No work is more important than that done by these little societies that help a man to carefully save or wisely expend his first hundred dollars. It is the thoroughness with which they instruct him in these first lessons that give him confidence to venture further that ultimately result in establishing him on the plane of financial independence, making him the valued depositor or welcomed creditor of his community bank.

The American farmer with his assets of over \$40,000,000,000 possesses a security sufficient to obtain more than double or

treble the money he needs. The problem is merely one of placing these assets in a form that will render them negotiable and liquid in every State in the Union, in every bourse, in every exchange. When this is done we will have removed a handicap which now fetters our agricultural industry; that has placed beyond the reach of those who need it most the use of the dynamic dollar; that has rendered the dollar—the token of wealth—a scarcity among that class who are the chief producers of wealth. When this is done none will feel the stimulation more perceptibly than the small farmers, whom God must have loved "because he made so many of them." After all it is the small farmer who is carrying the burden of humanity. He is the man who feeds the world, whose labor creates the bulk of its wealth, whose prosperity and happiness should be the objects of our solicitude and care, because they so vitally and directly influence the happiness and well-being of all mankind.

Mr. HAYES. Mr. Chairman, I yield 30 minutes to the gentleman from Iowa [Mr. TOWNER].

Mr. TOWNER. Mr. Chairman, I hope I may be pardoned for again calling attention to the manner in which this legislation originated and is being forced through the House.

First we learn from the press that the President demands the passage of a currency bill at this session. Then we hear that the President, the Secretary of the Treasury, the chairman of the Finance Committee of the Senate, and the chairman of the Banking and Currency Committee of the House are working on a bill. Then come reports of secret meetings and conferences with party leaders, and finally a bill has been introduced simultaneously in the Senate and House.

It was given out to the press that the bill had the emphatic approval of the President, was to be considered an administration measure, and that the President would expect Democrats in the Senate and House to support and pass it if they were to be considered friends of the administration.

The next step was to get the Democratic members of the Banking and Currency Committee to agree to favorably report the bill. This was done by holding many secret meetings—not of the committee, but only of the Democratic members of it. When the Republican members of the committee heard that the majority were holding secret meetings and considering the bill they demanded their right to take part in the consideration. This was refused peremptorily and without apology.

Then the bill was submitted to the Democratic caucus. There for several weeks, in secret session, the Democrats considered the bill.

Thus it comes to us, the product of secret conferences and caucuses. No man knows its authorship or origin, except that somewhere, at some time, in some manner, it was conceived and brought forth as a partisan, administration measure.

In a speech in this House, delivered by the Speaker May 10, 1910, opposing the proposition to establish a tariff board, he said:

In these latter days, through encroachments of the executive branch, the Congress has fallen from the high estate of a coordinate branch of the Government to the despicable position of an animated cash register for the executive branch. * * * Some men are so constituted that so soon as they come into the presence of the President their courage oozes out, as did that of Bob Acres.

It would be cruel to suggest that the majority now have fallen "to the despicable position of an animated cash register for the executive branch," or that any on that side have felt their courage ooze out, as did that of Bob Acres, "so soon as they come into the presence of the President"; yet the known facts with regard to the suppression of opposition and the subjugation of insurgency during the progress of this bill would far more justify the use of the language quoted now than they did when uttered.

THE CAUCUS.

But not only have the majority suffered from Executive coercion; the House and the country have suffered from caucus dictation in the formation of this bill. To an extent never before known in the history of legislation in this country the caucus rules. Such rule in its extremest exercise is openly defended by the majority. The minority have been told they have been repudiated and have no longer right to be heard in the formation of laws for the people.

This is not the exercise of right; it is a direct usurpation of power by the majority. It is a subversion of representative government. It is a direct invasion of constitutional right. The majority is charged with the responsibility of legislation, it is true, but it must be constitutional legislation; legislation under the law, legislation in which the right of free debate is preserved, legislation in which every bill considered may be tested and tried in an open forum, under established rules.

Legislation prepared in secret, to which is pledged in advance the votes necessary to pass it, is not constitutionally considered. Of what use is debate if change is not possible, if modification may not follow argument, in which judgment on merit may not be founded?

The President a good many years ago wrote a book on Congressional Government. In it he discusses the caucus. After stating that its origin as a legislative appendage was Democratic, he quotes with approval the statement that under caucus domination—

The legislation of Congress was constantly swayed by a party following, feelings, and pledges rather than according to sound reason or personal conviction.

And he adds the suggestive comment that—

It is shielded from all responsibility by its sneaking privacy.

It has great power without any balancing weight of accountability—

He says, and adds—

there is, unhappily, no ground for denying their power to override sound reason and personal conviction.

It is interesting to note that if the President has changed his mind it must have been very recently.

In the illuminating chapter entitled "Let there be light," in his book, *The New Freedom*, published within the year, the President says:

A first necessity is to open the doors and let in the light on all affairs which the people have a right to know about.

Again, he says:

What are the right methods of politics? Why, the right methods are those of public discussion; the methods of leadership open and above-board, not closeted with "boards of guardians," or anybody else, but brought out under the sky, where honest eyes can look upon them and honest eyes can judge them.

Again, he says:

I for one have the conviction that government ought to be all outside and no inside. I, for my part, believe that there ought to be no place where anything can be done that everybody does not know about.

It is said in defense that the caucus is an old institution and that the Republicans used it. If it is wrong, neither long practice nor Republican approval can justify its continuance. But, in fact, caucus usage has been confined to bills distinctively party measures, while this bill, as we have frequently heard asserted on that side, is a nonpartisan measure.

It is also said that it makes little difference how bills are made—if the people approve of them after they are passed, that is all that is necessary. "The end justifies the means." This defense of wrong is as old as history.

The majority certainly deceives itself if it thinks the people are indifferent to the manner and conduct of the business of this House. If the Cannon rules had not been thought unfair and subversive of legislative rights, the majority would not now be on that side, but on this. The people believed then that the preservation of legislative rights was an essential of free government. They believe so now. Especially in this country is it more necessary to preserve representative government than it is to pass a tariff bill, a currency bill, or any other bill.

WHAT IS PROPOSED.

It has been for some years thought best that our currency system should be changed and our national banking system revised. Acting upon this belief the Republican Party when in power provided for a commission, which for some time worked upon the subject. In the progress of their work the members of that commission secured a larger body of facts and statistics, a greater accumulation of knowledge upon the banking and currency systems of the world, than had ever been gathered before. In their report they recommended a bill known as the Aldrich bill, which, however, never received the indorsement of the Republican Party. Nevertheless the facts and knowledge thus gathered and given to the world have been worth many times what the commission cost the Government.

This bill is a patchwork, composed in part of the Aldrich bill and in part of other portions that seem to have been evolved out of the inner consciousness of somebody. It is not a development, an extension, or enlargement of our present system. On the contrary, it ignores—or, rather, discards—all our past experience and attempts to create a new and entirely theoretical system formulated by men who never by either study or experience have qualified themselves to deal with such a complex and difficult problem. It is never safe to pluck out a whole system by the roots and substitute a new and untried scheme. We can build on the old; we can modify the old; we can adjust, extend, and improve the old with safety; but we can not with safety discard it.

Nowhere has such a system as is here proposed been tried. In no nation on earth is a semblance of such a system in existence. If we were asked to adopt, or adapt the English, the

French, or the German, or the Canadian system, we might be able to determine whether it was better than our own, or could be adapted to our conditions. But we have no such criterion. Nothing can be offered as security for the bill except unindorsed promises. It is alluring as a prospectus, but there is nothing yet to rely on except placards and pictures.

If there ever was a bill requiring that public hearings should be held by the committee before action was taken, it is this bill. It should have been submitted to bankers, business men, and farmers, and their criticisms heard and considered before action was taken. The Democrats of the House gave hearings on the tariff bill. The Democratic members of the Senate committee are now having hearings on the currency bill. Why was a like course not taken by the committee on this bill?

Mr. GLASS. Will the gentleman permit an interruption?

Mr. TOWNER. Certainly.

Mr. GLASS. Does not the gentleman know that the Committee on Banking and Currency of this House had hearings for a period of two months, and every banker who asked to be heard was heard upon the general subject of banking and currency legislation? And does not the gentleman know, because it has been repeatedly stated here, that every provision of this bill was based upon the information adduced in those hearings?

Mr. TOWNER. Will the distinguished chairman of the committee say to this House that there were any hearings on this bill?

Mr. GLASS. I did not say that. I said the bill itself was based on the hearings.

Mr. TOWNER. You might just as well say that this bill is based upon all the hearings that were had in previous Congresses from the beginning of the Government down to the present time.

Mr. GLASS. It was.

Mr. TOWNER. That does not avoid the difficulty. This bill was not considered. Its provisions were not under discussion and criticism. Hearings on the "general subject of banking and currency legislation" are all very well, but the knowledge Congress wants and does not have, except as the result of individual investigation, is, What do bankers, both city and country, think of this bill? What do the business men think of it? What do the farmers think of it? When the bankers began to understand what the provisions of the bill were they voiced their protests, but they were not heeded.

Mr. GLASS. The gentleman is entirely mistaken about that. We embodied in the bill a great many suggestions made by bankers. But does the gentleman contend, simply because we did not accept all the suggestions of the bankers, that we totally disregarded their advice?

Mr. TOWNER. Oh, no. I certainly would not contend that. What I am contending for is that there should have been hearings had and ample opportunity afforded those who are to be so vitally affected by the bill, to consider and discuss it, not only for the benefit of the committee, but for the benefit of the House and the people as well.

A national conference of bankers was held a short time ago in Chicago. Certainly that conference was entitled to consideration. Certainly their suggestions ought to have been heard. There was time to have permitted that. Yet no recommendation or suggestion of theirs has, it seems, been acted upon by these gentlemen who formed the bill.

Mr. GLASS. Mr. Chairman, will the gentleman permit an interruption for a moment?

Mr. TOWNER. I would be glad to if I had the time.

Mr. GLASS. I will yield the gentleman time.

Mr. TOWNER. Very well.

Mr. GLASS. Would the gentleman be very much astonished were I to tell him that not a single material suggestion made at the Chicago conference of bankers was different from the suggestions made by those gentlemen weeks before and repeatedly considered before this bill was reported to the House?

Mr. TOWNER. That makes the offense still greater, if after hearing those suggestions you refused to adopt them.

Mr. GLASS. Does the gentleman contend that we have not considered matters properly simply because we have not adopted every suggestion made by the bankers?

Mr. TOWNER. Certainly, I do not so contend. But I do contend that this bill does not have the approval of the bankers of the country, and can not be made successful unless it does have their approval.

Mr. SAUNDERS. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. TOWNER. I will be glad to.

Mr. SAUNDERS. Is it the gentleman's idea that the bankers of the United States are hostile to this measure?

Mr. TOWNER. I am quite certain of it.

Mr. SAUNDERS. I represent a district where there is a considerable number of national banks, and so far from there being any hostility in that district to it, they are all entirely satisfied with it.

Mr. TOWNER. I do not know what conditions may exist in the gentleman's district, but let me tell him what they are in my own.

WHAT BANKERS THINK OF IT.

I sent copies of the bill to the bankers of my district, all of them officers of country banks, and asked for an expression of opinion regarding it. I received 38 answers. Two only favored the bill. There were three noncommittal, and all the rest opposed it. Eighteen national bankers said they would not organize under the plan.

Mr. PETERSON. Will the gentleman yield?

Mr. TOWNER. Yes.

Mr. PETERSON. I wish to say to the gentleman that I represent a country district and I have sent copies of this bill to every banker in that district, and I have never received a protest from any of them.

Mr. TOWNER. Have you received any approval of it?

Mr. PETERSON. Yes; I have.

Mr. TOWNER. How many?

Mr. PETERSON. Quite a number.

Mr. TOWNER. I can only say the gentleman's experience is vastly different from mine.

The New York Times sent inquiries to southern and western country bankers. On one day it reported 42 responses. One approved, 2 reserved judgment, and 39 condemned. Eighteen of these also declared they would surrender their national bank charters and reorganize under the State laws rather than enter the new system. This is 43 per cent. There are now 7,473 national banks in the United States. If a like proportion should abandon their charters, over 3,000 national banks, or almost one-half, would liquidate and go out of business.

A Wisconsin banker—Mr. Frame—told the Senate committee that of 450 Wisconsin banks where opinions had been asked, 309 were emphatic in their opposition, while only two accepted the bill as it stood. Nine only would approve of it, and those with qualifications. Many bankers' conventions have considered the bill. Not one has approved it.

Mr. PETERSON. I am a banker myself and have been for 20 years, and am in close alliance with the bankers of my district.

Mr. TOWNER. I am not a banker, nor in close alliance with any bank, but I have heard from two experienced bankers of my district who said they had made special inquiry among the bankers in our State, and they had not found one banker who approved the bill. Another told me he did not believe there was a national bank in the State of Iowa which would enter the new system unless it was greatly changed.

Mr. GARRETT of Texas. Will the gentleman yield?

Mr. TOWNER. I will be glad to do so.

Mr. GARRETT of Texas. The gentleman says he is in favor of a banking bill which will be in favor of all the people, and yet during the entire argument of the gentleman he has not touched any phase of it except the side of the banker. Now, what kind of a system would the gentleman put in place of that we now have for the benefit of all the people?

Mr. TOWNER. I admit that I have so far given attention to that part of the question. I hope to deal with other parts of it in the further extension of my remarks. But I desire to emphasize the fact that this is not only a currency measure but a banking system, and that a banking system can not be operated without banks. You have endeavored to force the national banks to enter the proposed system by compelling them to go into it or surrender their charters. But you can not force them out of the banking business. They can liquidate as national banks and reorganize as State banks, and they will certainly do so if this bill is forced through in anything like the present form. The dissolution and winding up of their affairs, with enforced settlements, of thousands of national banks all over the country would bring about conditions we should dread to contemplate.

And this brings me to suggest a manifest defect in the bill. You provide in the bill that where 51 per cent of the stockholders of an existing national bank so desire they may carry the bank into the new system. But what is to become of the 49 per cent who do not desire to go into it? You can not force them into the new system. You can not force any dissenting stockholder, if he holds only one share, into the new system, and you have made no provision for taking care of him. I shall submit an amendment which will attempt to cover this defect, and I am quite curious to know what action the gentlemen who have charge of the bill will take with regard to it.

Mr. GARRETT of Texas. The gentleman need not worry about it; our action will be all right.

Mr. TOWNER. I hope so. But if you are as regardless of such suggestions in the future as you have been in the past; if you are as contemptuous of efforts made in good faith by gentlemen on this side of the House to improve the bill, nothing will be done.

A POLITICAL MACHINE.

The exclusion of Republicans from the formation of the bill, and the refusal to consider the suggestions, or listen to the advice of bankers, business men, or farmers, is perhaps partially explained when it is understood that in its main features the measure seems to have been considered from a political rather than from a business standpoint. The thought of how the bill could be formed to strengthen the administration and help the Democratic Party, rather than how to make it of practical value to the people, seems to have been uppermost in the minds of its framers.

This seeming necessity has compelled a renunciation by the Democrats of nearly every principle they were supposed to hold dear. In the first place this bill is the most extensive excursion of the General Government into business that has ever been seriously considered in this country. It is proposed as a plan to supervise the monetary affairs of the Nation in the interest of the people. In reality it is a direct embarkation by the Government in the business of banking. The Government compels the banks to go into partnership with it, furnishing part of the capital, sharing in the profits, but retaining absolute control and management. To those who have believed that country governed best which is governed least, who have thought that extensions of power to the General Government were socialistic and dangerous, who have held steadfastly to the doctrine that a surrender of individual rights was subversive of democratic principles, this revolutionary proposition must seem monstrous. I know there are those reluctantly agreeing to support this bill who agree with Herbert Spencer in his statement of the true limitations of power in a democracy:

Representative government is good, especially good, good above all others, for doing the things which a government should do. It is bad, especially bad, bad above all others, for doing the things which a government should not do.

But few of them dare even to voice a protest, much less to stand steadfastly for their honest belief.

DEMOCRATIC SURRENDER TO MONEY POWER.

It is singular that a party with a history such as that of the Democratic Party should not only make this complete surrender to the money power, but should deliberately attempt to organize and equip it as an arm of the Government, as if to make sure that it should thus be in absolute control of the people.

In the earlier history of the Nation there was a money power thus organized—a national banking system which, instead of being created and supported by the Democratic Party of that day, was opposed and finally destroyed by the fathers and sponsors of Democracy. As early as 1803 Jefferson thus expressed his disapprobation and distrust:

The Nation is at this time so strong and united in its sentiments that it can not be shaken at this moment. But suppose a series of untoward events should occur, sufficient to bring into doubt the competency of a republican Government to meet a crisis of great danger or to unhinge the confidence of the people in the public functionaries; an institution like this, penetrating by its branches every part of the Union, acting by command and in phalanx, may in a critical moment upset the Government.

It is remarkable how appropriate these words seem now, how they fit present conditions, how with a tone of authority they seem to admonish and command Democrats if they would be true to their time-honored principles not to support a measure so utterly at variance with every precept of their past.

ANDREW JACKSON AND THE BANKING POWER.

There is no more interesting chapter of American history than that which tells of the great contest Andrew Jackson waged against the money power of his day. I commend it to our Democratic friends who regard that picturesque and rugged figure as one of the patron saints of their party.

In his fight on the second national bank President Jackson, in his annual message of 1834, thus characterized the power of such an institution:

The result of the ill-advised legislation which established this great monopoly was to concentrate the whole money power of the Union, with its boundless means of corruption and its numerous dependents, under the direction and command of one acknowledged head, thus organizing this particular interest as one body and securing for it unity and concert of action throughout the United States and enabling it to bring forward on any occasion its entire and undivided strength to support or defeat any measure of the Government. In the hands of this formidable power was placed unlimited power to regulate the value of property and the fruits of labor in every quarter of the Union and to bring prosperity or ruin upon any city or section of the country.

THE FEDERAL RESERVE BOARD.

The system provided for in this bill contemplates a commission, denominated a Federal reserve board, into whose hands are committed practically all the monetary affairs of the Nation. A bare enumeration of the tremendous powers granted to this body is impressive. I give a list of them gathered from the provisions of the bill by a member of the committee, Mr. SMITH of Minnesota:

POWERS OF FEDERAL BOARD.

1. To readjust Federal reserve districts created by the reserve bank organization committee.
2. To create new and additional districts to those created by the reserve bank organization committee.
3. To prescribe regulations for establishing branch offices of Federal reserve banks.
4. To designate the three directors of the Federal reserve bank specified in this act as class C.
5. To remove any director of class B in any Federal reserve bank.
6. To designate the chairman of the board of directors of Federal reserve bank.
7. To prescribe regulations for maintenance of local office of Federal reserve board on premises of Federal reserve bank.
8. To designate the Federal reserve agent.
9. To require and receive reports of Federal reserve agents.
10. To fix compensation of Federal reserve agents.
11. To review proceedings of boards of directors of Federal reserve banks fixing compensation of themselves.
12. To remove chairman of board of directors of Federal reserve bank at pleasure and without notice.
13. To prescribe rules and regulations for permitting State banks and trust companies to become members of Federal reserve bank.
14. To pass upon applications of State banks and trust companies to become members of Federal reserve bank.
15. To establish by-laws governing applications of State banks for membership.
16. To require surrender of stock of State banking association or trust company upon receipt from Federal reserve bank of cash-paid subscription.
17. To require Federal reserve bank upon notice to suspend State banking association or trust company and make payment to suspended member for its stock.
18. To levy semiannual assessments on Federal reserve banks for expenses.
19. To examine accounts, books, and affairs of each Federal reserve bank.
20. To require such statements and reports of Federal reserve banks as it may deem necessary.
21. To permit rediscount by Federal reserve banks of paper of other Federal reserve banks.
22. To compel Federal reserve banks to rediscount paper of other Federal reserve banks.
23. To suspend reserve requirements for not more than 30 days.
24. To renew suspensions of reserve requirements for periods of not more than 15 days.
25. To establish a graduated tax upon the amounts by which reserve requirements of act may be permitted to fall below level provided for in act.
26. To supervise and regulate the issue and retirement of Federal reserve notes and to prescribe the form and tenor of such notes.
27. To add to number of cities classified as reserve and central reserve cities under existing law in which national banking associations are subject to the reserve requirements of this act.
28. To reclassify existing reserve and central reserve cities and to designate the banks therein as country banks at its discretion.
29. To suspend officials of Federal reserve banks.
30. To remove officials of Federal reserve banks for incompetency, fraud, or deceit.
31. To require writing off of doubtful or worthless assets upon the books and balance sheets of Federal reserve banks.
32. To suspend for cause relating to violation of any of the provisions of this act the operations of any Federal reserve bank.
33. To appoint a receiver for any Federal reserve bank for cause relating to violation of provisions of this act.
34. To determine or define the character of paper eligible for discount.
35. To fix the amount which cash reserve of Federal reserve bank must exceed outstanding demand liabilities to permit discount of paper for member banks.
36. To prescribe rules and regulations governing the purchase and sale in the open market by Federal reserve banks of bankers' bills and bills of exchange.
37. To review rates of discounts fixed by Federal reserve banks.
38. To grant or refuse applications of Federal reserve banks to open and maintain banking accounts in foreign countries and establish agencies there for the purpose of purchasing, selling, and collecting foreign bills of exchange.
39. To approve apportionment made by Secretary of Treasury of Government funds deposited in Federal reserve banks.
40. To charge interest on Government deposits at joint discretion of Federal reserve board and Secretary of Treasury.
41. To issue Federal reserve notes.
42. To call upon Federal reserve banks at any time for additional security for Federal reserve notes issued to them.
43. To assign letter or serial number to Federal reserve bank for notes issued to it.
44. To require in its discretion Federal reserve banks to maintain on deposit in the Treasury of the United States a sum in gold equal to 5 per cent of notes issued to them.
45. To grant in whole or in part or to reject entirely the application of any Federal reserve bank for Federal reserve notes.
46. To establish rate of interest to be paid on Federal reserve notes.
47. To prescribe regulations governing substitution of collateral security for the protection of Federal reserve notes.
48. To make and promulgate from time to time regulations governing the transfer of funds at par among Federal reserve banks.
49. To exercise at its discretion the functions of a clearing house for Federal reserve banks.
50. To designate a Federal reserve bank to act as clearing house for Federal reserve banks.
51. To require each Federal reserve bank to exercise functions of clearing house for its shareholding banks.

52. To prescribe period within which and regulations under which national-bank notes remaining outstanding after 20 years from the passage of this act may be recalled and redeemed by national banking associations.

53. To require Federal reserve banks to maintain lawful reserve.

54. To appoint receivers for Federal reserve banks failing to maintain lawful reserve.

55. To require examination of affairs of national banking associations as often as it deems necessary.

56. To determine salaries to be received by bank examiners.

57. To assess expenses of bank examinations upon associations examined.

58. To require examinations of national banking associations in reserve cities.

59. To require examinations of Federal reserve banks.

60. To add to the list of cities from time to time in which national banks shall not be permitted to make loans secured upon real estate.

61. To exempt savings departments of national banking associations from any and every restriction upon classes or kinds of business governing national banks.

62. To prescribe rules and regulations governing savings departments of national banks.

63. To make and publish lists of securities, paper, bonds, and other forms of investment which savings departments of national banks shall be authorized to buy, it not being necessary that said lists be uniform throughout the United States.

64. To prescribe conditions and circumstances under which national banking associations capitalized at a million dollars or more may establish branches in foreign countries.

65. To approve or reject applications of national banks to establish foreign branches.

66. To perform the duties, functions, or services specified or implied in this act.

The powers thus granted are enormous, greater than those now lodged even in the Presidency, greater by far than those committed to any board, bureau, or department of the Government. It can build up an invincible political machine, depress or stimulate trade, raise or lower the price of all commodities, inflate or contract the currency, favor one section or city and punish another, reward its friends and punish its enemies, and, in short, dominate and control all financial and political interests of the country.

In answer to this criticism it is said that any board given such powers would be too high-minded, too patriotic, too unselfish to use its powers for selfish or political purposes. The President is quoted as saying that it is unthinkable that any President should use the power of appointment of members of this board for political purposes. Let us consider the proposition for a moment.

The Federal reserve board created by this bill is to consist of seven members. To begin with, three of these are political appointments—the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency. They are members of the party in power, and their selection is inevitably determined by political and party considerations. Then, by the terms of the bill, the other four members are to be politically divided—two would be Democrats, known and recognized as such; one a Republican, and one, probably, a Progressive. Five are to be Democrats and there are to be two members of the opposition. The President will be doing only what is expected of him in thus appointing them; he can hardly do otherwise. He will not make such appointments directly "for political purposes," perhaps. But he will not violate either the letter or the spirit of the act by thus constituting a board, five of whom will be his devoted supporters, committed to his party's policy, earnestly desirous for the success and perpetuation of his administration. The board was intended to be a political board, and it is.

It is certain that under the present plan, if adopted, the control of the banking business of the country would be one of the prizes to be fought for in each presidential election. The old board would be ousted, a new board put in, and the monetary policy of the Nation would change with each administration, until an administration could so strengthen itself that neither the policy nor the administration would change.

It is the expressed belief of the majority that there has grown up in this country a money power which is even more powerful and dangerous than that of Jackson's day. Yet here it is proposed to organize and legalize a money power so gigantic and powerful that all voluntary and private associations of that character would be dwarfed into insignificance.

It is believed by them that there exists a Money Trust, which has by its secret and selfish manipulations enriched the favored and ruined the unfriendly, which has fattened on the spoils of wrecked industries, and engorged itself at the expense of the people. Yet here it is proposed to organize a Money Trust that will have back of it governmental power to strengthen its control over the finances of the Nation and enforce its demands upon the business interests of the people.

A CENTRAL BANK.

With loud and almost passionate earnestness the majority cries out against a central bank. It was bitterly hostile to the Aldrich plan, declaring it the scheme of the money power,

the invention of the Money Trust, the cunning device of Wall Street conspirators to enslave and impoverish the people.

But this bill creates a "central bank." This plan is much more centralized, autocratic, and tyrannical than the Aldrich plan. It is true we are to have 12 regional banks; but these are but the agents of the grand central board, which absolutely controls them. The power is not with them; they are not in any material matter given the right of independent action; they must obey orders from Washington.

It was said, and perhaps rightfully, that the Aldrich plan authorized a too great centralization of power, which might be used against the real interests of the people. It is a strange delusion that gentlemen indulge that by making the controlling power political it will immediately become an unselfish, beneficent institution, whose only purpose will be to serve the people.

I did not approve of the Aldrich plan. I would not support it now. But it is astonishing how enamored of it the majority is. Protesting that it is dangerous, yet they adopt and strengthen its autocratic features. Declaring it unworthy of consideration, the committee copies large portions of the bill, even to the extent of embodying in it the language, verbatim, of the Aldrich bill. If the Aldrich bill could have been patented, this bill would be an infringement. If it could have been copyrighted, this would have been an invasion.

WALL STREET CONTROL.

Very artfully the issue is made to appear as one between Wall Street and the Government; between selfish speculators on the one hand and the Government, acting for the people, on the other.

But that issue need not, and in fact does not, exist.

There is no design nor effort to put or keep the finances of the Nation in the control of Wall Street. They are not now in its control, nor need they be.

If it be claimed that the Aldrich bill placed the financial affairs of the Nation in the hands of Wall Street, which it did not do, still the issue is not drawn between the Aldrich bill and the present bill. There is no effort being made by anyone to enact the abandoned Aldrich bill. It never received the approval of either the House or Senate, nor was it ever approved by the Republican Party at any time or in any manner.

ATTITUDE OF COUNTRY BANKS.

The supporters of this bill assiduously endeavor to make it appear that this bill is in the interest of and is approved by the smaller country banks, while the bankers' opposition is confined to the larger city banks. This is far from true.

The demand for legislation and a change in our monetary system did not come from the country banks. For several years a propaganda has been carried on by the larger banks in favor of "reform." They have denounced our existing system as unsound, unscientific, and obsolete. They have created the demand for a change by filling the magazines and newspapers with denunciation of present conditions. Notwithstanding the fact that no such record of commercial development and material progress as the United States has made under the present system was ever known; notwithstanding the fact that our currency is adequate in amount, is increasing at the rate of \$150,000,000 every year, and will continue to increase with increasing demands, while every dollar is as good as gold; notwithstanding the fact that the bankers are prosperous and are receiving at least fair returns from their business, nevertheless there has been an insistent demand for change, for reform, for a new system.

The Democrats, taking advantage of this demand, have answered it by giving the bankers a new scheme—not what they wanted, but at least an answer to their demand for a change. They have succeeded in making a large part of the people believe that the present system is so bad that almost any change would be an improvement. That is the constantly reiterated and most effective argument of the majority in their support of this bill, "Try it; at least it will be better than the present system."

But the belief of the city banker was not the belief of the country banker. He has never joined in denunciations of the present system. He has never given his approval of the new plans offered, least of all to this. He does not approve it now, and he never will. He may be forced out of the national banking system, but he can not be forced into a plan which will not benefit him and which will make him a puppet in the hands of those who pull the strings, not for his benefit but for their own.

REDISCOUNTS.

In order to compensate the country banker for these evils, he is given the rediscount provisions of the bill.

The only privilege for rediscount granted to individual banks is upon their notes and bills of exchange submitted to a Federal reserve bank. The notes must arise out of commercial transac-

tions—that is, notes drawn for agricultural, industrial, or commercial purposes, and having a maturity of not more than 90 days. It is further provided that the Federal reserve board, at Washington, "shall have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act"—that is, the board shall have the right not only of interpreting and applying the language of the act as it may see fit, but shall also have the right to fix such other requirements as it may from time to time think best.

It is the almost universal declaration of country banks that they will have very little paper that can meet these requirements, and that for this reason the rediscount provision will be valueless to them.

Besides this, the country banker does not as a general rule approve of rediscounting, especially when the object is to obtain funds to reloan to borrowers. It is considered as an indication and a source of weakness. The proposition to offer this rediscounting feature as a means of furnishing funds to the banks to reloan to their customers is enough in itself to discredit the plan in the eyes of many conservative bankers.

ADDED BURDENS TO THE PEOPLE.

But it is not only the bankers who will suffer if this bill goes into effect. As usual, the principal burden will be shifted to the people.

In the first place, it will be a great expense, every dollar of which must ultimately be paid by the taxpayers. It will require an army of new Government employees, every one of whom must be paid, and paid well. Members of the Federal reserve board are to receive annual salaries of \$10,000 each, the Federal reserve agents are to be paid salaries to be fixed by the Federal reserve board, and there will be required hundreds of expert clerks and accountants whose salaries will have to be fixed and paid.

It is proposed to take up the \$750,000,000 of 2 per cent bonds now held by the national banks and used as a basis for our present national bank currency and refund them with 3 per cent bonds. That is one of the beautiful provisions of the bill—one little item of expense which the people will have to pay for this Democratic experiment, a mere bagatelle of \$750,000 each year until the 3 per cents can be paid and retired.

The Government will also be required to relinquish the tax of one-half of 1 per cent paid on national bank currency. This will add another little item of \$3,750,000 annually which it will cost the taxpayers to indulge the administration in a trial of its pet project.

These items are by no means all the burdens the adoption of this plan will impose on the people. If it were necessary to carry them, we could do so, but why inflict them if they are not necessary?

CONTRACTION OF CREDITS.

The people will not only be required to carry heavier burdens of taxation, but the enforced contraction of credits which will be necessitated by the inauguration of the new system will be a still greater infliction.

Twenty per cent of their present capital must be subscribed and paid by the individual banks to furnish the capital for the reserve banks, 10 per cent with 60 days and 10 per cent on call. This will cause a transfer from the country banks to the central banks of over \$200,000,000.

Five per cent of their deposits, or about \$350,000,000, must also be turned over to the reserve banks.

Something like \$550,000,000 must thus be raised and paid in cash by the individual banks to satisfy such demands. Where is it to come from? The banks have not got it, for it is now loaned to the people. Their present reserves can not be used, for reserves will still be required. There is but one way in which this money can be obtained. Outstanding loans must be called in and paid in order to meet such requirements, not only in the amount of cash required, but also of the amount for which it stands.

This means an immense contraction of credits, estimated by Mr. Berry, Mr. Forgan, and others as upward of \$2,000,000,000.

There is no one thing more damaging and dangerous to the business stability of the country than an unexpected and enforced payment of large amounts of outstanding credits. Final payments are seldom required or expected. There are changes, transfers, enlargements, contractions, as business conditions require within limits. But final liquidation is not the rule upon expirations of credits. A mandatory transfer of millions of cash now used as a basis for still larger millions of credit, requiring final payment of such credit obligations, can not help but bring hardship if it does not bring disaster. Never before in our country's history was anything like this attempted. What will be its effect no man can foresee, but it is bound to cause an immense amount of suffering. It will not be the

banks alone or principally that will suffer; the business man, the farmer, and the wage earner will be the first to feel its effects. To call in and demand immediate and final payment of these millions now loaned out in small amounts all over the country will bring about conditions unpleasant to contemplate.

COMPULSION.

The supporters of the Aldrich plan did not propose to force the country banks into the system. The bill made entrance optional; they could join or not, as they chose.

But the present bill forces all national banks into the system, big and little, city and country. They must join within a year or their charters will be taken from them, and they will be compelled to liquidate and go out of business as national banks. It is a "stand and deliver" bill. It has been characterized on this floor during the debate as forcing the Government to adopt the highwayman's demand: "Your money or your life."

It is contended by many that with such compulsory provision the bill is unconstitutional. In any event it is unjust and unnecessary. If the bill is a good one; if it approves itself to the bankers, they will not need to be forced in; they will voluntarily join. If the people approve of it, they will give their patronage to the banks who enter the system, and thus force all to join.

Especially when so many of the provisions of the bill are so entirely experimental; when so much which is proposed has never before been tried anywhere, it would seem only the part of wisdom to allow those who were willing an opportunity to take the risks, but not to force those who were unwilling to do so. A banker acts not only for himself, but as trustee for those whose funds he handles. It is his duty to act with caution and to consider carefully his course before he takes action in such a grave and vital matter.

Regarding the provisions of a bill introduced in 1908 by a Democrat, which bill Mr. Bryan approved, he said:

The fact that the banks enter the system voluntarily rather than under compulsion has no disadvantages, for all banks will be able to enter the system.

One wonders what were the reasons which made compulsion unnecessary then, and which make it necessary now.

THE CURRENCY SCHEME.

The primary object of this proposed legislation, we are told, is to give the country a new currency. We have already quite a variety—gold, gold certificates, silver, silver certificates, Government notes, national bank notes, and fractional currency. But it is said we need another variety. None of these are "elastic," and we must have an "elastic" currency. Just how much of the existing currency is to be replaced by the new no one states, for no one seems to know how much is to be issued.

At first the committee fixed a limit and made it \$500,000,000. Then they increased it to \$700,000,000. But that did not satisfy the ardent supporters whose vision gladdened at the thought of a no-limit currency, and so the limit was entirely removed, and there is no man who dare commit himself as to the number of millions this bill will provide, if the scheme will work at all.

But of one thing the majority are certain, this bill will expand the currency. Mr. GLASS, the chairman of the committee, says so. That is what the party desires; that is what the President requires. There is going to be a depression following the passage of the tariff bill; factories will close, laborers will be thrown out of employment, hard times are certain to come—and come soon—unless something is done. Therefore, money must be made plentiful and cheap to tide the country over its bad days. To do this nothing is so good as expansion—more money, more business; more money, more work, more wages, more everything. Come, let us boom things! It is true it is dangerous, but we are strong, we can stand it. Even if it is bad after a time we will recover. In the meantime the Democratic Party can be kept in power. It can by this means bind the banking and moneyed interests of the country so closely to the party that they will have to support it in order to further their own interests. Certainly this is an alluring program.

The plan is to allow reserve banks to provide a 33½ per cent reserve, and as further security to deposit in Washington an amount of commercial paper accepted by it for rediscount equal to the amount of the currency to be issued. This commercial paper is to consist of notes and bills of exchange, having on the average 60 days to run. They can not exceed 90 days. Every 60 days, while this currency is outstanding, every piece of paper thus deposited must be replaced with another. In operation there would be a vast stream of bills receivable continually flowing from the banks to Washington and back again. Who in Washington is to pass on this ceaseless deluge of promises to pay rushing in from all directions—from New York, Texas,

California, and Florida? Where is the army of clerks that must handle them?

PRESIDENT WILSON'S COMMAND.

President Wilson, in his address to Congress, thus directed:

We must have a currency, not rigid as now, but readily, elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings.

The President is very happy in his use of general terms, but is wisely frugal as to definite specifications. No one would presume to take issue with the desirability of such a currency as the President suggests, but some of us are somewhat curious to know just what he means. He condemns our existing currency as "rigid" and says we must have a new one that is "elastic." But much depends on what is meant by "rigid," and still more on the definition of "elastic." Of course we understand that the \$761,000,000 of national-bank notes are to go; but are the \$1,000,000,000 of gold certificates to be retired? Are the \$471,000,000 of silver certificates also to go? Are the \$346,000,000 greenbacks to be supplanted? Are all these considered "rigid," and thus under condemnation?

And what is the President's definition of "elastic"? Does it mean the quality of expansion only? The bill provides for an unlimited expansion, but no provision meets the President's suggestion that the currency should shrink automatically with the "contracting credits of everyday contractions." The only way in which the new currency can be forced out of existence is by the affirmative action of the President's political board. It may order its retirement or tax it out of existence. It is given power to determine what is "sound credit." A "real need" is to be determined by the Democrats controlling such board. They are to determine what "personal and corporate dealings" are to be favorably considered and what unfavorably. The President also says the new system must "mobilize reserves; must not permit concentration anywhere." But who is to distribute the funds? Who is to say, "You have too much money here; we will transfer it yonder"? The Democratic politicians on the President's board.

Consider only these powers of the board. Now imagine it exercising such powers and handling those funds during a closely contested national campaign. Is there anyone foolish enough to think that politics would not control the action of the board at such a time and for such a stake?

MR. BRYAN'S APPROVAL.

Mr. Bryan is delighted that the currency to be issued is not bank currency but Government currency. In fact, it is neither. It is called a Government currency, but it is issued by the banks. It is made a Government obligation, but it is redeemable by the banks. It is receivable by the Government for public dues, but is not made a legal tender for the payment of debts. All other Government obligations are payable in gold, yet this currency is redeemable in anything which shall at the time be considered "lawful money."

Mr. Bryan has certainly sacrificed much to find an excuse to support this bill. He has declared over and over again that no Government currency should be issued which did not contain a legal-tender provision; but this currency has no legal-tender feature. He has declaimed many times against any form of "asset" currency, but this bill provides for an "asset" currency. He has again and again argued against any form of bank currency, yet the currency to be issued under the provisions of this bill is bank currency. He has stated from a hundred platforms that the one absolutely necessary and fundamentally indispensable provision to prevent panics was a Government guaranty to depositors, yet this bill says not a word about guaranteeing depositors.

During the panic of 1907 Mr. Bryan in an editorial in the *Commoner* strongly approved the John Sharp Williams currency bill, which he says was the result of a conference among the Democratic leaders, in which he took part. He said:

These three provisions—first, that the reserves shall be kept in the banks; second, that half of the reserves may be kept in bonds; third, that these bonds may be used for an emergency currency—will protect the country from any panic such as that through which we are passing.

The present bill contains none of these provisions. On the contrary, the reserves are not to be kept in the banks; no part of the reserves may be kept in bonds; bonds can not be used for a basis for currency.

Strong, indeed, must be the political pressure that will cause so remarkable a change of conviction within so short a time.

OTHER DEFECTS.

There are other important defects and omissions in the bill, which can not be considered for lack of time.

As usual, the farmers' interests have been almost ignored in the bill. As originally prepared, farmers' paper was discrimi-

nated against. Commercial paper, as that term is used in business, is all right; but we have reached a period when other forms and evidences of value must be recognized as a basis of credit. Much amusement was indulged in in the Democratic caucus at the expense of the insurgents, who insisted on recognition of that fact. Their suggestions were ridiculed as "pumpkin security" and "corn-tassel currency." But the people will not laugh at their suggestions nor ridicule their efforts. Provisions for ample credit accommodations for producers are found in almost all nations except our own. It is a widespread demand in this country. It is strange that place could be found for so many other provisions but that the committee should give no consideration to this most important phase of the subject. It is deferred to a "more convenient day."

The bill provides that national banks may make loans on farm lands, but it limits the term to 12 months, when everybody knows that farm loans are seldom made for a period less than five years.

The system, if adopted, will compel the country banks to give up their relations with their city correspondents, who understand them and whom they understand.

Unnecessary restrictions are placed upon the acceptance and investment of savings deposits in country banks.

It will prohibit any interest on exchange balances.

It will prevent any receipts from exchange.

It proposes to give power to a political board at Washington to fix all commercial rates of interest and discount over all our immense territory, extending from sea to sea and from the Lakes to the Gulf, for 100,000,000 people, diversified in character, habits, and occupation, at 28,000 bank counters, of all the various forms and classes of paper from day to day.

WHAT SHOULD BE DONE.

The gentleman from Texas [Mr. GARRETT] asks me what kind of a system I would put in place of that we now have for the benefit of the people.

Just now I would not discard our present system and substitute another. I have introduced bills, one of which extends the time of the expiration of our present emergency law from 1914 to 1918, that we may have its protection while we take the necessary time to perfect required legislation. The present law provides that an emergency currency to the amount of \$500,000,000 may be issued on the security of commercial paper. But in order to secure its early retirement it provides that it shall be taxed the first month 5 per cent, the second month 6 per cent, the third month 7 per cent, and so on up to 10 per cent. This money is now printed and in the Treasury of the United States, ready for use when called for.

Fortunately there has been no great emergency since the law was passed in 1908 to call this currency into existence. But there have been times when at least part of it could have been used to relieve temporary and local stringencies with perfect safety and to the great convenience and advantage of those affected. Doubtless these occasions will again arise. An elastic feature, or a provision for an elastic portion of our currency, is without doubt needed. The difficulty with the present law is that the tax is too high. In most cases, in order to tide over even a temporary shortage, it would be impracticable to retire the emergency issue in less than four months. That would make the average tax $6\frac{1}{4}$ per cent. This amount the banks can not afford to pay. To cure this defect I have introduced a bill to make the tax the first month 3 per cent, the second month 4 per cent, and so on.

With these two amendments to the existing law the country would be safe from a monetary panic, we would have a practicable elastic feature attached to our present currency system, and could with care and deliberation work out such safe and conservative changes in our banking and monetary systems as might seem necessary and wise.

I am profoundly convinced that the present bill is not only unwise, but dangerous. I believe that it will not help, but harm. I do not believe that we should at this extra session hurriedly pass a bill making revolutionary changes in the entire banking and monetary systems of the country which has not been properly prepared, which can not be fully considered, and which will, if it becomes a law, so vitally affect the interests of all the people of the United States.

Mr. HAYES. Mr. Chairman, I yield 30 minutes to the gentleman from Iowa [Mr. SCOTT].

Mr. SCOTT. Mr. Chairman, I have been much interested and impressed in listening to the debate which has taken place here on the floor of this House during the last three days. The debate has been perfunctory, of course, and I apprehend will not result in any great fruit, notwithstanding it has progressed with the utmost good nature. If I had any criticism to make upon anyone concerning the conduct of this de-

bate I assure you that I would direct it against my own side of the House. I have felt at times during the last two or three days that some of my colleagues have evinced too great a degree of criticism against the Democratic Members of this House. To be sure, your bill is unsound, it is unscientific, it is inconsistent, it is indefensible, it does not appeal to reason or common judgment, but I feel confident that our friends the Democratic Members of this House have offered it in the utmost good faith. They—at least a majority of them—appear to be unconscious of its defects, and the remaining Members by confession here have made known their helplessness to change its conditions. There is but one or two matters that I shall be able to touch upon during the few minutes that are allotted to me, and before taking up that rather set portion of my remarks I want to refer to a subject that was mentioned on the floor of this House during last evening and again referred to this morning. I refer to a provision of the bill that was changed after the first draft. I advert to it because it seems to me that it goes to the very core of one of the most important provisions of this measure.

When the bill was drawn the Democratic Committee on Banking and Currency, or the Democratic portion of that committee, presented the bill with the provision that the notes therein provided for should be redeemable in gold. They went before the country at the outset under the pretense of adhering to the gold standard, which the people of this country have placed their utmost confidence in, and which I think no considerable number of them would think for a moment of now relinquishing. The bill has been changed. We have not been permitted to know why the change was made. I have asked Republican members of the Committee on Banking and Currency, but they are unable to give me information. I here and now ask the gentlemanly chairman of that committee, representing the Democratic side of this Chamber, what was the reason for writing the change in that clause?

Mr. GLASS. I will respond to my friend by saying that his premises are absolutely inaccurate. As a matter of fact, when the bill was presented to the House it was introduced by the chairman of the committee before the committee had any opportunity to see it or pass upon it, so that the Democratic members of the Banking and Currency Committee were not responsible for that particular feature of the bill as originally introduced.

The Democratic members of the committee, in considering the bill subsequently, did alter it in that particular by providing the phrase "gold or lawful money." The gentleman from Pennsylvania [Mr. BURKE] last night made believe that that was a departure from the doctrine enunciated by the act of Congress putting all of the money of the country on a gold basis. But the gentleman from Pennsylvania and my friend now addressing the House are absolutely mistaken about that, because your currency bill, the Vreeland-Aldrich currency bill, made the notes redeemable in gold or lawful money, and the bill of the Monetary Commission, known as the Aldrich bill, made the notes redeemable in gold or lawful money. Now, what is there in this?

Mr. SCOTT. The gentleman seems to have misinterpreted my question. I did not ask who was responsible for making the change. I asked what was the reason for it?

Mr. GLASS. The reason for it was that lawful money in this country is interchangeable with gold. That is the reason. It was made so by the Republican Congress.

Mr. SCOTT. I accept the gentleman's explanation.

Mr. KINKAID of Nebraska. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. SCOTT. I can not yield just now.

I have drawn a different conclusion respecting the reason for this change. It is conceded that the change was made, but I invite attention to the fact that synchronous with that change there was another provision which appeared in this bill for the first time. On page 30 we have this new provision, appearing at the same time:

Whenever Federal reserve notes issued through one Federal reserve bank shall be received by another Federal reserve bank they shall be returned for redemption to the Federal reserve bank through which they were originally issued, or shall be charged off against Government deposits and returned to the Treasury of the United States, or shall be presented to the said Treasury for redemption.

In my opinion, Mr. Chairman, there lies the secret reason of this change. In my opinion, Mr. Chairman, once that provision was written into the bill they knew it would be impossible to gather and accumulate gold enough in the United States to redeem those notes under the forced and constant rule that you have there provided.

It is an experiment, if you please. What other country under the sun ever wrote into its law such a provision for the redemp-

tion of its notes? Was there ever such a thing done before? Can you point to a case, a country, or a Government that ever undertook it? If you can, I will be pleased to yield you time.

No; they took that provision from the laws of Canada. They improvised a process of redemption there, applicable to bank notes, not Government notes.

Mr. GLASS. Well, what other country issues notes?

Mr. SCOTT. I do not know that any other country issues notes. I believe that most countries have existed long enough and those in control of most Governments are now sufficiently wise to understand that the proper method of creating a business currency is through the agency of banks. You for the first time are now inaugurating a system of Government notes—redeemable in what? In paper.

Mr. GLASS. I will ask the gentleman how are the notes of the Bank of France redeemable?

Mr. SCOTT. The notes of the Bank of France are not Government notes; and regardless of how they may be redeemable, it does not affect the stability of the Government. It does not shake the Government credit.

Mr. GLASS. But the gentleman asked me to name some other country that redeemed its notes in that way, and yet the gentleman admitted that no other country issues notes in that way. How am I to answer the gentleman's question?

What would have been the result here had they not written in the words "or lawful money"? Twelve gigantic reserve banks issuing not \$500,000,000 in currency but with an unlimited issue of currency pouring into these banks, slowly perhaps at first, but with gathering momentum, with a constant flow through these institutions. Your 33½ per cent redemption fund lies there helpless, only to aid instantaneously in those redemptions, for the banks must have 100 per cent in gold aside from the 33½ per cent. The 66½ per cent additional must be ready at all times, constantly, daily redeeming that great volume of currency which will absorb, and which you knew would absorb, more gold than could be accumulated through any one system in this country. You knew that when the price of gold went up, if it happened to be turned away from our shores by reason of an adverse balance of trade, you would then have to turn and flee for refuge to some other class of money. That is why the words "or lawful money" were written in this bill.

Mr. HARDY. Will the gentleman yield for a question?

Mr. SCOTT. I will.

Mr. HARDY. Why is it that the gentleman and everybody else seem to think that all debts by way of deposits in national banks will never be presented for payment at one time, but yet assume that debts by way of notes are going to be presented all at once?

Mr. SCOTT. I do not assume that they will be presented all at once; but I assume there will be a constant flow and a constantly increasing flow as the business to be transacted by those notes increases.

Mr. HARDY. The gentleman—

Mr. SCOTT. I must decline longer to pursue that question. I have another proposition that I want to present here, which is possibly more of a legal than of a political nature.

I am opposed to this bill because I am opposed to creating a system of reserve banks, forcing the people of this country to put their hands into their pockets, into their private bank tills, and subscribe millions, aye, hundreds of millions, of dollars to these reserve banks, and then vesting in a politically selected agency the power to take that great accumulation of money and direct it along the lines of commercial banking in competition with those very banks.

We have heard a good deal said here with reference to this being a bank of banks. It would seem that you had not intended to confer upon these institutions the power to do a general banking business, to go into the open field and loan the reserves which you now pretend to be about to accumulate in order to retain the stability of the national banks—to loan those very reserves in competition with the members. That is what this bill does, however. We have heard a good deal about Wall Street. We have heard a good deal about preventing the banks using the reserves of the people in speculative matters; and yet this very bill vests in these reserve banks, under the almost complete control of this political board, the power to loan those reserves over their counters to the speculator upon Wall Street upon any security that they may see fit to accept, without a single limitation or prohibition in this bill against such conduct.

Mr. GLASS. Oh, the gentleman is absolutely wrong.

Mr. SCOTT. I shall be glad to be set right if I am.

Mr. GLASS. That may be a legal refinement; but I can not find it anywhere in the bill, and if it is in the bill we will be

very much obliged to the gentleman to point it out, because we can not get it out of the bill too quickly to suit us if it is there.

Mr. SCOTT. I shall be pleased to pass over a portion of what I intended to say and come directly to the point. I believe the powers of the Federal reserve bank have been projected into a field entirely beyond the limits of the proper functions of a reserve bank. My idea of the functions of a reserve bank is that it should occupy that field not efficiently covered by the present system, with reference to the matter of conserving and mobilizing our reserve banking resources. I believe that a reserve bank designed to correct the defects in the present system should be limited to those functions which pertain to the handling of our reserves. I do not believe our present banking system will be strengthened by conferring upon any separately constructed reserve system of banks the authority to engage in general commercial banking by competing with our individual banking system in the field of general commercial transactions. Indeed, I do not believe the men who framed this bill ever intended that the sphere of action of the Federal reserve bank should be so broad. That is evidenced by the remark of the gentleman from Virginia [Mr. GLASS]. They tell us that it is a bank of banks and that the functions of the member banks are not to be usurped. Does anyone believe it possible that had it been openly proclaimed that the Federal reserve banks were to be invested with almost unlimited authority to loan the money of its members to individuals and business corporations generally it would receive any considerable degree of support? And yet this bill, as it is framed, will confer upon the Federal reserve banks that very power.

Skeptical as to the real intention of the committee reporting this bill, I took occasion the other evening to ask its chairman, Mr. GLASS, whether it was intended that the Federal reserve bank by this law to be created was to have power to loan the reserve money direct to individuals and corporations other than its members. He very promptly and emphatically declared that it was not; that the reserve bank was to be a bank of banks with power to loan only to its members. Whatever the intention of the individuals who compose the committee may have been, I take it that the legislative intention will ultimately be gathered from the language of the law which is enacted; and inasmuch as my interpretation of that law is at variance with that placed upon it by the chairman of committee, I shall at the proper time offer an amendment calculated to curtail the power to which I have referred, and I shall devote the brief time that is allotted to me to an endeavor to convince the Members of this House that my conclusions with respect to the purpose of the bill are accurately drawn.

Unfortunately for the symmetry as well as the logical structure of the bill, it was not drawn as an original legislative declaration. A great deal has been said with reference to the proposed and so-called Aldrich bill. Whatever may be said as to the merits of the plan, or the sincerity of those who recommended it for enactment, the men who framed it had the courage, relying upon their own capacity and general knowledge of the subject, to draw the bill direct from the shoulder. There was no resting upon the ever-available paste pot and shears. Not so with the bill now under consideration. The freedom with which sentences, paragraphs, and whole sections found in other laws, existing and proposed, have been adopted and drawn into this bill by reference and otherwise, has not only rendered it uncertain in its construction, but has drawn into the purview of the statute subjects not intended by the committee.

What powers are intended to be conferred upon the Federal reserve bank by this bill? In answering this question I invite attention to the language of section 4 of the bill at the top of page 6. It is as follows:

Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank so formed shall become a body corporate, and as such, and in the name designated in such organization certificate, shall have power to perform all those acts and to enjoy all those privileges and to exercise all those powers described in section 5136, Revised Statutes, save in so far as the same shall be limited by the provisions of this act.

Now, it is clear that in order to ascertain the scope of the powers intended to be conferred, we must resort to the provisions of the national banking law referred to.

Mr. GLASS. May I interrupt the gentleman right there for a moment?

Mr. SCOTT. Yes.

Mr. GLASS. I do not know what the statement of the gentleman will be or his conclusion, but I want to say that the provision in question is one of the Republican amendments to this bill in the Banking and Currency Committee, drafted by the gentleman from Minnesota [Mr. SMITH], and I am unwilling to believe that he has put over a joker on us.

Mr. SCOTT. I want to say in reply to the gentleman that I shall prove that that statement is entirely inaccurate before I

finish. That provision is found in the original draft of the bill.

Mr. GLASS. If the gentleman will examine the bill, he will find it is in italics, indicating that it is an amendment to the bill, and I know it was drafted by the gentleman from Minnesota [Mr. SMITH].

Mr. SCOTT. What print has the gentleman in his hand?

Mr. GLASS. I have the print of the bill now being considered.

Mr. SCOTT. I have the print of the bill as it was introduced. Did the gentleman inject that amendment into the original print as introduced by the gentleman from Virginia, chairman of the committee?

Mr. GLASS. Probably the gentleman and I do not understand one another. If he will refer to the bill under consideration, H. R. 7827—

Mr. SCOTT. I understand what the gentleman means. There are italics which embrace the identical language in part as it was originally introduced by the chairman of the committee. It does not represent the idea of the gentleman from Minnesota; it represents the original idea.

Mr. TOWNER. If the gentleman will permit an interruption, if he will turn to page 5, he will find the language there struck out to be the same as he is now quoting.

Mr. SCOTT. Exactly; it was in the original bill.

Section 5136 of the Revised Statutes of the United States is that section of the national banking law which defines the powers of national banking associations. Those powers are enumerated in seven separate divisions. I pass the first six divisions and invite your attention to the seventh, which, describing the powers conferred, says:

To exercise by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes according to the provisions of this title.

This seventh subdivision, discriminating nicely, enumerates five different classes of powers, namely:

Discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; receiving deposits; buying and selling exchange, coin, and bullion; loaning money on personal security; obtaining, issuing and circulating notes according to the provisions of this title.

The enumeration in separate clauses of these distinct classes of acts was not accidental. The distinction between these various classes then and now rests upon well-defined legal conception. The decisions of the courts, even at that time, had settled definitely the lines of demarcation bounding these various classes of transactions. It was well known that the power of discounting did not embrace the power to loan, and that the power to loan did not embrace the power to buy; and that the power to buy, loan, or discount did not embrace the power to issue notes. The classification and enumeration are both logical and necessary.

It is therefore quite clear that if the Congress of the United States shall, in enacting this law, say that "upon the filing of such certificate with the Comptroller of the Currency, as aforesaid, the said Federal reserve bank so formed shall have power to perform all those acts and to enjoy all those privileges and to exercise all those powers described in section 5136, Revised Statutes, save in so far as the same shall be limited by the provisions of this act," such Federal reserve bank will be empowered within the full scope of that enumeration unless limitation shall be found in the subsequent sections of the bill.

A careful examination of the bill will disclose that the only limitations of the powers conferred by section 4 are such limitations as may be incidentally contained in sections 14, 15, and 16 of the bill. Section 14 relates to rediscounts, and is so drawn that it purports to be an enumeration of grants of power which are not embraced in section 5136 of the Revised Statutes, or which enlarge those powers. The first paragraph of the section empowers the Federal reserve bank to receive from any member bank, or solely for exchange purposes from any other Federal reserve bank, deposits of the kinds specified. The second paragraph of the section provides that "upon the indorsement of any member bank any Federal reserve bank may discount notes and bills of exchange arising out of commercial transactions," and to a limited extent defines the character of such notes and bills of exchange. Paragraph 3 of the section contains further enumeration of power and limitation relative to the same acts. Paragraphs 4, 5, and 6 of the section relate entirely to the discount and rediscount of acceptances.

Section 15 relates to open-market operations. The section confers upon Federal reserve banks, under rules and regulations prescribed by the Federal reserve board, the power to purchase and sell in the open market, either from or to domestic or for-

eign banks, firms, corporations, or individuals, prime bankers' bills or bills of exchange of the kinds and maturities by this act.

Section 15 relates to open-market operations. The section also confers five other specifically enumerated powers, namely: (a) To deal in gold coin or bullion; (b) to invest in United States, State, and other bonds; (c) to purchase from member banks and sell, with or without an indorsement, bills of exchange of a certain class; (d) to establish a rate of discount to be charged; and (e) to open and maintain banking accounts in foreign countries, and so forth. None of these enumerated powers in any degree limits the powers contained in section 5136 of the Revised Statutes.

Section 16 relates to Government deposits, and provides—

That all moneys now held in the general fund of the Treasury shall, upon the direction of the Secretary of the Treasury—

And so forth—

be deposited in Federal reserve banks—

And so forth. And, further—

that the Secretary of the Treasury shall, subject to the approval of the Federal reserve board, from time to time apportion the funds of the Treasury among the Federal reserve banks—

And so forth. And, further—

no Federal reserve bank shall receive or credit deposits except from the Government of the United States, its own member banks, and, to the extent permitted by this act, from other Federal reserve banks. All domestic transactions of the Federal reserve banks involving a rediscount operation or the creation of deposit accounts shall be confined to the Government and the depositing and Federal reserve banks, with the exception of the purchase or sale of Government or State securities or of gold coin or bullion.

The paragraph of the section last quoted was taken from the proposed Aldrich bill, and was undoubtedly relied upon to perform the same function as its corresponding paragraph would have performed had the Aldrich bill been enacted into law.

Section 24 of the Aldrich bill was designed and calculated to limit the transactions of the National Reserve Association to the business of the Government and the conservation of the reserves held by its branches. It provided—

The Government of the United States and banks owning stock in the National Reserve Association shall be the only depositors in said association. All domestic transactions of the National Reserve Association shall be confined to the Government and the subscribing banks, with the exception of the purchase or sale of Government or State securities or securities of foreign Governments or of gold coin or bullion.

It will be noted that section 24 of the proposed Aldrich bill embraced "all domestic transactions of the national reserve association." It was therefore complete in its limiting power, and the exception engrafted upon it was logical and effective.

In transferring this section to the Glass bill, the committee evidently did not take into consideration the fact that the powers to be conferred upon the national reserve association by the Aldrich bill were completely and specifically enumerated in the bill, and that the powers of the proposed national reserve association were not to be conferred by reference to any provision of the national banking act. The committee also seems to have overlooked the force of the qualification which it wrote into the revised section in the Glass bill. The provision in the bill under consideration does not embrace "all domestic transactions," but is confined to domestic transactions "involving a rediscount operation or the creation of deposit accounts." Therefore the limitation of power is confined to those two classes of transactions. Now, it is quite clear that one of the most important provisions embraced in section 5136 of the Revised Statutes was that which conferred upon the national banks the power of "loaning money on personal security." That power by reference in section 4 of the Glass bill is to be conferred upon the Federal reserve banks. That power does not necessarily and, in fact, rarely involves a rediscount operation, and never creates a deposit account.

A transaction involving a simple loan on personal security is entirely foreign to either discounts or rediscunts. In the language of Mr. Justice Story in pronouncing the opinion of the court in *Fleckner against the Bank of the United States* (8 Wheat., 338)—

Nothing can be clearer than that by the language of the commercial world and the settled practice of banks, a discount by a bank means, *ex vi termini*, a deduction or drawback made upon its advances or loans of money upon negotiable paper or other evidences of debt, payable at a future day, which are transferred to the bank.

In *Newell against First National Bank of Somerset* (13 Ky. L., 775) the court said:

The word discount denotes the act of giving money for a bill of exchange or promissory note, deducting the interest.

The district court of the United States sitting for the northern district of Nebraska, presided over by an eminent judge, had occasion to define the term "rediscount." The court said:

Rediscounted notes are notes held by a bank which it indorses and procures another bank to discount.

Bouvier says:

There is a difference between buying a bill and discounting it. The former word is used when the seller does not indorse the bill and is not accountable for its payment.

In *United States National Bank v. First National Bank* (79 Fed. Rep., 296) the court said:

A rediscount by a bank of its bills receivable, though it indorses the same and becomes contingently liable for their payment, is not a borrowing of money by the bank, but has more the character of a sale.

Now, the converse of the proposition must be equally true. If a rediscount by a bank does not constitute a borrowing of money, neither does it constitute a lending of money by the opposing bank or party.

The distinction between simple loans and discounts and rediscunts is very frequently drawn by the courts in cases involving the usury laws. A note evidencing a loan and drawing interest from date at a rate in excess of the legal limit is usurious. A note discounted at a rate twice the legal interest rate is not usurious. One transaction is a loan and the other is a species of purchase.

What, then, would be the effect of this provision of the bill if enacted into law in its present condition? I assume to say that with a Federal reserve bank organized under this bill in the city of New York, for instance, any individual or business corporation engaged in stock gambling, to illustrate, may walk into the Federal reserve bank and apply for a loan of ten, twenty, or fifty thousand dollars and offer the simple promissory note of the borrower, bearing a rate of interest from date, together with an amount of stocks or bonds or other securities to be pledged for the payment of the note, and there is no provision in this bill limiting the power of the Federal reserve bank to make that loan out of the resources it may have accumulated by reason of the deposit of the reserves of member banks. I have used an extreme case, but it illustrates the fact that it is proposed by this bill not to create a bank or banks for the purpose of serving commercial banks in connection with other reserves, but to create a commercial bank empowered to compete with its members in the field of business, using the funds that by other provisions of this bill are to be extorted under the penalty of annihilation. It will not do to say that the reserve banks would not exercise this power; that is beside the question. When the Congress of the United States deliberately confers this broad power upon these special institutions we are at liberty to assume that those powers are to be exercised.

I believe that if the existing national banks are to be forced to capitalize this great system of reserve banks and to deposit hundreds of millions of reserve money therein, that this reserve money so deposited should be held at all times available for the protection of member banks. The power of the Federal reserve banks should therefore be limited, and a prohibition against their loaning to individuals and corporations, other than the member banks, written in the bill. [Applause.]

Mr. PLATT. Mr. Chairman, I yield 15 minutes to the gentleman from California [Mr. KAHN].

Mr. KAHN. Mr. Chairman—

'Tis with our judgments as with our watches—none go just alike, yet each believes his own.

If I remember aright, it was Alexander Pope who gave utterance to that wise saw about two centuries ago. That explains the whole difficulty in the enactment of currency legislation, for discussing the currency is very much like discussing politics or religion. You simply discuss and discuss and discuss, but you do not make much headway.

Every man who has a theory on the subject believes that his theory is just a wee bit better than the theory of the man with whom he is arguing the question.

I am informed that in times past there have been Committees on Banking and Currency of this House that produced almost as many opinions as to what was the true remedy for currency reform as there were members on that committee. Why, the bankers themselves do not seem to be able to agree entirely as to what they want in the way of remedial legislation. They all agree that our present system is rigid and inelastic; that something ought to be done to mend the faults of the existing banking laws; but when it comes to proposing a remedy they seem to have almost as many theories as the least-informed layman. For myself, I am free to confess that I have never been able to formulate a plan that was entirely satisfactory to myself. At that I have given the subject some study and thought and attention. But I have found that it is the easiest thing in the world for a man with little or no money to tell a man who has accumulated a plethora thereof how the latter should use and invest his capital. The former usually works out a plan, frequently utopian in character, which looks mighty good on paper; he believes it to be absolutely perfect. It probably is—in

theory. But he becomes angry and embittered when he finds that the man of means refuses point-blank to accept or adopt those theories.

And after all, the pending measure, we must admit, is founded largely on theories. Whether they will work out in practice or not the future alone can determine. Much has been said during the debate about the manner in which the bill has been framed. I believe the criticisms to be well founded. There was no need of the majority refusing the minority the right to attend the meetings of the majority members of the committee while that majority were formulating this legislation. Currency reform is not a party question. It is a scientific problem. The tariff, on the other hand, is a party question. I can readily understand that the majority of the Committee on Ways and Means might formulate a tariff bill without the presence of the minority. The principle of protection to American industries for years has been the paramount issue of the Republican Party. The principle of free trade—or as you of the majority choose to call it at present, tariff for revenue only—has been the dominant issue of the Democratic Party for many years. The two principles are entirely irreconcilable, and so it is thoroughly proper that the majority of this House, charged with the responsibility of legislating on the tariff question, should feel at liberty to exclude the minority during the deliberations on a tariff bill. But it is different with a currency bill. There are many Members on this side of the aisle who might vote for this bill if it could be amended in certain particulars. Some will probably vote for it anyway. I do not think the objections urged by the minority in their submitted views on the pending measure should have been passed over by the majority without any consideration whatever. Yes, the manner in which the bill has been framed is a subject of legitimate criticism.

We have entered upon a peculiar period in national legislation. Those who are directly interested in a proposed measure must no longer be consulted. If they, whose property interests are at stake in the provisions of a bill pending before a committee, dare issue arguments why this or that feature of the bill should not be enacted into law, they are held up to public obloquy as insidious lobbyists. Why, I have always believed that experts and specialists can throw a world of light upon the subjects which they have made their life work. We may not agree with their views, but they can illuminate the subject. If I am ill I send for a doctor. If I find myself involved in legal troubles I send for a lawyer. But if I want to revise the currency I must not, under any circumstances, listen to the suggestions of those who are directly interested in the proper solution of the difficult and possibly irritating subject—the bankers of this country. I must get my information from the uninformed, or go it blind, if I want to be an up-to-date legislator. Oh, this House is operating under a new dispensation which is developing a wonderful system for the formulation of legislation. The gentleman from Georgia [Mr. HARDWICK] was courageous enough to voice his resentment on this floor on yesterday, but he will respond to the lash of the party whip and will meekly answer "aye" when the bill comes up for final passage.

I am rather doubtful of the success of the bill for another reason than those reasons already urged by others on this floor. It has the unqualified approval of our good friend the present distinguished Secretary of State, Mr. Bryan. I want to say that I admire Mr. Bryan in many ways. But I have learned by past experience that whenever Mr. Bryan puts his stamp of approval on any proposed legislation one wants to scrutinize it with more than ordinary care. I remember his unqualified approval of the Williams currency bill in the Sixtieth Congress. That measure had been introduced in this House by the then minority leader on this floor, Hon. JOHN SHARP WILLIAMS, of Mississippi, now a Senator from that State. Mr. WILLIAMS's bill had this euphonious title:

A bill to further protect depositors in banks, to secure a safe and elastic currency, and to amend the national-bank act and previous amendments thereto.

Mr. Bryan was so enamoured of the Williams bill that he highly lauded it in an editorial which appeared in the Commoner in the early part of March, 1908. Mr. WILLIAMS was so proud of that laudation that he inserted the editorial in full in the CONGRESSIONAL RECORD of March 6, 1908. The first paragraph of that editorial reads as follows:

Hon. JOHN SHARP WILLIAMS, the Democratic leader of the House of Representatives, has introduced a bill, a copy of which will be found upon another page. It was introduced after a conference with other Democrats of the Senate and House—a conference which Mr. Bryan attended—and has the support of practically all of the Democrats. The Commoner commends this bill to its readers and to the country as a vast improvement over the present national-banking act and over both the Aldrich and Fowler bills.

The bill that was then being considered by the House was the so-called Vreeland bill, named after its author, Hon. E. B.

Vreeland, of New York, a former Member of this House. That bill was passed by the Congress and approved by the President on May 30, 1908. Under the terms of that act national currency associations not less than 10 in number, were to be established throughout the country. The law contained two general provisions. The first gave authority and provided the procedure for the issuance of emergency currency. The second important provision was the authorization of a commission clothed with the power of investigation of the money systems of the world. The vote on this bill was taken in the House on May 14, 1908, and just before the roll was called I offered the Williams bill as a substitute for the Vreeland bill. I wanted to test the temper of the Democrats of the House on the Williams bill, which had been so highly lauded by the "peerless leader" of the Democracy, who is now Secretary of State. And I mention this fact because Mr. Bryan has with similar fervor lauded the pending Glass-Owen bill.

The roll call disclosed that only 6 Democrats had the temerity to vote for the Williams bill; 93 Democrats answered "present," including Mr. WILLIAMS himself; Mr. CLARK, the present distinguished Speaker of the House; Mr. UNDERWOOD, the present popular chairman of the Committee on Ways and Means; and Mr. Burleson, the present honored Postmaster General of the United States. About 50 of the Democrats of the House abstained altogether from voting. So that out of a voting strength in the House of approximately 160 Members, only 6 Democrats were ready to stand by the measure that had been so highly lauded and commended by Mr. Bryan.

So you see I am justified in suspecting the soundness of this bill after its indorsement by such high authority.

Mr. SLOAN. Will the gentleman permit an interruption?

Mr. KAHN. Certainly.

Mr. SLOAN. The gentleman gave the action of certain leading Democrats; can he give us a statement of how the gentleman, the distinguished chairman of the Banking and Currency Committee, voted?

Mr. KAHN. He was not one of the six that voted for the Williams bill.

Mr. GLASS. I did not quite hear what the gentleman from Nebraska asked.

Mr. KAHN. The gentleman from Nebraska wanted to know how the distinguished chairman of the committee voted on the Williams currency bill in 1908. I tell him that to the best of my recollection the gentleman from Virginia did not vote for the bill.

Mr. GLASS. No; I was paired. If I could have voted I would have voted against the bill. I would remind my friend from California that he must agree that Mr. Bryan since that time has grown in public estimation. There were six votes for the bill. There were only nine votes against the bill which we are considering now, and there will be less on the floor of the House on the roll call. [Applause on the Democratic side.]

Mr. KAHN. The question as to whether the distinguished Secretary of State has increased in the public estimation is not involved in the case of the Williams currency bill. His power of reasoning now is about the same as was his power of reasoning then. At that time he was unqualifiedly for the Williams bill, and stated to Members of the House and the Senate that it ought to have the support of every Democrat, yet there were only six votes in favor of it on the floor of the House.

Mr. GLASS. But he has learned a lot since then.

Mr. KAHN. The distinguished Secretary of State is a Bourbon, and they say that the Bourbons never learn anything and never forget anything.

Mr. KELLEY of Michigan. Will the gentleman yield?

Mr. KAHN. Certainly.

Mr. KELLEY of Michigan. Does the gentleman from California mean that Mr. Bryan's indictment turned the author of the bill away from it?

Mr. KAHN. The author of the bill answered "present," and did not vote for or against the Williams bill.

Mr. Chairman, I have seen it contended that under the provisions of the pending bill the Federal reserve banks which are to be created will become competitors of the National and State banks, and that the scheme of banking it sets forth holds out the menace of inflation. Personally I do not believe those contentions to be well founded. It is contended also that the bill will again inject our banking system into the domain of politics. I believe that there is no doubt but that such danger does lurk in the provisions of this measure as it has been presented to this House. Other speakers during this debate have pointed out with much elaboration this and other defects in the bill.

The history of banking in the United States whenever politics has been permitted to enter the banking business has been a history of disaster. The decade between 1830 and 1840 is a striking illustration of that fact.

It has been recognized as an axiom that capital is timid, and to tamper with the country's credits is fraught with the greatest danger. My impression is that this bill as it now stands will cause many of our national banks to surrender their charters to the Federal Government. They will return to the State-bank systems, many under the guise of trust companies. The present system of national banks has brought stability at least to our currency. While some contend that the system is archaic, we know that it has brought a degree of soundness to our banking institutions that was woefully lacking prior to its enactment. About 7,500 national banks are in operation under the provisions of the national-bank acts at the present time. It seems to me that the pending measure, unless it can be amended so as to eliminate its dangerous features, will break down our existing system without providing an adequate substitute—a substitute that should permit above everything else the safe expansion of our currency in times of financial stress. [Applause.]

Mr. BATHRICK. Mr. Chairman, two or three evenings ago I made a speech referring to a map. Now I find they have not permission to print that map, which is a part of my address, unless I secure the unanimous consent of the House.

Mr. MADDEN. Mr. Chairman, I think the gentleman has to secure the consent of the Joint Committee on Printing.

Mr. BATHRICK. I have investigated the subject, and I find if I get unanimous consent of the House to print the map that they will be able to print it.

Mr. TOWNER. Mr. Chairman, I ask unanimous consent that the request of the gentleman may be granted.

Mr. MADDEN. That can not be done in the Committee of the Whole.

Mr. BATHRICK. Does the gentleman raise the point of order?

Mr. MADDEN. I make the point of order that we are in the Committee of the Whole House on the state of the Union, and the gentleman will have to do that in the House.

The CHAIRMAN. Not having investigated the question, it occurs to the Chair that the committee can not give an authorization to print other than what the general rules will permit. The Chair will suggest to the gentleman from Ohio that when we get in the House he get an authorization to print from the Committee on Printing.

Mr. BATHRICK. It is impossible to get the Committee on Printing to do that when I can not get them in session.

Mr. MADDEN. I believe the only authority lies with the Committee on Printing.

The CHAIRMAN. The Chair thinks the point of order is well taken.

Mr. GLASS. I understand the gentleman from California was going on until 4 o'clock.

Mr. HAYES. I yield 15 minutes to the gentleman from South Dakota [Mr. DILLON].

Mr. DILLON. Mr. Chairman, I wish that this important measure might be improved by amendments. It is a source of deep regret that the caucus has decreed that no amendments shall be allowed except those coming from the committee. If we all could approach this discussion with full freedom of thought and judgment, certainly a good law could be given to the country.

The bill commends itself in many respects. Within the last 10 years there has been an immense concentration of the people's money in the hands of the Wall Street bankers. It is said that the average daily bank clearings of the United States Steel Co. is \$75,000,000 and that the Tobacco Co.'s daily bank clearing is \$20,000,000. The life insurance companies of New York add to these banks billions of dollars of trust funds. The great railroads of the country add their millions of deposits in these same banks.

Under the national banking law the banks may keep a portion of their funds in reserve city banks. Thus a pipe line is formed through which the people's money gravitates into the banks of New York City.

The centralization of the people's money in the hands of a few financiers gives them a power that they ought not to possess. They possess the power to say who may borrow the people's money and who may not have it.

Will this bill prevent the centralization of the money in the great cities? I think it will. If we can keep our money at home, no panic can ever disturb the financial and commercial transactions in our State. If this bill will enable us to keep our money at home, it will accomplish some of the purposes claimed by its authors.

I wish the bill might strike at some of the clearing-house and stock-exchange evils, that it might prevent the interlocking of directorates of financial institutions.

The national banking law has never been of much benefit to the farmers, because the banks are prohibited from making

farm loans. What the farmer wants is a three or five year loan. A rural-credit system that would furnish to the farmers long-time loans at a low rate of interest would have materially improved the present bill. These features, however, can be added and brought into place by additional acts.

If the national banks of my State should subscribe to the stock of the regional bank, millions of dollars which are now supplying the needs of our people, forming the basis of credit, will be withdrawn and deposited in the regional bank. The loaning ability of these banks may thus be reduced. Will not this alone bring a contraction of the credit and accordingly lessen the loaning power of the local banks? I fear it will.

It is doubtful if the western bankers would care to turn over to the regional bank one-fifth of their capital and portions of their deposits for the percentage given by this bill, because these bankers can loan their money at 3 per cent. The banks do not hold 60-day farmers' paper, nor do they hold 9 months' real estate loans.

If a large portion of the small banks should fail to go into the new system this law would prove to be ineffective. The bill should be liberal enough to induce practically all the national banks to come in under its terms. If the terms are not liberal, these banks will prefer to organize under the State banking law, which, of course, would retire a portion of the national-bank circulation. It is to be hoped that the committee will permit amendments that will prove a sufficient inducement to bring into the scheme the cooperation of practically all of the national banks.

We are just commencing to legislate upon this complicated subject. This law when passed can from time to time be amended and made effective. I shall therefore vote for the bill.

CAUCUS LEGISLATION.

The country at large may approve the bill now under discussion, but the people will not, in my judgment, commend the methods used in preparing the way for its passage.

It is to be regretted that 14 Democratic members of the Banking and Currency Committee have felt the necessity of excluding from the deliberations of the committee 7 worthy members who were commissioned by this House to act on this important measure. For eight weeks the majority of the committee held secret meetings for the purpose of considering the bill, and this House, with full knowledge that the seven members were excluded and denied the right to participate in the deliberations of the committee, has acquiesced in the exclusion and indorsed the action of the majority of the committee.

From the secret chamber of the committee came mutterings of discord and strife. Individuality asserted itself. Insurgency broke loose. Those in control of the committee must keep the upper hand, and for that purpose the all-powerful caucus is called.

As a part of my remarks I read the rules governing the Democratic caucus.

DEMOCRATIC CAUCUS RULES.

PREAMBLE.

In adopting the following rules for the Democratic caucus we affirm and declare that the following cardinal principles should control Democratic action:

- (a) In essentials of Democratic principles and doctrine, unity.
- (b) In nonessentials, and in all things not involving fidelity to party principles, entire individual independence.
- (c) Party alignment only upon matters of party faith or party policy.
- (d) Friendly conference and, whenever reasonably possible, party cooperation.

RULES.

1. All Democratic Members of the House of Representatives shall be *prima facie* members of the Democratic caucus.

2. Any member of the Democratic caucus of the House of Representatives failing to abide by the rules governing the same shall thereby automatically cease to be a member of the caucus.

3. Meetings of the Democratic caucus may be called by the chairman upon his own motion, and shall be called by him whenever requested in writing by 25 members of the caucus.

4. A quorum of the caucus shall consist of a majority of the Democratic Members of the House.

5. General parliamentary law, with such special rules as may be adopted, shall govern the meetings of the caucus.

6. In the election of officers and in the nomination of candidates for office in the House, a majority of those present and voting shall bind the membership of the caucus.

7. In deciding upon action in the House involving party policy or principle, a two-thirds vote of those present and voting at a caucus meeting shall bind all members of the caucus: *Provided*, That said two-thirds vote is a majority of the full Democratic membership of the House: *And provided further*, That no Member shall be bound upon questions involving a construction of the Constitution of the United States or upon which he has made contrary pledges to his constituents prior to his election or received contrary instructions by resolution or platform from his nominating authority.

8. Whenever any member of the caucus shall determine, by reason of either of the exceptions provided for in the above paragraph, not to be bound by the action of the caucus on these questions, it shall be his duty, if present, so to advise the caucus before the adjournment of the meeting, or, if not present at the meeting, to promptly notify the Demo-

cratic leader in writing, so that the party may be advised before the matter comes to issue upon the floor of the House.

9. That the five-minute rule that governs the House of Representatives shall govern debate in the Democratic caucus unless suspended by a vote of the caucus.

10. No persons except Democratic Members of the House of Representatives, a caucus journal clerk, and other necessary employees shall be admitted to the meetings of the caucus.

11. The caucus shall keep a journal of its proceedings, which shall be published after each meeting, and the yeas and nays on any question shall, at the desire of one-fifth of those present, be entered on the journal.

The caucus now meets behind closed doors for three weeks. It proclaims by its rules that those who fail to "abide by the rules governing the caucus shall thereby automatically cease to be members of the caucus." By rule 4 "a quorum of the caucus shall consist of a majority of the Democratic Members of the House." By rule 7 "a two-thirds vote of those present and voting at a caucus meeting shall bind all members of the caucus, provided the said two-thirds vote is a majority of the full Democratic membership of the House."

These rules proclaim the binding effect of caucus dictation. The Member is graciously permitted to vote his convictions, first, "upon questions involving a construction of the Constitution"; second, with a yielding spirit it permits the Member to redeem pledges "made to his constituents prior to his election"; third, with condescension the rules allow him to comply with the "platform from his nominating authority." These are the only exceptions in which individuality is permitted. If by reason of either of these three exceptions a Member determines not to be bound by the actions of the caucus, it is made his duty "if present, so to advise the caucus before the adjournment of the meeting, or, if not present at the meeting, to promptly notify the Democratic leader in writing, so that the party may be advised before the matter comes to issue upon the floor of the House."

Behind the caucus stand the rulers, behind the rulers the dispensers of patronage. The faithful are intimidated by its decrees. They are loath to leave places in the party cotancil. They join the ranks of the rulers, and individuality is peacefully put to sleep. [Applause on the Republican side.] The individual surrenders his convictions, and the grand rush for the band wagon and the pie counter takes place.

For the purpose of strengthening the lines, the next move is to declare the bill a party measure and to proclaim that "members of this caucus are pledged to the bill to its final passage without amendments; provided, however, the Banking and Currency Committee may offer an amendment in the House." Now they go through the idle ceremony of calling the full Committee on Banking and Currency together to consider the bill indorsed by the caucus and labeled that no amendments will be allowed—a hollow pretext.

The bill now comes to the House for consideration, but under the caucus gag every amendment is to be summarily voted down. We are told by those high in authority that "abundant opportunity for debate will be offered." What is the use of offering amendments when the caucus majority have entered into a covenant with each other to vote down every amendment that might be offered? You invite amendments, but you will not consider them when offered. Can such methods be upheld by fair-minded legislators who believe in fair, open discussion? Must we condemn the boss and at the same time commend the caucus, when the bosses stand behind the caucus?

The currency bill is not a party measure. It is not a partisan theme. It affects vitally the interests of every man, woman, and child. The Republican and Progressive Members are as patriotic as those who attend the Democratic caucus. The measure goes beyond party creeds. It calls upon every Member for patriotic service in placing the common good above partisan advantage. Our highest duty to the country is to give to the people not a political-party currency bill but a people's currency bill.

We plead for an independent legislative department of Government; one that will not permit the judicial nor the executive departments to trespass upon the rights of the legislative department; one that will not allow a caucus to bind its members; one that will call upon its members to stand for individual opinions; one that will maintain the independence of its members; one that will permit its members to stand erect in their God-given rights without coercion and without caucus splints upon their legs. [Applause.]

No Member should delegate his power of legislation to any caucus. The caucus destroys individuality; it establishes tyranny; it sacrifices the best legislative instrumentality, the conscience; it makes weaklings of its members. When our forefathers established this Government they supposed the membership of this body would act independently of every influence and be guided only by conscience. They never supposed that the Members would trade, barter, or dicker in legislative matters.

They never supposed a part of the Members would secretly enter into a compact with each other to stand by a caucus decree; they never dreamed that a few Members would secretly agree among themselves to sandbag every amendment to important measures without having any knowledge as to what the amendments might be.

The bosses control the caucus and the caucus controls the legislative department of Government. Thus legislative functions are abrogated and the legislative power destroyed. The jury packer and the caucus are twin malefactors. The system is indefensible; its decrees are vicious. Yes; as vicious as the edict promulgated by King Nebuchadnezzar 2,500 years ago commanding that when the sound of music was heard his subjects should bow down to the golden image under the penalty of being cast into the fiery furnace. The caucus decree commands obedience and a complete surrender of convictions under pains and penalties of a full and complete separation from the Democratic pie counter.

Let us take off the caucus pressure and leave the Members free to exert their influence in honest, free, and open discussion, thereby placing the legislative department above the command of the caucus and thus restore it to its ancient high and lofty position, the greatest legislative body in the world. [Applause.]

MR. HAYES. Mr. Chairman, I yield to my colleague from California [Mr. CURRY].

MR. CURRY. Mr. Chairman, I rise for the purpose of having printed in the RECORD as a part of my remarks an article on sweet wines by Dr. Wiley. The article is a short one and appeared in this morning's Post.

THE CHAIRMAN. The gentleman asks unanimous consent to print as a part of his remarks a certain article by Dr. Wiley. Is there objection? [After a pause.] The Chair hears none.

MR. GLASS. Mr. Chairman, I yield 15 minutes to my colleague [Mr. BEAKES].

MR. BEAKES. Mr. Chairman, one thing which indicates how good is the Glass currency bill is the fact that while acknowledging that the present currency and banking system is inadequate, no one opposed to the bill under consideration has attempted to offer an adequate substitute for it. Summing up of the arguments so far made against it would read something like this: The present system is bad; we grant that the bill under consideration is an improvement, but it is not good enough; however, we have no bill to offer that is better, therefore we must vote against this bill. Aside from this, our Republican friends are greatly disturbed over the unanimity in the support of the bill on the Democratic side of the House. They are disturbed because the House and the President are in accord. And yet last fall they were saying:

Wilson is a good enough man, but he can not control his party. They will not follow his leadership and he will be helpless.

Our Progressive brethren are greatly disturbed because we did not put a provision against interlocking directorates in this bill. We are going to pass a bill against this evil at the first regular session which will go further than any provision in this bill can go. To ask us to put it in here would be like a doctor saying to a patient coming to him:

I will not do anything for your stomachache unless you let me at the same time straighten out that clubfoot of yours.

MR. CHAIRMAN, I can not permit the most important legislation which Congress has passed in many years to be decided upon without raising my voice in approval of what I believe to be the greatest constructive legislation which has been before Congress in the last half century. For years the need of a new banking and currency system in the United States has been felt. The demand for reform has come to be more and more insistent, and now, I believe, no thinking man will defend our present system of banking and currency. Under it we have had periodical money stringency. Under it we have had ever-recurring panics, and quickly following our periods of prosperity we have had long bread lines in the cities, want and distress in the rural districts, tottering credit, and business failures. In a country of matchless resources we have had woeful distress. And while we have been going through these periods of panics when loans are unobtainable, when banks have been compelled to refuse to cash checks for moneys deposited with them, when factories have been closed because they were unable to pay their hands, when business enterprises have been curtailed, and the whole country has passed through a period of entire business stagnation, we have seen across the water European nations, lacking our resources, still keeping on the even tenor of their ways, their banks continuing to perform the functions for which they were intended. Why should we have acute financial panics when England, Germany, and France do not have them? Formerly

these countries passed through severe panics like our own. It ought not to be difficult to trace the reason for the breaking down of our own currency and banking system at the very times when it is most necessary that it be in good working order.

When we compare our currency system with that of other countries we find it is less elastic. The amount of currency in the country is the same whether there is much need for it or little need for it. It has been, for instance, estimated by financial experts that we need \$300,000,000 more money in the fall when the crops of the country have to be moved than we do at other periods of the year. Yet the United States has no more money in the fall than at other seasons. Other countries have a more elastic currency. Why not we?

But a mere reform of our currency will not alone suffice. It is estimated that 95 per cent of our business transactions in this country are carried on by means of bank checks, and these bank checks perform the functions of currency, falling down only in periods of panics, when they are not so easily honored. Bank checks are all that give any elasticity to our present system, but in times of stress there is a tremendous falling off in the number of checks passing through the banks, and the banks at the same time are hoarding currency so that there is an immense contraction of our medium of exchange. This is what causes business stagnation, with the ensuing want, starvation, and ruin. There is not money enough with which to do business. Money being furnished the business would go on in its usual manner. Hence, hand in hand with a more elastic currency must go a better system of banking, a system which should not cause a sudden contraction in the amount of checks used. Checks can not be used, however, unless the users have credits in the banks on which they draw the checks, and it is due to the fact that the banks in times of stress are compelled, under our present system, to contract these credits that the volume of exchange contracts so greatly and the whole machinery of commerce is thrown out of gear.

Our present system of national-bank notes was devised with the one purpose in view of selling Government bonds at a time when the United States was in the throes of a great civil war and the credit of the Government was at its lowest ebb. It was a makeshift for selling bonds to advantage. It is a surprising thing that it should have been allowed to stand for 50 years. In that 50 years commerce has vastly expanded, and I think it will be granted that the more things there are to be exchanged the more need for money to facilitate that exchange. Here, then, we have a system which calls for the issuing of more bonds when more bank notes are needed, and a constant increase in our debt, so that we may have more currency to meet the needs of our expanding commerce. It is no wonder that some speakers have been misled into the statement that a public debt is a public blessing. Under this system the more prosperous the Nation, and hence the greater volume of currency needed to distribute that prosperity, the greater debt needed, with the greater taxation to meet the interest on that debt. Under this system also for the United States to pay off its debt would so reduce the volume of currency as to cause business stagnation. Long ago we should have given up this unscientific system of national-bank note issues and sought a better system.

In practice we now have a rigid currency system except that periodically in times of stress, when more currency is needed, it is suddenly and violently contracted, adding greatly to the evils of the time and producing severe financial panics.

Under our present banking system a large part of our banking resources find their way to the three central reserve cities, New York, Chicago, and St. Louis, and more especially to New York. For instance, the 40 central reserve banks in New York City had on deposit on September 1, 1911, \$1,150,500,000, much of which was deposits of banks in other sections of the country. The banks of New York gather up the reserves of the other banks all over the country and loan them out to a great extent in call loans for Wall Street gambling. Too much of the money of the country needed by our expanding commerce is diverted to the use of Wall Street speculators. Let there be a flurry on Wall Street and a raise in interest on call money in New York and immediately all over the country there is a curtailing of local credit in the local banks and a shipment of greater reserves to New York. And the whole banking system of the country is becoming more and more dependent upon the New York banks, so that it has come about that our banking system is really controlled by a few financiers in New York. And too often when our local banks want money they find that the banks of New York are also wanting money, and their reserves held there are almost useless for the time being. Those who have fears of governmental control of the banking system should remember that we now have private control. If the Glass bill does nothing else, it completely emancipates the country bank from New York control.

This is the system we are called upon to reform. How shall we reform it? Nowhere, in my opinion, has the remedy been more clearly set out than in the language of President Wilson in his currency message:

We must have a currency not rigid as now, but readily elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings. Our banking laws must mobilize reserves; must not permit the concentration anywhere in a few hands of the monetary resources of the country, or their use for speculative purpose in such volume as to hinder or impede or stand in the way of other more legitimate, more fruitful uses. And the control of the system of banking and of issue which our new laws are to set up must be public, not private; must be vested in the Government itself, so that the banks may be the instruments, not the masters, of business and of individual enterprise and initiative.

The Glass bill, I think, fully carries out the purposes so clearly set forth by the President. It fills also every requirement set forth in other words by Franklin MacVeagh, late Secretary of the Treasury, in his report to Congress on December 4, 1911, where he says:

The principal requirements of a new banking and currency measure are that it shall provide a practical immunity from serious panics—such an immunity as is enjoyed by the other leading financial nations; that it shall abolish the habitually recurrent ordinary stringencies in the money market, which keep relations between the bankers and the business men of the country almost continuously at sixes and sevens; that it shall remove the defects of our domestic exchanges; that it shall enlarge and develop the facilities of our foreign exchange system; that it shall properly develop the discount market; that it shall wholesomely assist in regulating the interest rates and making them uniform throughout the country; that it shall put an end to the tendency which forces our bank balances into speculative channels, and save them for regular trade and commerce. To meet the case it is necessary to have an elastic currency, available reserves, and every necessary provision and power both to permit and to check the expansion of loans.

The new banking system will also have to provide with distinctness and completeness ample banking facilities for our foreign commerce—a commerce that with the proper governmental encouragement will be world wide and world varied. It is idle to expect that we shall ever have a developed foreign commerce without a developed foreign banking system. Our present system grew up in a period of isolation.

We must provide, too, and without reservation, for a perfect equality of privilege and opportunity between National and State banks. State banks must have every advantage national banks have; and national banks must have every advantage State banks have. And this equality can not be attained unless National and State banks are on the same footing as to trust-company banking and as to savings bank functions.

This is exactly what the Glass bill does, and the machinery is so simple and easy, and the bill is founded on such scientific principles that the only wonder is that it was not evolved years ago.

Pass this bill and we shall have no more such panics as in 1907 or in 1893.

While the bill inaugurates an entirely new system of banking and currency in this country it will, I think, go into effect with but little disturbance of banking facilities. While as a whole the system is new, the various principles applied have been well worked out in other countries.

The extra currency provided is perfectly safe. It is based upon a one-third gold reserve and 100 per cent of bank paper—commercial, industrial, or agricultural paper. This paper is indorsed by the bank desiring the currency and is further backed by the entire assets of the Federal reserve bank, and payment is practically guaranteed by the Government. This is exactly the same currency as that of which the Reichsbank of Germany has outstanding \$1,300,000,000. The German currency is backed by a one-third reserve in gold and 100 per cent of bank assets, just as this currency is secured, and this German currency has been in use for years and is perfectly good. France has asset currency, and it has been well said that while the United States greenbacks or fiat currency went down to 40 cents on the dollar when there was no question that, whatever the results of the Civil War, that Government would survive, the French asset currency was worth 100 cents on the dollar when the tramp of the German soldiery was heard in the streets of Paris. The safety of this currency has been demonstrated in France and Germany. Its elasticity is secured in this way: It is issued to a bank needing it when they present as much of their current paper to be discounted as they call for in currency. All of the paper so discounted matures within 90 days, and so within 90 days as much money will be back in the reserve banks as was issued in currency. If the town to which this currency was issued still needs more currency the home bank will present more paper to be discounted and thus secure more currency for its community, but the home bank will not present paper to the reserve bank for rediscount unless its community needs more money, because the home bank discounts local notes for the interest it gets and will not rediscount to the reserve bank and thus lose part of this interest unless it needs more money to loan out. Thus is elasticity secured in the currency of each local community and the volume of currency out-

standing expands and contracts as the business needs of each community require.

The beauty of this currency lies largely in the fact that while it is thus a perfectly safe and sound currency, as good as gold, it has the merit of expanding or contracting the circulation in each community according to the needs of that community. Where there is special need of more currency, there it is forthcoming. When that need decreases it automatically retires from circulation. Thus, to again use the words of the President, it is "readily, elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings."

The second requirement laid down by the President is that it must mobilize reserves and that not in the hands of private individuals or where it can be used for speculative purposes. The Glass bill does this by the establishment of 12 regional reserve banks. The average paid-in capital of each of these banks will be over \$100,000,000, as each member bank must pay in 10 per cent of its capital stock. Every national bank must become a member of a regional reserve bank or go out of business. Any State bank may become a member if it desires on the same terms as a national bank. The only depositors of the regional reserve banks will be the member banks and the United States Government. The member banks are required to keep part of their reserves with their regional reserve bank. It is this reserve bank which puts up the 33 per cent of gold to secure currency issued. The reserves, instead of being widely scattered or in the hands of private financiers, where they may not be immediately forthcoming in times of stress, are mobilized in these semigovernment banks, where the member banks can get immediate relief. Speculation is largely guarded against, as these reserve banks will not rediscount for their member banks paper secured by stocks and bonds, the usual method of securing money for Wall Street gambling. The bank reserves are mobilized for immediate use. On them can be issued \$3 of currency for every \$1 in reserves.

This system increases the safety of banks. No bank can make any money and keep in its vaults money enough to pay all its depositors if they all want their money within a short time. So as times get tight the banks have been in the habit of loaning less and less money and hoarding up more of it to provide for emergencies, thus greatly increasing the very stringency which has caused them alarm. In tight times each bank is looking out for itself and will not rediscount the paper of other banks in distress. In the Glass bill we have the regional reserve banks, with means of putting out needed currency, formed for the very purpose of taking care of the local banks in time of stress, where they can quickly turn their good paper into money, and thus can safely loan out more of their deposits. Thus are the bank reserves mobilized for immediate use. When the regional reserve banks get in full operation the member banks will no longer fear runs upon them, and as the depositors will know that their deposits will be paid when wanted, there will be no runs on banks in this system.

This system has also made it perfectly safe to cut down the amount of reserves required to be kept. In the country banks, for instance, 15 per cent of the deposits are now required to be kept as reserve and can not thus be used. It is perfectly safe to cut this down to 12 per cent as the Glass bill does, because if more money is needed it is instantly obtainable. This cut of 3 per cent will release many millions of dollars for use in commerce and production. While it is necessary that banks keep reserves, the money so kept is of no immediate value as a medium of exchange; like the money hoarded in stockings, it is kept out of circulation.

The third requirement the President has laid down is that the control of the system of banking and issue of currency must be in the hands of the Government, and this is fully met in the Glass bill. The whole system is controlled by the Federal reserve board, which consists of the Secretary of the Treasury, the Secretary of Agriculture, the Comptroller of the Currency, and four members appointed by the President. These have control of the entire system. Each regional reserve bank is managed by nine directors, three named by the Federal reserve board, three elected by the member banks, and three, who are not bank directors, elected by the member banks, subject to the confirmation of the Federal reserve board.

This is the part of the bill to which some bankers have raised objections, claiming that the bankers themselves should control or have part in naming the Federal reserve board. And yet this governmental control is not a new thing. The direktorium (the president and directors) of the Reichsbank are appointed by the German Emperor, and the curatorium of the same bank consists of the chancellor of the Empire, the Prussian minister of finance, and three members appointed by the Bundesrath.

Bankers, brokers, bill discounters, or directors of other banks are excluded from being elected directors of the Bank of England; and while the Government does not select the directors of the Bank of England, the very class of men those who object to governmental appointment would select are excluded from the directorships in the Bank of England. I think it ought to be granted that the issue of currency should be entirely within governmental control, and I can see no reason why these reserve banks, semipublic banks, and direct repositories of Government funds should not also be within that control. Certainly governmental control, with weekly reports and everything in the light of day, is preferable to the present secret control, with no weekly reports, by private and interested financiers in New York City.

I lack time to go into the many other improvements made in our banking system. I think, however, I have said enough to indicate why I heartily favor this bill. Among other things—

First. It prevents financial panics in the future.

Second. It furnishes each community with the volume of currency that community needs.

Third. It makes banking safer and has a tendency to stop runs on a bank.

Fourth. It puts the bank reserves into use.

Fifth. It puts the Government's receipts in use as a circulating medium instead of retiring them from use, as at present.

Sixth. It provides banking facilities for our foreign commerce, a branch of the bill into which I have not had time to go, but which is of great importance in this era of expanding foreign trade.

Seventh. It permits the Government to pay off its bonds without contracting the currency.

Eighth. It provides an elastic currency, automatically expanding and contracting as business demands.

Ninth. It emancipates the local banks from the control of other banks.

Tenth. It provides money when needed to move the crops.

Eleventh. It provides for the wants of agriculture, commerce, and industry in a medium of exchange.

Twelfth. It will increase the prosperity of the United States and give added stability to that prosperity.

With the passage of the Underwood bill, which revises the tariff downward, which saves the consumer from the exactions of the protected manufacturer, and includes a graduated income tax, the fairest tax that can be levied, and with the passage at this extra session of Congress of the beneficent Glass currency bill, the administration will have started out auspiciously in the first few months on its career of constructive legislation. While in these two bills we have gone far in keeping our promises to the people, the regular session will have many other problems of progressive and constructive legislation, and I am confident that we will show the country that the Democracy is committed to a safe, progressive, constructive course which will add to the welfare of the people whom we serve. [Loud applause.]

Mr. GLASS. Mr. Chairman, I yield 45 minutes to my colleague from South Carolina [Mr. RAGSDALE].

[Mr. RAGSDALE addressed the committee. See Appendix.]

Mr. HAYES. I yield to the gentleman from Pennsylvania [Mr. TEMPLE] 30 minutes. [Applause on the Republican side.]

Mr. TEMPLE. Mr. Chairman and gentlemen, perhaps I shall not occupy the 30 minutes which have been yielded to me. My speech is not in manuscript and is therefore somewhat adjustable as to length. It partakes of some of the merits of the currency provided for in this bill, in that it is elastic.

Like others who have spoken, I regret very much that so important a measure as this one, which is intended to reorganize the whole banking and currency system of the United States, should have been made a purely party measure, because the lines by which men might be separated into groups according to their differences of opinion on banking and currency questions would not at all coincide with party lines. There has been no alignment of the voters, nor even of the party leaders, for and against the principles underlying the present bill. On the tariff question the Republican Party and the Progressive Party are both in favor of protection. The Democratic Party is now pushing to its final passage a bill avowedly drawn without thought of protection. The tariff is, of course, a party issue. Not so the banking and currency question.

The principles involved in these subjects of banking and currency have not been sufficiently discussed for the great mass of the people to reach conclusions as firmly fixed as their convictions on the tariff, and there has been no separation into parties because of differences on this question. Of course the Democratic Party has the power now, because of the binding authority of the party caucus, to put through without the aid of

Republican or Progressive Congressmen the bill now pending, though it is thoroughly unsatisfactory to some of the Democrats who will support it. We who are the Members of the two minorities, if I may use that language, have been told that our aid is not needed and our suggestions are not wanted. Nevertheless I shall make suggestions, and at the proper time offer amendments to the bill, in the hope, like the gentleman who has just taken his seat [Mr. RAGSDALE], that if they are not passed here they will be passed elsewhere, and I may possibly be able to vote for the bill after a conference between the two Houses. If I choose to vote for the bill now, I shall do so in spite of the fact that it has been made a Democratic measure; and if I vote for it, it will not be because I am a Democrat, but because in spite of the method by which it has been written and so far pushed along in the House it has decided merit. And if I vote against the bill it will be because it has grave defects which threaten to interfere with the safe working of a plan which in many respects is in harmony at once with sound economic theory and with the banking experience of the world.

The notes that are to be issued under this bill are in their nature essentially bank notes. They, in the honest language of the first draft of the bill, purport on their face to be obligations of the United States Government. That phrase, "purport on their face," has since been stricken out, but it contains a deal of truth. They do purport to be obligations of the United States, and in the last resort they are; but, nevertheless, the whole nature of the Federal reserve currency is that of bank notes.

Mr. MURDOCK. Will the gentleman yield?

Mr. TEMPLE. Certainly.

Mr. MURDOCK. The gentleman realizes that the notes are redeemable by the Government?

Mr. TEMPLE. Redeemable by the Government if there is no other redemption. Ultimately the obligation falls on the Government, but primarily on the banks. They are issued by the banks in the ordinary business of commercial banking. They are based on rediscounted short-time commercial paper, and they are safeguarded by a fixed reserve of gold or lawful money and would be much better if the reserve were gold alone.

Unlike Government paper, and unlike the bank notes issued under the existing system, the period during which a given note will circulate—that is, the life of the note—will probably be short. These notes have all the marks and characteristics of bank notes; they are bank notes; but the bank that issues them is the Government of the United States. The Government is creating a great central bank of issue with 12 branches; its capital is furnished by private persons who pay all the expenses, carry all the risks, bear all the losses, and enjoy a portion of the profits. But the management of the bank and of the 12 Federal reserve bank branches is in the hands of the Government.

Let us see. The management and control of each of the Federal reserve banks is supposed to be in the hands of a board of nine local directors. How are these nine directors elected? The first three, class A, are elected in a peculiar manner. An institution somewhat corresponding to an electoral college has been devised. All the banks in the district that enter this system are divided into three groups which shall be equal in number, and the banks in each group are to be, as nearly as may be, equal in capitalization. A practical way to arrive at the grouping would be to make a complete list of all the banks of the district, at the top the one with the highest capitalization, say twenty-five millions in the case of the New York district, and then running down to the banks of \$25,000 in the small country towns.

The banks would be arranged in the whole list according to the amount of their capitalization. Then that list may be cut into three sections, each containing an equal number of banks. The banks of the highest capitalization would be in the first section, and those of the medium capitalization in the second, and in the third section would be the banks of smaller capitalization. Each bank selects one of its own directors to be a member of what I have called an electoral college. The electors thus chosen for each group will elect one director for the Federal reserve bank, so that one director will represent the large banks, one the medium banks, and one the small banks. These three men are to be class A directors of the Federal reserve bank of the district. The directors of class B, three in number, are to be elected by the same electoral college, but must not be bank directors or officials. They are to be business men representing the commercial, industrial, and agricultural interests of the district. The three directors of class B may be removed at the discretion of the Federal reserve board.

The Federal reserve board elects the remaining three directors, one of whom is to be chairman of the board, president of the Federal reserve bank, and Federal reserve agent for that district.

Now, let us see as to the control that the Federal reserve board has in that matter.

It controls the directorate of each Federal reserve bank, as was ably pointed out by the gentleman from Ohio [Mr. FESS]. The Federal reserve board controls six of the nine directors, who are removable at its will. An attempt was made on the floor of the House, in reply to the gentleman from Ohio, to show that there was a limitation on the power of the Federal reserve board. The power referred to is defined on page 9 of the last print of the bill:

The Federal reserve board shall have power at its discretion to remove any director of class B in any Federal reserve bank if it should appear at any time that such director does not fairly represent the commercial, agricultural, or industrial interests of his district.

An attempt was made to show that limits had been placed on this power of removal by applying to it the terms found on page 23, by which the Federal reserve board is given power to suspend officials, as follows:

(f) To suspend the officials of Federal reserve banks and, for cause stated in writing, with opportunity of hearing, require the removal of said officials for incompetency, dereliction of duty, fraud, or deceit, such removal to be subject to approval by the President of the United States.

This limitation applies only to the power to remove officials. Directors may be removed at the discretion of the board. Directors are not spoken of as bank officials in common speech nor in this bill. The distinction between the two is observed on page 20 of the bill, where it is provided that no member of the Federal reserve board shall be an officer or a director. They are two separate classes.

Mr. FESS. Will the gentleman yield for a question?

Mr. TEMPLE. Yes.

Mr. FESS. Can the Federal board remove one of these three without cause?

Mr. TEMPLE. The gentleman refers to directors of class B? I should think not without cause. The bill says that the Federal reserve board shall have power, at its discretion, to remove any director of class B in any Federal reserve bank, if it should appear at any time that such director does not fairly represent the commercial, agricultural, or industrial interests of his district.

Mr. FESS. Then, in its discretion, the cause would be determined by the removing power?

Mr. TEMPLE. It seems so to me.

Mr. FESS. Now, another question. Will the party removed under the provisions of the bill have an appeal to any power?

Mr. TEMPLE. I do not find in the bill any provision for any appeal at all.

Mr. FESS. In other words, the Federal board does control the local directors?

Mr. TEMPLE. So it seems to me; absolutely.

Mr. PHELAN. Will the gentleman yield just for a remark?

Mr. TEMPLE. Yes.

Mr. PHELAN. Just for the purpose of clearing that thing up. Even if these men are removed, the reelection is still made by the bank. The gentleman understands that, does he not, that the election of their successors to fill the vacancies are by the banks?

Mr. TEMPLE. Yes; but the gentleman does not mean to say that they will elect the same men?

Mr. PHELAN. I do not mean to say that, but they are not controlled by the Federal reserve board when the banks elect these members of the Federal reserve bank.

Mr. TEMPLE. It seems to me the power of impeachment is sometimes greater than the power to elect.

Mr. FESS. I would like to ask the gentleman from Massachusetts whether the same power of removal of directors would not be able to remove the reelected directors?

Mr. PHELAN. I think so; but I think it is ridiculous to assume that they are going through that process indefinitely.

Mr. FESS. It is ridiculous to see the influence that is now pressing certain legislation through here.

Mr. TEMPLE. If it is a ridiculous process, why should the bill confer upon this board the power to go—

Mr. PHELAN. I did not say that it was a ridiculous process.

Mr. TEMPLE. I misunderstood the gentleman.

Mr. PHELAN. I said it was a ridiculous assumption that any Federal reserve board—I do not care whether they are all Republicans—would keep on removing men from office unless there was a good reason why men should be removed from office.

Mr. TEMPLE. Well, the supposition might be that they would be mostly Democrats. [Laughter on the Republican side.]

Now, the prerogatives of the Federal reserve board, if we outline its powers, mentioning only those that are greatest and

most important, are these: They may choose three of the directors, one of whom is to be president of the bank or chairman of the board, who is to be also the Federal reserve agent and act as the official representative of the Federal board for performing the functions conferred upon the board by the act. He is appointed by the board, and his salary is fixed by the board and paid by the bank. He may be dismissed by the Federal reserve board at pleasure and without notice. That is the language of the bill.

Mr. MURDOCK. Mr. Chairman, may I ask the gentleman a question?

The CHAIRMAN. Does the gentleman yield?

Mr. TEMPLE. Yes.

Mr. MURDOCK. In the study of this plan of organization did it not appeal to the gentleman that this Federal reserve agent would be a man of tremendous power?

Mr. TEMPLE. Unquestionably. Now, the Federal reserve board has also power to suspend the officials of Federal reserve banks, apparently without notice. But it can not require their permanent dismissal without cause, stated in writing, with opportunity for hearing, and the removal can not be made final without the approval of the President.

The whole working machinery of the 12 reserve banks, including the president and 6 out of 9 directors and all of the officials, are under the control of the Federal reserve board.

It is not too much to say, then, that the real directors of these 12 reserve banks are the 7 men of the Federal reserve board. The real bank is in Washington, and the 12 institutions aforesaid in the 12 Federal reserve districts are merely branches.

But, still further, in other matters besides the organization of the bank, the Federal reserve board has great powers. It has the power each week to determine the rate of discount which each Federal reserve bank may charge.

Mr. PHELAN. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. TEMPLE. Yes.

Mr. PHELAN. I understood the gentleman to say that the Federal reserve board had the power to state each week the rate of discount that the Federal reserve board should charge.

Mr. TEMPLE. I said they had the power to determine.

Mr. PHELAN. That is better.

Mr. TEMPLE. That is the language I used. The Federal reserve board has the power to determine the rate of discount. The point is this: Each Federal reserve bank suggests the rate, but it is subject to review and determination by the Federal reserve board. The final power lies with the Federal reserve board.

The same Federal reserve board may permit or require any Federal reserve bank to rediscount the discounted paper of any other Federal reserve bank, subject to an interest charge from 1 to 3 per cent higher than the rates of interest prevailing in either of the districts concerned. This provision alone brings out the character of the Federal reserve board as the real board of directors of a central bank, having control over the reserves and the capital of the 12 branches, and making the reserves and capital of all available at any one place to be used in rediscounting by any one branch.

Mr. HARDY. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. TEMPLE. Certainly.

Mr. HARDY. Does not the gentleman feel that if one of these directors or officers of this Federal reserve board should suddenly and unexpectedly prove corrupt or should otherwise endanger the safety and welfare of the bank there should be some power vested somewhere having the right to instantaneously dismiss him and take over that property?

Mr. TEMPLE. I can hardly see how it could instantaneously appear that they are corrupt.

Mr. HARDY. True. But suppose it should develop that a reserve agent, for instance, is a corrupt man. The authority to remove him at once ought to exist somewhere, ought it not? And it would be very cumbersome to require—

Mr. TEMPLE. The power to remove such a man as soon as the charges can be proved against him ought to exist somewhere.

Mr. HARDY. And to suspend him while he is under investigation, ought it not?

Mr. TEMPLE. With certain safeguards, I should say yes.

Mr. HARDY. That power that is lodged in this reserve board, most of it at least, ought to be lodged somewhere, ought it not?

Mr. TEMPLE. Certainly that power ought to be lodged somewhere. It is lodged somewhere under the present system. What I complain of is that so many powers are lodged in the same place.

Mr. HARDY. Could that particular power be lodged anywhere else?

Mr. TEMPLE. It is now. We have no Federal reserve board and we have the means of correcting these things.

Mr. HARDY. You have it practically lodged in the Comptroller of the Currency, who is one man instead of seven.

Mr. TEMPLE. In certain extreme cases that is true. Generally the Comptroller of the Currency allows the bank to close or to get into such a condition that it has to be closed.

Mr. HARDY. My recollection is that he just sends down there and closes it.

Mr. TEMPLE. After the banks in the neighborhood have wondered for some time why he did not do it before. There is generally good evidence on which to act before he acts.

Mr. HARDY. It is not done any too soon.

Mr. TEMPLE. The Federal reserve board also determines how the deposits of the United States Treasury shall be distributed.

Mr. SLOAN. Is it not the gentleman's opinion that these removals, summary if need be, ought to be for cause, and not upon discretion? That is the point that seems to divide the gentleman speaking and the gentleman from Texas [Mr. HARDY]. It seems to me the removal ought to be for cause and not upon discretion.

Mr. TEMPLE. That is not what I think is the ground of complaint against the bill. What I complain of is that so many powers are lodged in one place and that the 12 banks are bound together in one system so closely that they become practically one institution.

Mr. HARDY. I understand the question of discretion and without cause applies directly to the directors of class B; but as to these others, as a general thing, there must be some cause.

Mr. TEMPLE. Except in the case of the most important of all, the chairman of the board, who is president of the bank. He may be dismissed at the discretion of the board and without notice.

Mr. HARDY. He is the agent, and he being so important, if you waited for time for investigation, and gave no right of suspension or dismissal in the meantime, might you not lock the stable after the horse was out?

Mr. TEMPLE. Very likely; but my remedy for that would be not to lodge so many powers in this agent of the Federal reserve board. He is the agent of the Federal reserve board for performing all its functions in the district. He is the president of the bank and one of the three directors appointed by the Federal reserve board. He holds many offices in one, and he may be removed from all of them at the pleasure of the board and without notice, all of which emphasizes the point I am trying to bring out, that the Federal reserve board has almost absolute power over the control of the 12 Federal reserve banks.

Mr. MURDOCK. May I suggest to the gentleman that if this system should prove vicious and sinister influences should be exercised by the Federal reserve board, this powerful agent in the district would naturally become subservient to this Federal reserve board.

Mr. TEMPLE. He would have to be.

Mr. HARDY. May I ask one more question?

Mr. TEMPLE. Certainly.

Mr. HARDY. Inasmuch as these powers seem to be necessary to be exercised somewhere, has the gentleman any suggestion to make in each case, as to where he would lodge each one of these powers which he objects to putting in the hands of the reserve board?

Mr. TEMPLE. I do not object to the powers severally, but they are united in one control. I object to the union of those powers.

Mr. GLASS. May I ask the gentleman to suggest again what great powers the Federal reserve agent has?

Mr. MURDOCK. I will say to the gentleman from Virginia that my understanding is he has the power to pass upon all the commercial paper which is passed up to him, for which Government money is to be exchanged.

Mr. GLASS. The board of directors of the Federal reserve bank passes upon the paper originally. The agent of the Federal reserve board, of course, must determine whether the paper to be segregated for Federal reserve notes is the right sort of paper.

Mr. MURDOCK. That is my understanding, and that is why I say he has tremendous power as an individual.

Mr. GLASS. It is not a power at all. It is a function that is performed.

Mr. MURDOCK. His veto power would be practically final. Mr. GLASS. He has no veto power. He is simply to report the result of his investigation and give his opinion, that is all. It is not a question of power, it is a question of judgment and service.

Mr. TEMPLE. I was about to call attention to the fact that the Federal reserve board determines where the deposits of the United States Treasury shall be placed, how they shall be ap-

portioned among the 12 banks. It practically controls the apportionment of all the money in the general fund of the Treasury among the Federal reserve banks. That fund is to-day \$291,000,000. The Federal reserve board may remove any part of it from one of the 12 branches to another, according to its own pleasure, being guided by the somewhat vague and general statement that in apportioning it attention must be paid to the commercial interests of the country.

Mr. PEPPER. Will the gentleman yield?

Mr. TEMPLE. I will.

Mr. PEPPER. I would like to inquire where that similar power is lodged now?

Mr. TEMPLE. I believe with the Secretary of the Treasury, who has recently demonstrated it by depositing a certain \$50,000,000 in different banks of the country.

Mr. PEPPER. The power is lodged in one man?

Mr. TEMPLE. I think so. Most of these powers are exercised somewhere, but you propose to combine them all in one place. That is the objection. It is the accumulation of power that makes this Federal reserve board dangerous. We believe in the distribution of the power in order that if anyone in whom power is vested should abuse it he will not be able to abuse all the other powers at the same time.

Of course, the Federal reserve board has power finally to decide the question as to the issue of bank notes.

Mr. PEPPER. Will the gentleman yield again?

Mr. TEMPLE. With pleasure.

Mr. PEPPER. I have been very much interested in the gentleman's criticism of the bill, and the concentration of the great many powers in the hands—

Mr. TEMPLE. There are more to come.

Mr. PEPPER. I would be glad to know if the gentleman has any suggestion as to how these powers might be distributed or divided up, or decentralized, as he suggests.

Mr. TEMPLE. I confess my inability in 5 or 10 minutes to outline a substitute for a bill which has taken the Democratic Party so long to make, for the party has been at work upon it ever since it had an idea of getting into power.

Mr. PEPPER. I would like to ask the gentleman if he knows of any other officer or any other body of the Government where some of these powers might be lodged?

Mr. TEMPLE. Not without rewriting a considerable portion of the bill.

Mr. PEPPER. Has your party formulated any bill where the views that the gentleman expresses have been carried out?

Mr. TEMPLE. The ideas that I have expressed are mostly criticism of the present bill.

Mr. MURDOCK. Will the gentleman yield?

Mr. TEMPLE. Yes.

Mr. MURDOCK. I want to say we will do it, if we do it, in open caucus.

Mr. BARTLETT. The gentleman's party will never do it at all.

Mr. MURDOCK. When our party does do it, we will not do it behind closed doors.

Mr. KELLEY of Michigan. Will the gentleman yield?

Mr. TEMPLE. Yes.

Mr. KELLEY of Michigan. From what I have read in the newspapers, I take it that a great many who favor the Aldrich bill seem to be opposed to this bill. From what the gentleman says as to the apportioning of this board, it seems to me that this is practically the Aldrich bill. I would like to know what the opinion of the gentleman is on that point.

Mr. TEMPLE. I think it is undoubtedly true, that a great many features of this bill—

Mr. KELLEY of Michigan. The gentleman said that it is practically a central bank with 12 branches.

Mr. TEMPLE. Yes; but it is altogether a different type of central bank from that in the Aldrich bill. At least I do not find any very close similarity between the central bank in the Aldrich bill and the central bank of this bill.

Mr. GLASS. If the gentleman from Pennsylvania will pardon me, I want to say that the gentleman is so fair in his response to my friend from Michigan that I would be willing to trust him behind closed doors. [Laughter.]

Mr. TEMPLE. I am highly complimented by the gentleman from Virginia.

Now, I would like to repeat that these powers which the Federal reserve board has over the Government deposits are so extensive and so minute, and unite the 12 banks so completely in one organization that it is hardly possible to describe the real nature of the Federal reserve board otherwise than by saying it is actually a board of directors of one central bank operating through 12 branches. It is a new type of central bank, but possesses most of the characteristics, many of the advantages and some of the disadvantages of other central banks, together with some disadvantages which are peculiarly its own.

One of these is found in the fact that while it is intended to be under Government control it is really under party control. The Secretary of the Treasury and at least two of the four appointive members of this board will be of one party. We may suppose that if this bill goes into effect within the next few months there will be four Democrats on the board. There is to be a Comptroller of the Currency appointed before very long, who will probably be another Democrat—

Mr. BARTLETT. He ought to be.

Mr. TEMPLE. The gentleman's hopes will probably be realized. The Secretary of Agriculture and the Secretary of the Treasury will make five Democratic members on this board when the banks start off—

The CHAIRMAN. The time of the gentleman has expired.

Mr. GLASS. I yield 10 minutes to my colleague [Mr. BRUMBAUGH].

Mr. BRUMBAUGH. Mr. Chairman and gentlemen of the House of Representatives, ever since, even before, the establishment of our National Government down to the present time the kind and character, the legal requirements, and the amount of our circulating medium, or, in other words, the currency question, has been recognized by thoughtful men as one of the most intricate problems, as well as one of the most essential problems, affecting the happiness and prosperity of the people with which the Congress of the United States has had to deal.

If, as so often stated, the circulation medium is the lifeblood of the Nation, then a brief review of the history of the growth and development of financial legislation in the United States, I take it, may well arrest our attention, invite our study, and justify a few moments of the valuable time of this great legislative body.

Mr. Chairman, as indicated, I desire briefly, on account of the time at my disposal, to review the history of past financial legislation by the Congress of the United States, concluding, if I may, by comparing the financial legislation of the past as to its importance and value in meeting the needs of the people with this great constructive financial bill which now absorbs the earnest attention of the Congress and the entire country.

It may be well to observe in passing that the currency question will never be an absolutely settled question. No currency bill ever written ever did or will contain the very last word on the subject. In a sense the currency question will always be an open question, because new occasions teach new duties, new developments will present new conditions; and that currency bill would seem to be best that best meets the people's needs of the present with reasonable safeguards for a reasonable future. That is as far as human wisdom in the past has ever been able to go or will be able to go at this present time. In fact, it is not demanded or expected of us, nor is it within the power of any body of men, however learned or wise, to perfect a currency bill for all time to come. It is for us rather, if we may, by honest, intelligent efforts to pass a bill which, in fairness and justice to all the people—rich and poor alike—will meet the needs and requirements of all the people of to-day, blending into a reasonable future of the development of our national life.

THE CONSTRUCTION OF A CURRENCY MEASURE HAS ALWAYS BEEN A DIFFICULT PROBLEM TO LEGISLATE UPON.

Every student of history knows that our financial problem is older even than the United States Government itself; and to discuss it from the beginning you must go back beyond the very formation of the Federal Government, in fact back beyond the Government even under the old Articles of Confederation, under which we first existed as a Nation before the inauguration of Washington as President.

Every student of history knows also that the financial problem has always been a very difficult problem to legislate upon.

DIFFICULTIES ENCOUNTERED IN ALL FINANCIAL LEGISLATION.

The difficulties encountered in framing a great constructive currency measure, like the present currency bill now before us, may be appreciated when we recall the great difficulties surrounding financial legislation in the past, even at the very beginning of our history and all through our history to the present time.

It was the currency question, or financial problem, that almost entirely prevented the union of the thirteen original Colonies—after a long war for independence—under the old Articles of Confederation.

It was the currency problem that caused the downfall of the Government under the old Articles of Confederation, and the same question almost prevented the States from uniting under the Constitution of the United States; and it was the opinion of so great a statesman as Senator Hayne, who matched eloquence with the great Webster in the world's most memorable debate, that it was the currency and tariff questions finally getting tangled up with the slavery question that made the

slavery question a dangerous national question, leading finally to the great conflict between the States.

It has been a hard problem to legislate upon in the past, and it is a hard problem we are grappling with to-day, because the effect of legislation on this problem reaches the very center of the self-interests of the individual man.

May I here digress to congratulate Congress and the country that we have been able to approach this great constructive financial problem this time with a calmer, cooler deliberation than has ever marked the consideration of any similar great constructive financial problem in the past.

BRIEF REVIEW OF PAST FINANCIAL LEGISLATION.

I invite your attention to a necessarily brief review of past financial legislation in the United States, because I believe a glance at the past may prove beneficial, for by the lights of the past we are sometimes the better enabled to read the needs of the present and future.

THE NATION'S FIRST FINANCIAL PROBLEM—THE CURRENCY QUESTION UNDER THE ARTICLES OF CONFEDERATION.

Our first experience as a nation with the currency problem is both interesting and instructive.

Our first financial problem grew out of our debt contracted by the cost of the Revolutionary War. It was the price of a nation's freedom. When the Revolutionary War ceased, upon the surrender of Cornwallis, there was no organized national government other than that exercised by the Second Continental Congress, by the consent of the Colonies represented therein.

This great war Congress gave us the Declaration of Independence and managed the Government during the Revolutionary War. When the war ceased the people recognized the necessity of some form of organized united government between the Colonies.

The people of the thirteen original Colonies, after four years of hesitation, discussion, and internal turmoil, together with great interstate jealousies, finally set up a form of national government under a constitution called the Articles of Confederation.

Under this form of government six different men held the highest office in the gift of the people, corresponding to the Presidency, before Washington was inaugurated President.

Under the Articles of Confederation each State was left free to regulate its own financial affairs.

The Government under the Articles of Confederation was a weak, loose union of thirteen sovereign States, largely made so by the currency of that day. This Government finally broke down in utter collapse caused by the currency question of that day. This occurred in the following manner: At the close of the Revolutionary War our national debt amounted to about \$35,000,000. This debt was of three kinds:

First. Foreign debt.

Second. The domestic debt—registered and unregistered.

Third. The State debt.

The foreign debt represented loans made to us by foreign nations.

The domestic debt represented the debt contracted by the war Congress in behalf of all the Colonies.

The State debt was the debt contracted by the individual States as such.

The fatal weakness in the Government under the Articles of Confederation was in its financial policy, or, to be more exact, in its entire absence of any financial policy. Congress or the Government could recommend anything it desired to the States, but had no power to enforce its recommendations. The Government could not induce or compel the States to collect and pay to the Government enough to keep the interest paid on the debt.

During the entire life of the Government under the Articles of Confederation the Government never was able to pay one dollar on the principal and was only able to pay \$5,000,000 on the interest.

From 1786 to 1789 the unpaid interest on the national debt had run up to over \$18,000,000.

In response to the appeal of the Government some of the States paid their quota, some paid part, and some never paid anything. Finally, in 1789 the collapse came. We had borrowed from every foreign nation that would loan us anything. We had never paid one dollar on the principal of the debt, and the debt stood against us over \$18,000,000 of unpaid interest.

The Federal Government was powerless to enforce any payment from the States except as they wished to respond. Our credit as a Nation was gone and our national debt had run from \$35,000,000 to over \$79,000,000. Washington spoke of the Government as a mere shadow without any substance of authority. The necessity of a different form of government was apparent to all, and the Nation proceeded to "mark time"

during this critical period as we passed from the Government under the Articles of Confederation to the Government under the Constitution of the United States under which we exist to-day.

FINANCIAL LEGISLATION UNDER THE CONSTITUTION.

It was in this national chaotic financial condition of the country that the delegates met in convention in Philadelphia May 25, 1787, to save the wrecked Union and to formulate a stronger union of the States and to frame our National Constitution.

FINANCIAL CONTROVERSIES IN CONSTITUTIONAL CONVENTION.

It was the financial problem of that day that had almost prevented a union of any kind under the Articles of Confederation. It was the financial problem that finally broke down in utter collapse the Government under the Articles of Confederation; and the same hard financial problem immediately thrust itself upon this convention and threatened for a long time to prevent a union under the Constitution of the United States. The turmoil of the discussion of this problem gave rise to the first well-defined political parties in this country, and this same financial problem is responsible for the location of this National Capitol Building on this hill in which we sit to-day.

It was perfectly plain to all that a nation could not be built or exist that had no financial credit with the nations of the world and that was unable or unwilling to meet and pay its debts contracted by the war that gave that nation its independence. The first concern, therefore, of the convention called to frame the new Constitution for the United States was what to do with and how to provide for the payment of our national debt.

The national debt as presented to the convention amounted to \$79,124,463, and was as follows:

First. Foreign debt, \$11,710,378, made up as follows:

Loan borrowed from the Court of France;

Loan borrowed from private lenders in Holland;

Loan borrowed from private lenders in Spain;

Unpaid interest on foreign debt, \$1,500,000.

Second. Domestic debt, registered and unregistered, \$42,414,085, made up as follows:

Debt contracted by Congress in behalf of all the Colonies during the Revolutionary War;

Two million dollars allowed and unpaid private claims;

Total unpaid interest on foreign and domestic debt, \$18,000,000.

Third. State debt contracted by individual States or Colonies as such during the Revolutionary War, \$25,000,000.

As remarked before, the Government had never been able to pay one dollar of the debt and the unpaid interest on the debt had run up to over \$18,000,000.

In regard to the foreign debt there was no division of opinion. All agreed that it must be paid in the exact terms of the contract. The discussion and consideration of the domestic and State debts divided the convention for a long while into two hostile parties. A large part of the certificates of the domestic debt had passed from the original holders into the hands of speculators, who had purchased the same at a low rate for future speculation.

DIVISION IN CONSTITUTIONAL CONVENTION ABOUT PAYMENT OF DEBT.

One party of the convention held that as the certificates of the domestic debt had been purchased at a nominal sum for the purpose of speculation, now that it was proposed that the Government assume them, it should not be paid at par, but that the holders should be paid the highest market price and interest, and in the event that the certificates were paid in full the increase of the same should be paid to the original holders thereof. This was the proposition proposed by James Madison to the convention.

The other party, led by Alexander Hamilton, contended for payment of principal and interest in full to the present holders of the certificates, and their argument was as follows:

That public credit and faith was essential to the new Government, and that there was no other way of building up public credit and faith in the new Government than by the faithful payment of public debts.

The Government had promised to pay the holders or assignees, and that the assignee stood in the place of the original holder.

While the assignee, or speculator, had purchased at a low rate, he also had taken the risk of giving good money for uncertain promises, which might or might not be kept, and that he had thereby given his support and shown his faith in the new Government and saved it from collapse at the very beginning.

The other party answered this argument as follows:

These speculators had not as a rule risked their lives as soldiers to win our independence.

That the establishment of a free government for them that made payment at all possible was a sufficient reason for a smaller payment that should represent the original loan plus part of the increase.

That even an exact justice demanded that, should the Government pay principle and interest in full, the original holder should receive part of the increase as well as the speculator.

DIVISION OVER THE STATE DEBT.

In considering the State debt this question arose: Should each State pay its own State debt or should the entire debt of all the States be assumed by the Federal Government? This was a very serious and hard problem, and threatened for a long while the existence of the convention. Finally it was agreed that, as the State debt of the various States had been contracted for the general good, it would be best to have the General Government assume the entire State debt under a system of taxation that should apply equally to all the States.

THE GENERAL QUESTION OF ASSUMPTION.

The great debates in the Constitutional Convention show that the question of the assumption of the national debt was one of the most serious and difficult problems with which that convention had to deal. Alexander Hamilton, a member and one of the great leaders of the convention, recommended that the General Government assume the domestic and State debts as well as the foreign debt. It was feared by others that to try to raise such a large sum by taxation would cause great discontent and threaten the very existence of the Government at the very beginning. After a month of very violent and bitter debate the convention acted as follows:

Fitzsimmons offered a series of resolutions by which the public debt was taken up in the committee of the whole. The first resolution, relating to the foreign debt, passed unanimously without division. His second resolution, purposing to provide for principal and interest of the domestic debt, was met by a resolution from Scott to postpone consideration thereof. This situation was met by a resolution by James Madison, who moved an amendment providing that present holders be paid the highest market price before the publication of Hamilton's report in regard to assumption and that the increase above market price be paid the original holders. Madison's resolution led to bitter debate, and was defeated by a vote of 36 to 13.

The general proposition on assumption was now put, the delegates from North Carolina not having yet arrived. It was pressed to a vote and carried by a vote of 31 to 26. In a few days the North Carolina members arrived and a motion to reconsider the vote on assumption was put and carried.

At this stage of the convention all appeared to be in chaos. Frequent threats to secede or withdraw were made by delegates from the eastern States if the General Government did not assume the State debt.

THE FAMOUS JEFFERSON-HAMILTON DINNER PARTY—THE CAPITAL LOCATED ON THE POTOMAC.

It was at this critical juncture of affairs that the famous Jefferson-Hamilton dinner party occurred. Jefferson had just returned from France. Hamilton appealed to him to exert his great influence with the delegates to save the threatened disunion of the States. A dinner party was arranged and an understanding was had whereby the location of the intended capital on the banks of the Delaware was changed to the banks of the Potomac and the required votes were obtained to carry the proposition for the assumption by the General Government of the public debt.

On the question of assumption the States had voted, previous to the dinner-party agreement, as follows:

For assumption—Massachusetts, South Carolina, New York, and New Jersey. Against assumption—Virginia, Maryland, Pennsylvania, Georgia, and New Hampshire.

VIRGINIA'S PATRIOTIC SACRIFICE.

Virginia, of all the States, had most bitterly opposed the assumption of the State debt because Virginia could easily pay her State debt by sales from the immense territory which then belonged to her, covering the present States of West Virginia, Kentucky, and a large part of Ohio and the old North West Territory. But she patriotically yielded for the sake of the Union, not only agreeing to the proposition of national assumption, but also agreeing, for the sake of the Union, to give over to the National Government a very large part of her splendid territory.

CHARGES OF INCORRECT CONDUCT.

It may be interesting to note that charges and countercharges of improper conduct and votes influenced by self-interests were generated by the violent discussion over assumption, and public

men did not escape severe condemnation in regard to their actions on this great question.

It was charged that some Members voted for their own self-interests on the question of national assumption; that some Members and their friends had been out buying up the certificates of indebtedness of the ignorant in the rural districts. Even Jefferson in his writings boldly states that this was so; that swift horsemen and boats were flying in all directions the moment the measure passed, carrying agents to buy up certificates at low prices which the Government had agreed to redeem at par. The student interested in reading an account of these stern times will find them vividly set forth in Hildreth's History, volume 4, or in Jefferson's or Hamilton's writings.

FINANCIAL PROBLEM UNDER WASHINGTON'S ADMINISTRATION.

Such was the financial problem of our Government at the beginning of Washington's administration.

Washington, before he assumed the office of President, was greatly worried over this same hard financial problem. Up until this time the two great financial leaders in our history had been the two great patriots who had, more than any others, financed the Revolutionary War and the struggling Government under the Articles of Confederation, Robert Morris and Gouverneur Morris. In fact, Jefferson spoke of them as the inventors and fathers of our financial system. The wretched financial policy of the Government had swept away the fortune of each. In fact, during the war the credit of Robert Morris was better than that of Congress. He gave his own notes, which were all paid by him in full, to the amount of \$1,400,000 to meet the colonial expenses in support of the war. He was Secretary of the Treasury for the Government the last three years under the Articles of Confederation.

In 1781 he established the Bank of North America. It is the greatest blot upon our early history that he passed the last years of his life a prisoner for debt, thus seeming to justify the charge so often made that Republics alone are ungrateful. Washington, in his anxiety, appealed to Robert Morris, and asked him how to meet this emergency.

Morris replied by advising Washington to consult Alexander Hamilton; that Hamilton could find a way out of the difficulty if anyone could. Washington therefore in selecting his Cabinet, which then consisted of but four members, made Jefferson his Secretary of State and Hamilton his Secretary of the Treasury, the other two members being Randolph, Attorney General, and Knox, Secretary of War.

Into Hamilton's hands was therefore referred the great problem of devising a new financial policy for the United States.

HAMILTON'S FIRST REPORT ON THE PUBLIC CREDIT.

After months of careful consideration, on January 14, 1790, Hamilton brought in his famous report on the public credit. This report is considered one of the most remarkable and able state papers ever written. It outlined and established the financial policy of the Government. Hamilton argued in support of his policy with brilliant, irresistible logic. He reasoned as follows: That the time must come in the life of a nation when the Government must borrow money and make loans. To do this on favorable terms the Government must establish its credit before the world. That on our sound public credit rests the future greatness of the Republic and the individual welfare of the citizens of the United States. He argued eloquently that the public debt was the price of our liberty; that the faith of the Nation was pledged for its payment. He opposed discrimination between the present and original holders of the certificates of indebtedness as unwise and dangerous, being in violation of the terms of a fair contract and contrary to the provisions of the new Constitution of the United States.

He argued strongly for the assumption of all State debts as a means of interesting the citizens in the welfare of the Government and also to prevent strife among the States.

To collect the money by taxation to meet his financial policy he presented a tariff schedule on spirits, tea, coffee, and the luxuries of life. He sums up his magnificent argument for national assumption of all debts—national, domestic, and State—with a brilliant, climactic appeal under the heading of utility and honor.

The only change made by Congress in Hamilton's plan was scaling down on the interest. Hamilton desired that principal and interest of the national debt be funded in the same manner. Congress funded the principal into 6 per cent stock and the interest into 3 per cent stock.

SINKING-FUND MEASURES.

It is claimed that Hamilton borrowed his idea of the sinking-fund measure from the British financial policy inaugurated by William Pitt. The sinking-fund measures adopted by the Gov-

ernment in the development of Hamilton's financial policy were as follows:

First. The act of August 4, 1790, dealing with the selling of public lands.

Second. The act of August 12, 1790, dealing with the duties and customs of the Government.

Third. The act of May, 1792, extending the scope of the law.

Fourth. The act of March 3, 1795, which completed the sinking-fund system.

HAMILTON'S REPORT ON THE NATIONAL BANK.

Having devised a financial policy for the Government, the next step in the evolution of the system was to devise a medium or vehicle to be used in operating that financial policy; and here again Hamilton borrowed his idea from the British Government by suggesting a national bank patterned after the Bank of England. Hamilton, in his report of December 14, 1790, recommended to Congress the establishment of one central national bank. His recommendations threw the entire financial problem again into the arena of violent discussion.

There were already in existence, before the establishment of the National Government under the Constitution, three great banks:

The Bank of North America, founded by Robert Morris in 1781.

The Bank of New York City, N. Y., founded in 1783.

Bank of Massachusetts, Boston, founded in 1783.

The opponents to Hamilton's proposition for the establishment of one central national bank argued that Hamilton, having recommended the establishment in the beginning of a monarchical form of government with a ruler for life, was attempting to set up a strong centralized government with centralization of power; that his scheme had for its object the placing of an interminable and indefinite debt upon the United States as a part of his plan for a strong central government; that the old war bank, the Bank of North America, founded by Robert Morris, having seen us through the crisis of the Revolutionary War and through the life of the Government under the Articles of Confederation, was able to answer all the purposes which could be safely delegated to the proposed national bank of the United States.

Here again Hamilton's brilliant argument carried the day and led to the establishment of the national bank, Congress accepting Hamilton's suggestions almost in toto.

THE NATIONAL BANK.

The following are some of the leading provisions as recommended by Hamilton and adopted by Congress in the establishment of the national bank:

Capital, \$10,000,000; 25,000 shares, \$400 per share.

Shares, one-fourth in coin, three-fourths in certificates of public debt; bear 6 per cent.

Sums subscribed payable in four equal shares, six months apart.

President shall subscribe for the Government \$2,000,000.

Shall hold only such lands as it needs for building or as it gets on mortgages, and so forth.

Company may sell its stock or lands, but shall trade only in gold and silver, and rate shall be 6 per cent.

No loan to State or Government above \$50,000, or to any foreign prince or government without consent of Congress.

Stock transferable; votes by stock, and so forth.

No director to receive pay except what agreed upon by general meeting; president to receive pay as stated.

Bank must furnish on demand reports to Secretary of the Treasury.

No similar institution to be established by the United States.

Branch offices for discount and deposit only may be established in different parts of the United States.

The consideration of the national bank divided Congress into two camps, known as the strict and loose constructionists.

When the bill was presented to Washington for his signature he had grave doubts as to its constitutionality and asked for written opinions from his four Cabinet members on this point.

Hamilton and Knox replied in favor of the bill; Jefferson and Randolph replied against the bill. After hesitating for more than a month, Washington finally signed the bill.

RESIGNATION OF HAMILTON AS SECRETARY OF THE TREASURY.

In 1795 Hamilton resigned as Secretary of the Treasury. He had served six years and had completed the financial policy of the Government. He had established a world-wide reputation as a brilliant financier.

NEW PERIOD OF FINANCIAL LEGISLATION—GALLATIN'S FINANCIAL REIGN.

The first great political revolution in the United States took place in the election of Jefferson to the Presidency in 1801. One of the principal causes that led to the revolution was the oppo-

sition upon the part of the mass of the people to the financial policy previously inaugurated by Hamilton.

Hamilton's financial schemes, while brilliant, were considered complicated and hard for the mass of the people to easily comprehend or understand. The mass of the people got the impression that his financial policy was dangerous to a free government and intended to bring about a monarchical form of government.

The new administration under Jefferson came in with an announced program of reform. The reform policy of the new administration was as follows:

First. Repeal of unpopular laws and monarchical tendencies.

Second. Payment of public debt entire.

Third. Repeal of internal-revenue laws.

ALBERT GALLATIN, THE NEW SECRETARY OF THE TREASURY.

Jefferson selected for his Secretary of the Treasury Albert Gallatin, a Swiss by birth, a great scholar and brilliant financier. Gallatin had opposed Hamilton's financial policy and, as a Member of Congress, had secured the passage of the bill taking the management of the sinking fund out of Hamilton's hands and placing it in a committee of Congress. Gallatin's life ambition as Secretary of the Treasury was the payment of the public debt in full, and every financial effort of his life was bent in that direction.

For the next eight years three men were practically the Government—Jefferson, Madison, and Gallatin—and the foundation upon which the success of the three depended was the financial ability of Albert Gallatin. Whether Jefferson's administration succeeded or failed depended upon Gallatin's management of the Treasury.

Gallatin set forth his financial creed or policy as follows:

America, by her location, can follow a political development of her own.

She can safely disregard remote dangers.

Her defense can be reduced to a point little above police necessities.

She can rely upon national self-interest for development of foreign commerce.

She can depend upon the industry of her citizens for internal developments.

Her capital is safest in the hands of her own citizens.

The objective point to be reached is the discharge of the public debt, the reduction of taxes, and the abolition of internal revenue.

Jefferson's great idea of reform was reduction of taxes and the payment of the public debt. How to accomplish this and still raise the revenue to run the Government was the delicate problem for Gallatin to solve.

In an exchange of letters between Jefferson and Gallatin I quote a sentence from each.

Jefferson to Gallatin:

The discharge of the public debt is vital to the destiny of our Government.

Gallatin to Jefferson:

If this administration shall not reduce taxes, they shall never be reduced. I most fully agree with you that pretended tax preparations and Army preparations against contingent war only tends to encourage war.

The new party thus planted itself against every feature of Hamilton's financial policy. By most brilliant financial management of the Treasury Department, at times against opposition from members of his own party in Congress, Gallatin evolved his system to completely wipe out the public debt and provide for the entire payment of the same by the close of the year 1817, and to do this, even in addition to the added expense caused by the Louisiana Purchase. The War of 1812, much to his regret, delayed the payment of the public debt to a later date.

THE FIRST EFFORT TO RECHARTER THE NATIONAL BANK.

When Jefferson became President he ordered Gallatin to make a thorough investigation of the national bank. The honorable, honest man reported that Hamilton had made no blunders in the management of the national bank and that the management had been entirely businesslike and honest.

When Madison succeeded Jefferson as President he retained Gallatin as his Secretary of the Treasury.

Gallatin and Madison, like Jefferson, originally had been opposed to the national bank, but later both Madison and Gallatin favored the rechartering of the bank when its charter expired in 1811.

In 1810 the proposition to recharter the bank came before Congress, and the vote in the House stood 65 to 64 in its favor. In the Senate the vote stood 17 to 17.

George Clinton, the Vice President, supposed to be unfriendly to Madison, gave the deciding vote against it, and the old

national bank went out of existence. The directors returned the original stock to the subscribers and sold the property of the bank to Stephen Girard, of Philadelphia.

Gallatin's report of November 1801, which formed a part of Jefferson's message to Congress, is interesting as showing the expenses of the Government of that day as compared with the expense account of the Government of to-day.

Yearly estimated revenues of the Government.

Imports	\$9,500,000
Lands and postage	300,000
Total	9,800,000

Yearly expenditures of the Government.

Interest and payment of the public debt	\$7,200,000
Civil expenditures of the Government	1,000,000
Military	930,000
Navy	670,000
Total	9,800,000

Gallatin's financial ability had been the hope of his party during the period of the War of 1812, and Madison, like Jefferson, had found him indispensable to the success of his administration.

HAMILTON AND GALLATIN.

Great emergencies produce great characters, and it may be worthy of notice to record that this great formative period of our history developed, during this great crisis of our national existence, our two greatest financiers, who rank with the greatest the world has ever known—Alexander Hamilton and Albert Gallatin.

Both Hamilton and Gallatin gave to the land of their adoption talents of the highest order. So eminent an authority as Prof. Taussig, of Harvard, pronounces Gallatin's memorial report to Congress the ablest state paper ever presented to Congress. He ranks equal to Hamilton as a financier, and in addition was a diplomat of the highest order. His life is pronounced one of the marvels of America.

IRONY OF POLITICS.

The irony of politics records this strange fact: Gallatin's son became, during the Civil War, a Republican and gave Secretary Chase valuable advice, while the two sons of Alexander Hamilton became Jackson Democrats, the older son being appointed by Jackson, on the day of his first inauguration as President, to succeed Henry Clay as Secretary of State, to serve as Acting Secretary of State until Van Buren could return from Europe and arrange to take the position.

FINANCIAL FOUNDATION PERIOD.

I have dwelt somewhat upon this part of our history purposely because it is the foundation of all that follows, and because the thought and purpose of these two great financial giants—Alexander Hamilton and Albert Gallatin—made up and gave shape to our entire financial policy for the first 50 years of our history as a Nation.

The position and theory of these two great financiers, I think, can be fairly summed up as follows:

Hamilton's financial policy contemplated that there should always be in existence a national public debt.

Gallatin's financial policy contemplated that there should never be a national public debt.

Hamilton believed that a national debt was a national blessing because, as he said, it thereby bound a large part of the people to the successful operation of the Government and tended to build up a strong centralized form of government.

Gallatin believed that a national debt was a national curse, and that a strong centralized form of government thus constructed would be a menace to the liberties of the people.

As to which was right or which was the greater is purely a matter of opinion and political bias or belief. Both represented the world's highest thinking on this abstruse and difficult subject. Hamilton and Gallatin will possibly stand in our history as the best all-sided developed and greatest brain product New York and Pennsylvania have ever given to our common country.

A BRIEF CATALOGUE LIST WITH PASSING COMMENT ON OUR MOST IMPORTANT FINANCIAL LEGISLATION.

Mr. Chairman, much as I should like to do so, time will not permit me to discuss step by step or even mention all our important financial legislation. I shall be compelled to content myself with a mere catalogue list, as it were, of a few of the most important financial measures showing the action of Congress in the growth and development of our financial policy and system.

GROUPS OF HISTORICAL PERIODS OF FINANCIAL LEGISLATION.

From this time on in our history it will be noticeable that our financial legislation naturally groups itself under certain periods of time rather than around some preeminent, predominating

leader of finance as formerly. The divisions most generally used by text writers are as follows:

First. From Gallatin to Jackson.

Second. Jackson and the bank struggle.

Third. Treasury-note period and final efforts to recharter the national bank.

Fourth. The Civil War period.

Fifth. Specie resumption to the present time.

FROM GALLATIN TO JACKSON.

Gallatin was succeeded by Campbell, of Tennessee, one of the coterie of Congressmen who had opposed Gallatin's financial plans and who apparently first realized how big Gallatin was mentally when he assayed to fill Gallatin's place. Campbell sent in one report and resigned.

President Madison now determined to appoint Gallatin's friend and understudy, who had been under Gallatin and to whose appointment Congress was hostile at the time he appointed Campbell. Congress now yielded and Madison appointed Dallas as the new Secretary of the Treasury.

Dallas presented an elaborate scheme to Congress. Eppes, of Virginia, Jefferson's son-in-law, chairman of the Ways and Means Committee of the House, also presented a financial measure to the House. Congress debated and defeated both measures. Dallas now demanded rechartering of the old national bank. On January 7, 1814, the House passed the bill to recharter by a vote of 120 to 38. On January 20, the Senate, by a vote of 20 to 14, agreed to the House bill to recharter the bank, Clay and Calhoun voting against it. I call your attention to the speed with which the Senate acted on great financial measures in those days. Comment is waived. On January 30, 1814, Madison vetoed the bill to recharter the national bank.

In 1816 Dallas again demanded that the old national bank be rechartered. This time the bill passed both Houses of Congress, and on April 10, 1816, President Madison signed the bill, and the national bank was with us again until its death by Jackson's veto, July 10, 1832.

GALLATIN'S DREAM COMES TRUE—THE NATION OUT OF DEBT FOR THE FIRST TIME IN ITS HISTORY.

It is only just to observe that the financial policy of this entire period up until the date of Jackson's struggle with the national bank was really the financial ideas of Gallatin being carried out through his friend and pupil, Dallas, and his successors. And in honor to Gallatin's memory and his splendid financial ability it should be recorded that it was this carrying out of his financial policy that finally brought to the country what had been his life's ambition—and the dearest dream of his life—the payment of the last cent of the public debt of the Nation; so that we had for the first time in our history a great, strong, growing Nation not owing a single cent of national indebtedness of any description. And before Gallatin's financial policy was changed, in addition to being entirely out of debt, we had on January 1, 1835, no debt and a national surplus of \$5,536,232 and on January 1, 1837, no debt and a surplus of \$37,468,859, and the surplus was growing so large and so rapidly that what to do with it became a serious financial problem in that day, Congress finally directing that it be divided among the various States.

TABLE SHOWING THE NATIONAL DEBT.

The following table, showing the public debt of the Nation at various periods, may be interesting:

1790, public debt of Revolutionary War	\$79,124,463
1811, public debt	45,000,000
1815, close of War of 1812, public debt	120,000,000
1835, Jan. 1, no public debt (surplus)	5,536,232
1837, Jan. 1, no public debt (surplus)	37,468,859
1840, public debt	2,000,000
1844, public debt	24,748,188
1848, close of Mexican War, public debt	51,000,000
1860, June 20, public debt	64,769,703
1861, July 1, public debt	90,000,000
1861, Dec. 31, public debt	524,000,000
1863, July 1, public debt	1,119,772,138
1865, Aug. 31, public debt	2,845,907,626
1913, Sept. 1	1,343,783,974

JACKSON AND THE BANK STRUGGLE.

This period of financial legislation to 1842 is known as the period of Jackson and the bank struggle. Interesting and entrancing as this period is historically, it is not intended to treat it here, because the trend of the whole matter is given consideration by the science of politics rather than by the science of finance.

RESPONSIBILITY FOR BANK STRUGGLE.

This much, however, may be proper and pertinent to recite: That three men were originally responsible for this bank struggle, which made and unmade men and parties in the United States and which controlled the financial policy of the country for a generation, and that Andrew Jackson was not one of the three. It may be added that when this terrific political strug-

gle was over, in which all the great men of the country, with scarcely a single exception, except Senator Benton, were arrayed in the most hostile political fight known to our history against Andrew Jackson, that when the fight was over the bank was dead and Jackson was victorious.

THE THREE MEN RESPONSIBLE FOR THE BANK FIGHT.

This fight started over what is known in history as the Portsmouth (N. H.) Branch Bank affair, and the three men who fired the prairie, so to speak, were:

First, Isaac Hill, ex-president of the Branch Bank at Concord, N. H.

Second, Jeremiah Mason, president of the Branch Bank at Portsmouth, N. H.

Third, Nicholas Biddle, president of the National Bank.

Hill wanted the pension-agency account transferred from the Portsmouth Branch Bank to the Concord Branch Bank. Mason resisted and interested Webster and his friends in his behalf. Hill, at this time connected with the Treasury Department, interested Ingram, Secretary of the Treasury, and Secretary of War Eaton in his behalf.

Secretary of the Treasury Ingram ordered the account moved from Portsmouth to Concord. Biddle and Mason defied the Government, and for the time won out and carried their point.

UP TO THIS TIME JACKSON NOT IN THE BANK FIGHT.

Parton, in his *Life of Jackson*, and Von Holst, the historian, both agree that up until this time Jackson had not been a partisan on either side. The fatal step, however, was taken when Biddle kicked the fat into the fire by delivering himself in a letter as follows:

The board of directors of the Bank of the United States and the board of directors of the branch banks of the United States acknowledge not the slightest responsibility, of any description whatsoever, to the Secretary of the Treasury touching the conduct of their officers in any political dealings with the bank.

Previous to this it should be noted that Mason had admitted that he had made loans to political friends and denied them to political enemies, and Clay, in his campaign for President against Jackson, had carried on extensive political operations through the Branch Bank at Lexington, Ky. Biddle, by his unwise statement and his undiplomatic personal conversation with Jackson, in which he informed Jackson that the bank could make or unmake Presidents, carried the fight to Jackson's door and plunged the country headlong into a semipolitical financial struggle that disrupted the peace of the entire country and raged with increased fury until Jackson killed the bank by his veto, July 10, 1832.

Jackson believed and said that the bank had become a huge engine of political power and determined upon its destruction.

The Whig Party took the question into their national convention and made it a straight-out party question. Against Jackson were arrayed Clay, Calhoun, Webster, Dallas, Ewing, Hayne, John Quincy Adams, and almost all the great national characters of that period, except Thomas Hart Benton, the Senator from Missouri, Jackson's chief defender.

As above noted the bank perished by Jackson's veto of the bill to recharter it July 10, 1832. The attention of those who have thought of Andrew Jackson as the chief apostle of the spoils system in our history is called to this fact: Two of these three men at the beginning of the bank fight were Democrats—Biddle and Hill. Jackson could easily have had the help of this, the greatest engine of the spoils system that ever existed, and made it a part of his party organization. Jackson not only did not do this, but demanded that this central bank and all the branch banks and all their employees stay entirely out of political contests in the country.

No public man in all history thus had presented to him a more severe temptation to use the financial system of the country for his own personal political advantage, and no man in all history ever met and overcame the temptation more grandly and more patriotically than did Andrew Jackson. [Applause.]

REMOVAL OF BANK DEPOSITS.

Shortly before the date when the charter of the national bank would expire Jackson ordered that the deposits of public money should be removed from the national bank to certain State banks.

Secretary of the Treasury Taney, of Maryland, afterwards Chief Justice of the United States, proceeded to carry out the President's order. The order for the removal of deposits led to most violent discussion in the Senate, and out of this grew the famous resolution of censure passed on the President by the Senate. The resolution of censure became at once a burning political issue all over the United States. Under the leadership of Benton it was expunged from the Senate records March 16, 1837.

THE DISTRIBUTION OF THE SURPLUS AMONG THE STATES.

On June 23, 1836, Congress passed the famous act to regulate the deposits in the State banks and to provide for the distribution of the surplus; \$37,468,859 was thus divided by act of Congress among the States.

It is generally believed that it was this action, dividing the surplus among the States, that led to the panic of 1837.

It is but fair to Jackson to state that personally he was opposed to this measure.

It was a Whig Party measure. It passed the House by a great majority, and it was thought to put Jackson in a hole, for if he did not sign it, it was believed it would defeat his friend, Van Buren, for the Presidency. To help his friend, "Little Matty," as Jackson affectionately called Van Buren, the President signed the bill.

THE SPECIE CIRCULATION.

Knowing that Congress would oppose his action, Jackson waited until the adjournment of Congress and then issued his famous specie circular order. This order was issued under authority granted to the Treasury Department by act of Congress 1816. This order was, in fact, written by Benton at the request of Jackson's secretary, Donaldson, who had been ordered by Jackson to prepare it.

The order provided that all payments for public lands after August 15, 1836, should be made in coin alone—gold or silver.

The public lands were selling at the rate of \$5,000,000 per month in depreciated paper currency and were being bought up for speculation purposes, in some cases by Members of Congress themselves.

At the next session of Congress the Senate voted to rescind this most beneficial order. This act of the Senate was killed by Jackson's famous pocket veto March 3, 1837.

PERIOD OF INDEPENDENT TREASURY SPECIE, TREASURY NOTES—PANIC OF 1837.

The distribution of the surplus among the States led to wild speculation. This, with the uncertainty caused by the constant political war on the financial policy of the Government, led to the panic of 1837. The result of this financial panic brought about the legislation authorizing the issuing of the Independent Treasury notes.

A brief summary of the legislation in regard to the issuing of Treasury notes, and the cause for issuing the same, is as follows:

1812. First issue of Treasury notes, caused by the War of 1812.

1837. Caused by the Mexican War.

1857. Financial stringency.

1860 and after. Caused by the Civil War.

FINAL EFFORT TO RECHARTER NATIONAL BANK AND THE DISRUPTION OF THE WHIG PARTY.

In the following presidential election Van Buren was defeated and the Whig Party, led by Harrison and Tyler, was victorious. The Whig Party had always stood for the rechartering of the national bank; that had been its one great cardinal principle. Nevertheless, for political expediency, the Whig Party nominated for President and Vice President candidates both of whom had voted and spoken against the national bank.

The death of Harrison and the refusal of Tyler, who succeeded him, to agree to the Whig program to recharter the national bank led to the final disruption of the Whig Party. It is but fair to record that Tyler previously, while a Whig Member of Congress, had always been consistently opposed to the national bank.

ENTIRE CABINET, EXCEPT WEBSTER, RESIGNS.

President Tyler's veto of the bill to recharter the national bank caused his Cabinet, all except Webster, to resign in a body September 11, 1841, and after the second veto of the bank bill Webster also resigned. Clay and Webster now became bitter political enemies, caused by the new financial complications.

The remnants of the Whig Party went with Clay.

President Tyler tried to go over into the Democratic Party and desired the nomination for President at the succeeding Democratic national convention. The convention refused to consider him.

Cushing, of Massachusetts, turned Democrat again and was later given an office. Webster plaintively asked, "Not where am I, but where am I to go?"

INDEPENDENT TREASURY BILL LEGISLATION.

August 6, 1846, Congress passed the Independent Treasury act. This was the great measure that Van Buren had proposed in his message to Congress in 1837, but which Congress, out of political bias, defeated. The Independent Treasury bill was bitterly opposed by the Whig Party. Congressional action on this important financial measure was as follows.

1. Proposed by Van Buren May 15, 1837. The Whig Congress defeated it.

2. The system continued without congressional sanction from 1837 to 1840.

3. July 4, 1840, Congress legalized it by act of Congress. The campaign of 1840 was then fought on this bill. Van Buren was defeated and the Whig Party won.

4. August 13, 1841, the bill was repealed by the Whigs, under the leadership of Clay.

5. August 6, 1846, it again became the law by act of Congress and has been in force ever since. It is the law of the land to-day, so satisfactory and so firmly entrenched that no party thinks of changing it in any scheme of financial legislation proposed for the future.

PROVISIONS OF THE INDEPENDENT TREASURY BILL.

The leading provisions of this great financial act—the Independent Treasury bill—are in brief as follows:

That the Government shall collect, keep, and pay out its own money through its own agents.

GOLD AND SILVER ALIKE RECOGNIZED AS COIN BY THE GOVERNMENT.

It is important to call special attention to the fact that in every financial act and provision from the beginning of the Government and also in the provisions of this great financial measure, in every case dealing with duties, taxes, revenue, and payment of obligations of all kinds, the bimetallic basis is always recognized and used by the law and the Government and that the standard is always spoken of as gold and silver coin.

The Independent Treasury act has always been regarded as among our most valuable and satisfactory financial legislation, and is considered by all to be the greatest monument that Van Buren has left to his credit as a constructive statesman.

HISTORY OF PAPER MONEY IN THE UNITED STATES.

As the necessities of the great Civil War will soon inject into our financial currency legislation paper money as a circulating medium and finally make paper money a legal tender, I may possibly be indulged for a paragraph or two—a brief statement—on the history of paper money in the United States before entering upon the consideration of the Civil War period of financial legislation.

COLONIAL TIMES.

In colonial times all the colonies had issued paper money. Massachusetts, in 1690, was the first, closely followed by New Hampshire, Rhode Island, Connecticut, New York, and New Jersey, all before the year 1711; South Carolina, 1712; Pennsylvania, 1723; Maryland, 1734; Delaware, 1739; Virginia, 1755; Georgia, 1760.

LAND AND LOAN BANK.

Massachusetts was the first colony to make an attempt to set up a bank. In 1715 John Colman, of Boston, proposed what is known as the land bank. He proposed to issue circulating notes secured by land. The general assembly defeated the plan. Later the general assembly established what was known as the loan bank, and in 1739 Edward Hutchinson started a specie bank.

The British Government was opposed to the issuing of paper money by the colonies, and by act of Parliament June 25, 1751, forbade its issue in the colonies, except for current expenses among the people of the colonies and for expense to provide against invasion.

DURING REVOLUTION AND UNDER THE CONFEDERATION.

By act of June, 1775, the Second Continental Congress authorized an issue of paper money for war expenses. For one year only paper money passed equal to gold, but it rapidly depreciated, until at the close of the year 1780 it stood 40 to 1 for gold.

In the Constitutional Convention of 1787 a motion was made to give the States power to provide for a limited paper issue, but the motion was lost and the express understanding was that paper money was never to be used as legal tender.

In 1780 the Continental Congress authorized an act to redeem paper money at 40 to 1, to be refunded by an issue of new notes payable in six years in coin bearing 6 per cent notes.

With this action paper money as a circulating medium passed out of existence in our history until the legal-tender act of February 25, 1862.

THE CIVIL-WAR PERIOD OF FINANCIAL LEGISLATION DOWN TO SPECIE RESUMPTION, JUNE 1, 1873.

A large part of the great public debt caused by the Civil War is still with us to be met by the taxpayers of the country. All know why the debt occurred, but why the debt was placed against the Government almost three times higher than it actually would have been on a coin basis of cost to the Government and the financial legislation that enabled it to be so computed and placed against the Government to be met by taxation of the citizens of the country is a most interesting study.

The tremendous daily cost of the Civil War presented to Congress and to the Secretary of the Treasury a new problem which could not be met by former methods.

GOLD AND SILVER ALWAYS COIN IN OUR HISTORY.

It should be remembered that from the beginning of our Government under the Constitution up to the Civil War nothing but coin—and coin had always been held by the Treasury and by the Government to mean gold and silver alike—was ever a legal tender for public debts.

SUSPENSION OF SPECIE PAYMENT.

The empty Treasury, the constant demand for war expenses, together with the Mason and Slidell affair and the possibility of England recognizing the Confederacy, caused the suspension of specie payment on December 31, 1861.

Congress met, therefore, to devise some other circulating medium of legal tender outside the gold and silver coin. The financial problem, therefore, became to the Government the great momentous overshadowing question of the Civil War.

LACK OF SKILLED FINANCIAL LEADERS.

Ex-Gov. Chase, of Ohio, was the new Secretary of the Treasury.

Spalding was chairman of the House Committee on Finance. Stevens was chairman of the Senate Committee on Finance.

It is meant as no reflection on these great men when it is stated that it is to be regretted that neither of them were possessed of great financial training or ability.

Chase at first had refused the offer to be appointed Secretary of the Treasury because, as stated by him, of his lack of financial experience and training.

Spalding had been connected with a small bank.

Stevens had had little or no financial experience or training.

This great tremendous financial problem was thus thrust upon and left largely to be worked out by these three untrained men, for in the entire Congress of that day there appeared to be few, if any, better qualified. It was remarked by the press of that day that there was sore need of a Hamilton or a Gallatin, as these times of all times demanded some great financial genius.

Chase began by consulting the bankers of the United States, and as a result two schemes were proposed:

First. To sell the bonds of the United States at the highest market price.

Second. To make paper money a legal tender for public debts.

It is worthy of notice here to remark that the first plan, which text writers now agree should have been the one adopted by the Government, was proposed to Secretary Chase by James Gallatin, a son of the great financier before mentioned.

The Government, under the lead of the Secretary of the Treasury, finally chose the latter plan, and started upon the policy of issuing paper money as a legal tender.

HOW AND WHY THE CIVIL-WAR DEBT BECAME SO LARGE.

During the first period of the Civil War the Government tried to prevent suspension of specie payment by two methods: First, by issuing Treasury notes of long funding period; second, the Government put out Government bonds, known as 5-20's and 7-30's.

We should note here that the interest on these bonds was promised to be paid in coin, and that coin at this time of the contract between the Government and the money lenders to the Government, as well as all through our history, had always been construed by the Government and the Treasury Department as meaning gold and silver. No other construction had ever been given by the Government or the Treasury Department to the word "coin."

PAPER MONEY MADE A LEGAL TENDER.

The above efforts on the part of the Government to prevent the suspension of specie payment were unavailing. The Government was unable to stem the tide, and finally, as before stated, determined upon the policy of issuing paper money as a legal tender.

RAPID DEPRECIATION AND THE SAD EFFECTS ON THE TAXPAYERS OF THE FUTURE.

Treasury notes soon went down to 37 cents on the dollar, and paper money went lower. The result of all this was that those who had coin to lend the Government got for every dollar of coin lent the Government almost \$3 in return of obligation and promise to pay against the Government. In other words, for every dollar lent the Government in coin they had in return therefor a demand for almost \$3 in legal-tender values, and later these money lenders got this legal tender 3-for-1 values of demand or promise to pay by the Government funded into coin-payment bonds. In the end the war debt which was thus made and which was placed against the faith and credit of the Government, to be paid by taxing the people of the future, was almost three times the real debt of the war as measured in coin values.

Later the money lenders demanded that Congress should redeem the debt in coin when coin was at a premium, principal and interest alike. Still later the money lenders demanded that Congress should construe coin to mean but one metal of the two metals it had always previously been construed to mean, and then proceeded to have Congress so legislate that that metal should bear a largely legislated premium value.

A brief list of the leading financial acts of the Civil War period is as follows:

Act of July 17, 1861: An act to authorize a loan of \$250,000,000 in coupon bonds, registered bonds, and Treasury notes.

Act of February 25, 1862: First legal-tender act. By this act, for the first time in the history of our Government, paper money was made a legal tender for debts.

Act of July 11, 1862: Second legal-tender act. This was similar to the first legal-tender act.

Act of July 17, 1862: An act providing for postage currency.

Act of March 3, 1863: Third legal-tender act. This act provides for borrowing \$300,000,000 for year 1863, \$600,000,000 for year 1864.

For this sum Congress was to issue coupon and registered bonds. These bonds to be ten-forties. Interest 6 per cent. Specified that these bonds and interest to be paid in coin and to be exempt from taxation.

The second part of the act provides, in addition, that the Secretary of the Treasury is authorized to issue \$400,000,000 Treasury notes.

One provision in this act stopped the exchange of notes for bonds after July 1, 1863. This was a very wise provision, as there was evidently a move on the part of the holders thereof to fund the whole of the legal-tender notes into bonds, which were then rapidly rising at a premium over par.

Act of April 12, 1866: An act for the singular purpose of preventing Secretary McCullough from paying off the public debt too rapidly. Under the construction put on the word "coin" and other favorable legislation, the money lenders did not want their money but wanted the obligation against the Government to continue as long as possible.

Act of February 4, 1868: An act to discontinue redeeming the United States Treasury notes.

NECESSITY FOR AND CONSTITUTIONALITY OF LEGAL-TENDER ACTS.

As legislation growing out of the legal-tender acts of Congress became a burning political issue during and for a long time after the Civil War, a word as to whether their issue was a necessity or not, and also the Supreme Court's conflicting decisions as to their constitutionality, may be appropriate to record in passing.

As to the advisability of this method of providing for the expenses of the war, it has already been noted that text writers generally pronounce it a mistake. As to whether it was necessary is a matter of individual opinion. It can hardly be said to have been a necessity in the sense that there was no other plan presented or open to the Government to meet the emergency.

CONFLICTING DECISIONS OF THE SUPREME COURT IN REGARD TO THE CONSTITUTIONALITY OF THE LEGAL-TENDER ACTS.

The fact that the legal-tender acts of Congress were from the first generally regarded as unconstitutional was either waived or admitted, but justified as a war necessity.

Secretary Chase later, when Chief Justice, held that the legal-tender acts were unconstitutional.

The constitutionality of the legal-tender acts three times came before the Supreme Court of the United States and was decided by that court once unconstitutional and twice constitutional.

The action of the Supreme Court in these conflicting decisions is most interesting to note.

The cases were as follows:

THE FIRST CASE.

STYLE OF CASE—HEPBURN AGAINST GRISWOLD. 1867.

Statement of case and decision of the court:

June 20, 1860, Hepburn gave Griswold promissory note for \$11,250, payable February 20, 1862.

March, 1864, Hepburn, having been sued on the note in Louisville, Ky., tendered payment in United States notes which were made a legal tender by the act of February 25, 1863.

Griswold refused this payment because, compared to the value in gold at the time, it would amount to only about \$7,000.

Griswold's plea was that at the time of the loan the legal-tender act of February 25, 1863, had not been passed, and that at the time of the contract of the loan, therefore, gold and silver were the only legal tenders in the United States.

The Chancery Court of Kentucky decided for the plaintiff.

Griswold then took his case up to the Court of Errors of Kentucky.

The Court of Errors of Kentucky reversed the Chancery Court of Kentucky and decided in favor of the defendant.

Hepburn then carried the case to the Supreme Court.

The Supreme Court, in 1869, decided by a vote of four to three, the Supreme Court being then composed of but seven members, that the legal-tender act of February 25, 1862, was unconstitutional. Ex-Secretary Chase was now Chief Justice of the Supreme Court of the United States, and in his decision reversed the opinion which he held when Secretary of the Treasury in 1862.

Chief Justice Chase delivered the majority opinion of the court and was sustained by Justices Nelson, Clifford, and Field. Dissenting opinion by Miller, Davis, and Swain.

SECOND CASE.

STYLE OF CASE—PARKER AGAINST DAVIS. 1872.

Justice Gray delivered the opinion of the court.

Parker being under contract to convey land to Davis for certain sums of money, the Supreme Court of Massachusetts ordered Davis to pay into court the sum of money called for in the contract and ordered Parker to issue deed for said lands to Davis.

The Supreme Court of Massachusetts decided in favor of the defendant, Davis.

Parker carried the case to the Supreme Court of the United States.

The Supreme Court of the United States, now composed of 9 members, by a vote of 5 to 4 overruled the former decision of the Supreme Court of the United States, in its first decision in the Hepburn v. Griswold case, and decided that the legal-tender act was constitutional as a war measure. It will be noticed that this decision left the subject uncertain as to the future.

Justice Strong delivered the majority opinion of the court.

THIRD CASE.

STYLE OF CASE—JULLIARD AGAINST GREENMAN. 1884.

Statement of case and decision of the court—

This case arose out of a certain transaction in the sale of cotton. Greenman offered Juilliard United States notes in payment of same. The case was carried to the Supreme Court of the United States from the United States Circuit Court of New York.

The Supreme Court of the United States, by a vote of 8 to 1, Justice Field dissenting, decided March 3, 1884, that the legal-tender acts were constitutional, both in time of peace and time of war.

Justice Gray delivered the opinion of the court.

THE EFFECT OF LEGAL TENDER ON GOLD.

Mr. Chairman, time does not permit me to review the many important financial legislative acts of this period. I shall be compelled to content myself with a general statement covering the general tendency of them all as a whole.

It should be observed in passing that the effect of this legal-tender legislation was to depreciate the currency, more than double the war debt, and cause gold to continually rise in premium above par.

In 1862 gold stood at 134. In 1864 gold reached its highest point and stood at 285 and then slowly and steadily declined, until on December 17, 1887, gold again touched par for the first time since before the Civil War. At 12 o'clock and 27 minutes, December 17, 1887, \$10,000 in gold was sold at par at the gold stock exchange in New York City.

The first legal-tender act promised payment of interest in coin, but made no promise as to the payment of the principal.

The third legal-tender act promised payment of both principal and interest in coin.

The aim and purpose from this on of much of the financial legislation was to have the Government obligations of all kinds funded into Government bonds, payable in gold or its equivalent.

The advantage of this subsequent financial legislation was, therefore, generally with the money lenders for the legal-tender acts thus funded more than doubled the amount received by the lenders for their original loan to the Government, made the public debt higher and harder to meet by taxation on the people; while it enabled the money lenders, in addition, to largely absorb and corner the coin money—gold—that these same legislative acts placed a premium value upon. Thus in reality paying the money lenders almost three to one in coin that had a legislated added purchasing power in the markets of the United States. The famous act of 1873, against silver coin, frequently referred to as "The crime of '73," and the act of February 20, 1887, retiring the silver trade dollar and other like financial legislation, were all measures tending in the same general direction.

Mr. Speaker, it is rather difficult for one whose sympathies are with the great mass of taxpaying people of the national debt rather than with the money lenders of that debt to give a history of the financial legislation of this period without saying some things which might seem partisan, and as that is not the intention of this review, I have passed by without comment the many funding legislative acts, and the acts dealing with the status of silver coin, and have limited my observations to pointing out the general tendency of the financial legislation of this period.

THE SILVER AGITATION.

I have also purposely omitted any discussion of the silver agitation of a later period because the same was political and not legislative. However, two singularly strange incidents may be recorded—one has happened, and the other may happen.

The first is this:

The advocates of silver lost while at the same time their basic principle won.

The basic principle in the argument for silver was the absolute necessity for a larger per capita circulating medium. While the fight for this principle was on no other method was known to human knowledge whereby this could be accomplished other than to restore silver to its ancient and honorable position which it had always held as coin demand payment.

The advocates of silver lost. Shortly afterwards there happened what no mortal man could have foreseen. A wheat famine, covering more than one-half of the wheat-growing region of the world, in which region lived more than one-half of the human race, made a trade demand upon us and brought the trade money balance largely in our favor. Closely following this came the discovery of great quantities of gold in the Klondike. And thus by these two unexpected methods the larger circulating medium was brought about in a way undreamed of by mortal man, so that in this unexpected way the silver advocates lost their fight while winning their cause.

The other singularly strange incident that may happen in the future is this:

Those who want a single standard, and that standard built upon the scarcer metal because it is the scarcer metal, may be compelled in the future to transfer their love and allegiance from gold to silver, for when Alaska is developed, as developed it must be some time, that great undeveloped wonderland of the world has and will furnish such an immense and inexhaustible supply of gold that the gold supply of the world is likely to exceed the silver supply of the world, and the flood criers of the future will be compelled to cry out against a flood of gold rather than a flood of silver.

ALASKA HOLDS THE GOLD SUPPLY OF THE FUTURE.

England, by a wiser policy than ours, in developing the Transvaal is from that country furnishing 40 per cent of the world's supply of gold.

When the United States becomes wise enough and sensible enough to develop Alaska, Alaska will be able to furnish 50 per cent of the world's supply of gold, as well as open up homesteads for ten to fifteen millions of people of virgin cheap farm homes.

PERIOD OF SPECIE RESUMPTION TO THE PRESENT TIME.

By act of Congress, January 14, 1875, Congress provided for specie resumption to begin January 1, 1879.

Mr. Chairman, I very much regret that time compels me to omit a review of this period without even mention of the great financial acts for funding the public debt and those great financial acts regarding silver coin like the Bland-Allison measure and other great silver legislation of this period.

Neither will I have time to call attention to recent financial legislation like the Vreeland bill and the Aldrich bill.

I shall come at once in closing to the present financial legislation now under the consideration of this Congress, the Glass currency bill.

THE PENDING GLASS CURRENCY BILL.

And now, Mr. Chairman and gentlemen, I invite your attention to a few brief observations on this present great constructive measure now before this House, the Glass currency bill.

A GREAT CONSTRUCTIVE MEASURE.

First, I desire to state that the Glass currency bill is a great constructive financial measure.

Lay this currency bill down on your study table side by side with any of the great currency bills of the past in our history and study it in critical comparison with the greatest of them and it will compare favorably with the greatest financial measures ever presented in this country or any other land.

It maps out a great constructive financial policy for the present needs and future development of the United States.

IT IS FAIR TO ALL THE PEOPLE AND IS A PEOPLE'S BILL.

Next, I wish to observe that one of the best things about this bill, if not the best thing about it, is that it is fair to all the people and it is essentially a people's bill.

It can not be truthfully labeled a bankers' bill, made by bankers for bankers, or a bill to conserve or serve any special interests of any kind.

It is fair to all the people, and therefore not unfair to the bankers or to any other class, as a class.

In fact, if there ever was a currency measure proposed in this country that could be properly called a currency bill by the people, of the people, and for the people, the Glass currency bill as presented by the Democratic caucus to this Congress at this time is that bill. [Applause.]

A BILL FOR THE TILLERS OF THE SOIL AND THE LABORERS.

Next I observe that we have here a bill for the tillers of the soil and the laborers.

For the first time in our history we have prepared a financial measure that reaches down with currency legislation to the tillers of the soil and the laboring masses. The farmers and laborers will find this bill their friend in time of stress and need. I was one of those who was glad to see farm products included in this bill as a basis for credits and loans to the farmers, and that feature of the bill is a great step, in my opinion, in the right direction.

With this measure we only need the future legislation intended and promised by the Democratic Party on farm and rural credits to give us the best currency system for the farmers and laborers and the common middle business man enjoyed by any nation on earth.

OTHER STRONG FEATURES OF THE BILL.

Other strong features of this bill that will appeal to all the people and commend the measure as wise, fair, and desirable are:

First and foremost. It places our money system—the lifeblood of trade and the people's prosperity—into the hands of the people's representatives, chosen from among the people, a board of uninterested arbitrators who can do exact justice to all the people and to the banks and business interests as well, tending thereby to bring about a better understanding and confidence where before has existed suspicion and often strife.

And here is the great overshadowing distinction between this bill and the proposed Aldrich bill:

The Aldrich bill proposed to hand over to the representatives of the banks, thereby to the banks themselves, the fate and keeping of our currency medium, and thereby the fate and happiness of the welfare of the people.

The difference between this bill—the Glass bill—and the Aldrich bill is the difference between aims and purposes headed and moving in opposite directions.

Second, and almost equal in importance. It will forever prevent the drawing in and massing together of the money from all over the United States at Wall Street, New York, for speculating and gambling purposes, or for operating that despicable system of inflating and selling, then wrecking and buying, that has caused bankruptcy of solvent honorable business, blasted homes and fortunes, and even strangling the very Government itself into bond issues in the past.

Third, and coequal with the others. It will tend to largely prevent and, we trust, make impossible real or handmade panics in the United States.

Fourth. It gives the farmer and honest business man access to money when he needs it.

This great Government of the United States that rests so largely upon the farmer and laborer proposes, in this measure to assist him, in times of need, rather than permit him to be oppressed in times of need, as formerly.

The bill, therefore, prevents Wall Street from drawing the money away from the country when and where needed.

The bill gives authority to make farm loans based on agricultural products.

The bill seeks to prevent gambling in farm products.

The bill puts the farmer, the laborer, and the little business man all on the same level with and equal with big business in any financial favors that can be properly granted by the National Government.

The bill restrains the avarice of wealth and encourages honest investment and honest enterprise by offering a helping hand and a place of refuge to which to flee from the attack of the despoiler.

WHY THIS MEASURE IS ENTITLED TO DEMOCRATIC SUPPORT.

Mr. Chairman, no human effort can be perfect, but we can honestly claim for this bill that it is an honest effort to correct

the wrongs and injustices of the past, to redeem our promises to the people, and give to the country an honest financial system, fair to all the people, rich and poor alike.

If any Democrat has any doubts about any part of this bill, he can well afford to resolve them all in favor of the bill when he considers that it has the unqualified support of the four most illustrious, trusted, and eminent Democratic leaders in the Nation.

Our illustrious President, who has won and holds the respect and admiration of his countrymen and the world, who has met and measured up to every delicate emergency with such great consummate skill and patriotic ability as to challenge the praise and receive the applause of all the people, and whose influence for better things is felt around the world. [Applause.]

His great Secretary of State, William J. Bryan, whose masterful management of that great office as the Nation's premier so richly justifies the expectations of all his friends who have loved him and followed him with unexcelled devotion all these years. [Applause.]

The great Speaker of this House, grand old Democratic CHAMP CLARK, whose name has been a synonym for Democracy for 25 years in all parts of the United States, and whose white plume, like that of Henry of Navarre, is always seen in the front of the battle wherever Democratic battles are waged. [Applause.]

The trusted, loved, and respected leader on the floor of this House, OSCAR UNDERWOOD, a man on whose intellectual brow the fires of genius brilliantly burn and of whom I can fittingly paraphrase Halleck's lines:

None knew him but to love him,
Or name him but to praise.

[Applause.]

And I want to say that when these four illustrious Democrats all join in singing the praises of this bill, in one harmonious strain it makes most sweet and exquisite music to Democratic ears.

Mr. Chairman, it is a pleasure and an honor to serve under such leadership—a leadership that is moving forward to better laws and higher plains of life and justice in the affairs of men and nations; a leadership that can hear the heartbeats of humanity above the clinking of the coin; a leadership that can recognize that the greatest asset and defense a nation can have is strong, contented, industrious, God-fearing working men and women and realize the truth of the poet's statement—

Ill fares the land, to hastening ills a prey,
Where wealth accumulates and men decay.

And it is the most hopeful sign of our times that leaders of all parties are striving to put the welfare of the man above the material profit of the dollar. It is very gratifying to see this bill secure such great support from so many members of the Progressive Party. Some of us have been here, willingly, since the first day this Congress convened, ready always to help to bring to all our countrymen the benefits of the magnificent program mapped out by our great President.

It is to be hoped that the other coordinate branch of Congress, the Senate, will be able to differentiate between due deliberation and dull delay, so that we can soon, in the fullness of that joy of duty well done, meet our constituents with every promise redeemed by enacting these great measures into law.

And when we have enacted into law the great tariff bill, as passed by this House, and this great constructive currency bill, as presented to this House, we shall have served our countrymen so that it will always be regarded as an honor to have been a Member of this Congress; for if these two great measures are what we intend them to be, and fervently hope they may prove to be, we shall have had the proud honor and privilege of having a part in passing the greatest and most beneficial legislation enacted in a third of a century.

This House has realized the full obligation of every promise made the people and has fully measured up to its duty with an honest effort to redeem every promise made the people.

If there is any failure, the blame must rest elsewhere and not on those who have labored long, earnestly, and faithfully in this House to carry out the expressed mandate of the people and the solemn obligation implied in an election to this body.

We have intended to legislate so that we might lift the burden from the back of labor—so that the poor, with renewed hope, could lift up their heads into the sunlight of hope and thank God and take new courage. We have intended to legislate so that we might subdue the privilege of organized wealth, prevent legalized theft, and stop avarice from eating the bread produced by the sweat of honest toil. [Applause.]

We have intended to legislate so that we might invigorate all honest business—unchain the limbs of honest enterprise so that

in peace and safety they can sail the sea of any human industry without fearing the black flag of a pirate crew.

In truth, to make life a little sweeter, toil a little lighter, the poor man's home a little happier, and the world a better place to live upon.

We want to enact such laws as will help men more and more to be brother helpers in the race of life and less and less heartless destroyers, and thus have the laws of this great Nation patterned after the divine law of love and justice, in the spirit of the golden rule, which, translated into the human law governing the daily business affairs of men, means, I think, in this great world in the race for life, special favors to none and equal opportunities to all. [Applause.]

REFERENCES.

For the benefit of the reader or student wishing to investigate this subject, the following texts consulted in the preparation of this address are herewith listed and recommended:

Dunbar's Laws on Currency.
Bolles's Financial History of the United States.
Elliott's Report on the Financial System.
American State Papers, 5 volumes, on finance.
Debates in the Constitutional Convention.
Quarterly Journal of Economics.
The Writings of Jefferson, Hamilton, and Gallatin.
Madison's Notes.
Adams's History of United States.
Hildreth's History of United States, volume 4.
Von Holst's History of United States.
McMaster's History of United States.
Clark and Hall, History of the Bank.
Life of John Sherman.
James G. Blaine's Twenty Years in Congress.
Speeches—Webster, Clay, Calhoun, Benton, Sherman, Bland, Bryan.
Benton's Thirty Years in United States.
Taussig's History of Tariff.
Sunset Cox's Three Decades of Federal Legislation.
Reports by Treasury Department.
Messages by Presidents.
National Currency Acts of Congress.

Mr. HAYES. Mr. Chairman, I yield 15 minutes to the gentleman from Michigan [Mr. SAMUEL W. SMITH]. [Applause.]

Mr. SAMUEL W. SMITH. Mr. Chairman, this debate, which is sure to be a memorable one in the annals of the American Congress, would be much more interesting, instructive, and inspiring if the action of the Democratic caucus had not already disposed of this proposed legislation in advance of any discussion in the House.

It is in no spirit of criticism or unkindness that I call attention to the fact that never before since the formation of the Government has there been such a complete surrender of the individual representative rights and privileges of Members as is shown by the Democratic Members of this House in the passage of the tariff bill and as is proposed in the passage of the currency legislation.

Practically every Democrat in the House, if the press has correctly reported the proceedings of the Democratic caucus, has surrendered his right to offer amendments to this bill, save the 14 members of the Banking and Currency Committee. For illustration, there are six Democratic Representatives from the State of Oklahoma, where they have a law guaranteeing all bank depositors, and I am informed that while it is not altogether satisfactory the people of that State would not consent to its repeal.

Suppose a constituent of one of the Democratic Members of that State were to send him an amendment to this bill providing for a guaranty of all bank deposits, the Member would have to write his constituent and say, "I can not do it; I have surrendered my rights as a Representative; I have delegated the same to a Democratic member of the Banking and Currency Committee," and then what would happen if no Democratic member of the Banking and Currency Committee would offer the same?

I do not believe the people will or should sanction this course of procedure upon the part of any Member of any party. If so, let us do away with representative government, and legislate entirely by caucus.

I regret that this bill should have been made a party measure, for there was no necessity for such a course. Members of all parties were and are practically a unit in agreeing that we should have a more elastic currency; that there ought to be better means of rediscounting commercial paper and a more effective supervision of the national as well as State banks, and in the main are agreed on many of the provisions in this bill, and I think it would have given much better satisfaction throughout the country if there had been no attempt to make it a political measure.

My time, like most Members who are not on the Banking and Currency Committee, is limited; therefore I shall not attempt to discuss the bill in detail, except to say that the bill is not en-

tirely to my liking, but I am inclined to vote for it in the hope that it will be further improved when it comes to us from the other end of the Capitol for final action.

I think the bill is lacking in this most essential thing—that there is no provision guaranteeing bank depositors. I know that many bankers are opposed to it, but they should not be. Some favor it, but do not feel free at this time to express themselves. All should favor it for it is just and right, and I believe the day is rapidly approaching when it will be the law in most if not all of the States.

It is quite the custom throughout the country for banks to borrow money from State and county treasurers and from other sources and guarantee the same. Will some one explain why the individual depositor should not enjoy the same privileges and be given a guaranty for his deposits? It may not be deemed wise at this time to add such a provision to this bill. I know that it would be practically useless for a Republican to offer such an amendment, in view of the action of the Democratic caucus. However, you insist in this bill that the Government shall guarantee the bank note. Why should not the banks guarantee all bank depositors? Do this, and money will come from all the hiding places.

I fully realize the great opposition there is in this body to this proposition, but I am not discouraged nor dismayed. I have been in Congress long enough to witness as much or more opposition to the reduction of express rates, railway-mail pay, the abolition of railroad passes, telegraph and express franks, the establishment of rural free delivery, postal savings banks, and parcel post. All these and many more have been accomplished to the great satisfaction and advantage of all the people.

In passing I want to call attention to another matter that is dear to my heart, namely, postal telegraph. There must always be some one or ones to bear the brunt and take the criticism, and there are at this time those who object to the control of the telegraph by the Government in any form, but the light is shining brighter and brighter, and there are growing evidences every day that after all the years of discussion something in the way of practical legislation is soon to be accomplished.

The night-letter and day-letter telegrams are doing much to convince the people that if the Government does not own the telegraph it certainly ought to further regulate it in the interests of the people, to the end that we may have cheaper rates and better service.

I find this plank in the Democratic national platform of 1908:

TELEGRAPH AND TELEPHONE.

We pledge the Democratic Party to the enactment of a law to regulate under the jurisdiction of the Interstate Commerce Commission the rates and services of telegraph and telephone companies engaged in the transmission of messages between States.

This is certainly a step in the right direction.

I fully realize that the honor of introducing and passing such a bill will not be accorded to any one in the minority, and I therefore hope that some Democrat will introduce such a bill and that it may be speedily enacted into law.

I have said that some bankers already favor the guarantee of bank deposits. I desire to read a letter from one of these.

FIRST STATE AND SAVINGS BANK,
Howell, Mich., June 17, 1913.

Hon. S. W. SMITH, M. C.,
Washington, D. C.

DEAR SIR: I have your letter of June 15, and take great pleasure in replying thereto.

The ideas that I entertain concerning guaranty of bank deposits is derived from the operations of the Livingston County Mutual Fire Insurance Co. This is an organization of farmers. Has been in operation about 40 years for the purpose of insuring their property against loss and damage by fire and lightning. Their paid officers consist of a secretary having a salary of about \$800 a year, a board of five directors who are compensated by the day for the little work they are called upon to do in the way of adjusting losses, and a receiver in each township who collects assessments.

During the years the farmers have maintained their insurance for a small fraction of the amount charged by old line companies. They never have any considerable cash in their treasury and make assessments once and sometimes twice a year, the assessments being so small that they do not notice them. I can well remember when strong arguments were made against such insurance. Mr. A thought his neighbor Mr. B too careless and Mr. C might burn his property to get the insurance. Time has obliterated those arguments.

We have in Michigan a very efficient banking department of the State government, and I believe there has been no bank failure in Michigan nor any loss suffered by depositors in more than two years, and I do not think there will be any loss to any depositor in State banks in many years in the future. National banks are under a like supervision, which I think is quite efficient. It is not the duty of State or national governments to guarantee bank deposits. They have enough else to do. It is the duty of banks to absolutely protect depositors, and the smallest depositor should have as absolute protection as the largest.

The banks combined are perfectly equipped to protect depositors. Now, when a bank fails or shows any conditions of insolvency the bank commissioner is authorized to intervene, take possession of the bank and take steps to wind up its affairs.

I should like to have the Federal Government give its bank department ample power to levy an assessment upon all national banks,

upon some pro rata method, to raise sufficient funds to meet any deficit in any bank unable to pay its depositors in full. This done by some scheme of assessments, and I now say, based upon past history, the assessments would be so small as to cause no embarrassment whatever. The States would each work out their own guaranty upon the same plan.

I have heard a wise city banker exclaim that it was not right to ask the careful, safe banker to insure the reckless and vicious, but that is the old argument that has been exploded relative to life and fire insurance long ago.

Certainly if the bankers can not trust one another why should the people do so? Again I have heard the same banker say that anybody could start a bank under such conditions and his depository be as safe as another. That is not true under such conditions any more than now. Granting of new charters now is, and always can be, controlled and regulated to meet the best needs of existing conditions. Probably existing banks could not be compelled to accept this modification of their charters, but new banks can and I do not believe the old banks could or would think they could afford to fail to promptly accept these wise provisions. Assessments, in my opinion, would be less for many banks than they are now paying to various bonding companies to guarantee various municipal and other corporate deposits. By this scheme no assessments at all would be made until a necessity existed for the protection of depositors, and, as I have stated, if bank failures are no more frequent in the future than they have been in the past these assessments would be trifles. Bank failures will not be as frequent in the future as they have been in the past principally because of the efficient supervision of the departments.

If there is a reasonable argument that can be advanced against this method, I should like to hear it. I do not believe one can be made.

The other question respecting the source from which sufficient circulating medium can be obtained in times of stringency is very closely allied with the bank guaranty.

We have in this country at the present time a sufficient amount of circulating medium to meet our requirements. The notion seemingly entertained by some that this circulating medium leaves the country at intervals so as to create a stringency is the height of folly. It does not do anything of the kind. The only time we have a stringency is when our people become frightened and hide the money—commence hiding it in great vaults. From this the disease spreads until it reaches the old stocking and the cellar. So that, as I see it, what is needed is a provision that will not allow that hiding to distress the business interests of the country. If I am correct in my statements, the remedy will not have to be applied to any great extent, but the knowledge that we have the remedy ready for use will keep conditions usually normal.

The remedy I suggest is this: The power to coin and issue money should be strictly a governmental function. Most of our business is done on credit, and value is based upon credit in a large measure. The only true value is that which grows out of the ground or is dug from beneath its surface. When money goes into hiding and when the people will not allow the people to use the circulating medium in carrying on the business of the country, then there should be a temporary means of forcing the holders of money to release it. That, I believe, should be done in this way: If the Federal Government, through its Treasury Department, would issue and loan to national banks whatever money they required at a rate of interest, say, double the current rate, and which they could secure with municipal bonds of the species now acceptable by the United States Treasury to secure postal-savings deposits. This would at once put the national banks in a position where fright of its depositors would not close their doors, and the national banks could in turn, if necessary, assist their correspondent State banks.

The high rate of interest under such conditions paid for the loan would be willingly and gladly paid, and would with equal force insure the early return of the loan.

In fact, I believe this regulation might be in force for months and years without a dollar being called for. The knowledge to our banks and to our people that such salutary provisions had been arranged would be the quieting powder that would be almost a sure preventative against that mental disease known as panic.

You have my permission to use my communications to you in any manner that you see fit.

Very respectfully, yours,

W. P. VAN WINKLE.

So that you may know more of the gentleman whose letter I have just read, I want to say that he is the president of a successful bank at Howell, Livingston County, Mich., who has given the subjects referred to in his letter a great deal of thought and study; is an able lawyer, in politics a Democrat, and a citizen who enjoys the respect and confidence of all who know him.

It is of the greatest importance that the supervision of national and State banks be brought to the highest state of perfection. When this is done, it must be self-evident that the loss to depositors as well as from all sources will be very small. Let us insist and persist until the supervision of banks reaches, as near as possible, perfection, and then bank failures will be things of the past and there will be less and less fear and no objections from any source about guaranteeing depositors.

A short time ago a banker called my attention to the fact that he believed there was something wrong in the management of another bank and he promptly called the attention of a bank examiner to the same, who immediately visited the bank, and whose visit proved a very timely one in the interests of all concerned. I have been thinking more and more that it might be an excellent thing if the banks were compelled to guarantee the depositors, and in this way they would each, in a measure, have a supervising eye over each other, which might prove of lasting benefit to the banks as well as to the depositors.

When we borrow money at the bank it has the right and privilege to feel and know that the security which we give is of such a high order that the money which we received will be returned a hundred cents on the dollar, principal and interest.

Why should not the depositors enjoy the same right and privilege when he deposits his money with the bank?

Recently there was a bank failure in Michigan of a State bank with a capital of \$20,000 in which the cashier, during a period of about six years, wrongfully took more than \$100,000. During this time he successfully evaded the scrutinizing eye of several bank examiners; but now that it is over and it is known how it was done it will be easy to amend the law so that this can not occur again in Michigan. Our banking laws, like many others, are still imperfect. I am not a banker, but I believe it is possible, and I hope that some banker, business man, or some one will work out a plan whereby there can be a guaranty to all bank depositors and a law that will give general satisfaction, and he who does this will receive the everlasting thanks of a grateful people. [Applause.]

Mr. GLASS. Mr. Chairman, I yield 20 minutes to my colleague from Mississippi [Mr. STEPHENS].

Mr. STEPHENS of Mississippi. Mr. Chairman, the charge is frequently made that our banking and currency laws are the worst in the world. That they are inadequate, both to meet the requirements of the financial world and to properly safeguard and protect the interests of the people, is unquestionably true.

There is an insistent demand for the reform of these laws. One great reason for this demand is that abuses have grown up, either under law or because of the want of legal restrictions to prevent them, by which the great masses of the people have been forced into financial slavery.

Money is a social necessity; therefore every phase of life is affected by our monetary system. It affects society collectively; it affects every individual, no matter what his occupation or station in life may be.

Any power that can control the money and credits of a nation is dangerous and is capable of absolutely enslaving and pauperizing the millions of those who toll for a livelihood.

That such a power does exist in this country has been generally believed for a long time. It is commonly termed the Money Trust.

President Wilson, while governor of New Jersey, said:

The greatest monopoly in this country is the money monopoly. So long as that exists our old variety and freedom and individual energy of development are out of the question. The industrial nation is controlled by its system of credit. This is the greatest question of all, and to this statesmen must address themselves with an earnest determination to serve the long future and the true liberties of men.

The Money Trust became a subject of much discussion in the press of the country. Political speakers found in it an interesting theme. The people began to wake up to the importance of it. Public sentiment was aroused to such an extent that it became imperative that some action be taken to relieve the people from the bondage of financial slavery.

MONEY-TRUST INVESTIGATION.

Finally a resolution was introduced in the House providing for an investigation of the subject.

It was alleged that a small group of financiers had acquired such control of some of the great financial and industrial corporations of the country that they were, in a large measure, the masters of the finances of the entire country. It was said that they were able to use the funds and property of the great national banks and other moneyed corporations in the leading money centers to control the security and commodity markets; to regulate the interest rate for money; to create, avert, and compose panics; to dominate the New York Stock Exchange; and by virtue of their associations and business connections to wield a power over the business, commerce, credits, and finance of the country that was despotic, dangerous, and intolerable.

Further, that national banks and other moneyed corporations have been used for the promotion and exploitation of speculative enterprises and in acquiring stocks of other banking institutions, and that the funds of these institutions have been used to absorb competitors.

In other words, that the banks and moneyed institutions were in many instances being diverted from their normal functions and legitimate purposes and were being used as instruments in the hands of a few small groups of financiers for their own selfish purposes, to the end that they might grow richer, having absolutely no regard for the rights, interests, or necessities of the whole people.

A resolution was adopted in the House authorizing the Committee on Banking and Currency to make an investigation of the so-called Money Trust. The resolution was very broad in its terms, giving authority to inquire into the matters referred to, all questions relating thereto, and many others.

A subcommittee of 11 members was appointed by the Banking and Currency Committee to conduct the inquiry. The Democratic members were Hon. A. P. PUJO (chairman), Hon. W. C. BROWN, R. L. DOUGHTON, J. A. DAUGHERTY, J. F. BYRNES, G. A.

NEELEY, and myself, and the Republican members were Hon. Henry McMorran, E. A. HAYES, F. E. GUERNSEY, and W. B. HEALD.

The committee began hearing testimony on May 16, 1912, and concluded its labors on February 28, 1913.

The committee cared nothing for suspicions, surmises, or insinuations as to the existence of a "Money Trust," but it was after facts. In order to get at the facts it was necessary to call as witnesses those who were on the inside. Nearly every witness was a member of the crowd that was under investigation. The most eminent financiers, the largest speculators, the boldest manipulators of speculative enterprises, the most active participants in the effort to concentrate the control of the wealth of the country into the hands of a favored few were called to testify. So there can be no contention that the conclusions of the committee are based upon testimony that came from witnesses prejudiced against wealth or tainted with a spirit of anarchy or socialism or inspired by any feeling of ill will or desire for revenge for some fancied or real injury.

I am glad that I served on this committee. It gave me the opportunity to see and hear these men, to learn at first hand the methods used by them in acquiring such wonderful control over the finances of the country, and also to have an insight into their views of the ethics of business.

All the testimony was interesting; much of it was startling; some of it was disgusting.

Interesting, because it had to do with a subject that is of vital importance to every citizen; startling, because it told a story that shows that while the people of this Nation are politically free they are financially enslaved; disgusting, because it proves that many of the great financiers of the country are governed solely by the lust of lucre; that they have made "gain their master idol"; that in business affairs they have no sense of fairness, of common honesty, or moral shame.

Listening to the testimony of some of the witnesses—big men of Wall Street—it occurred to me that they might very well say of themselves, in the language of the Prophet Isaiah:

I have removed the bounds of the people, and have robbed their treasures, and I have put down the inhabitants like a valiant man. And my hand hath found as a nest the riches of the people; and as one that gathereth eggs that are left, have I gathered all the earth; and there was none that moved the wing, or opened the mouth, or peeped.

The testimony taken by the committee made several thousand pages of printed matter. It will, of course, be impossible for me to review this great volume. The inquiry relates particularly to clearing-house associations, to the New York Stock Exchange, and to the concentration and control of money and credit. I shall refer briefly to some of the most important features of these subjects.

CLEARING-HOUSE ASSOCIATIONS.

Clearing-house associations have been organized in many of the large cities. They are unincorporated institutions. Certain banks in a city, through the officers, get together, form the association, and formulate rules for its government.

In New York City only banks with a capital of \$1,000,000 are permitted to join. Other banks with a less capital, that are termed nonmember banks, are allowed to clear their checks through member banks. These nonmember banks have no voice in the management of the association.

The primary object of the association is to facilitate the collection of checks by banks in the same community. This object is both legitimate and useful. Mr. Sherer, manager of the New York Clearing House, stated that it would be a practical impossibility to conduct a large bank without clearing-house facilities.

That this privilege of clearing is of value to small banks is unquestionably true, but the "financial aristocracy" of Wall Street is unwilling to recognize any bank that is not in the million-dollar class. In Chicago the only requirements are that the bank shall be incorporated, either under the State or National law, and that it shall be solvent. One of the bankers of that city testified that recently a special effort had been made to get every bank to become a member.

The true function of a clearing house is to give a meeting place for representatives of all banks entitled to the privilege, so that each bank may deliver the checks that it holds against the other banks and receive in exchange the checks drawn against it, the difference in amount being paid in cash. This results in a great saving of time, expense, and labor, and reduces the risk of carrying large sums of money from place to place.

However, the clearing-house associations have exercised other powers than simply to exchange checks and pay balances. Although they have nothing to do with out-of-town checks it was learned that 91 associations require members to charge a specified rate for collecting such checks, under penalty in many of them of the payment of a fine for the first offense and expul-

sion for a second offense. This is an abuse that ought not to be tolerated, as it stifles competition and is prejudicial to commercial intercourse.

Some of these associations not only regulate exchange charges, but claim the power, and doubtless exercise it, to say to whom, for what amounts, and on what collateral loans shall be made by members.

That these associations have enormous power is indicated by the testimony of Mr. Sherer. He was asked, "If some day the clearing-house committee took it into its head that they did not think that a bank was a proper member they could end it, could they not?" to which he replied: "Yes; they could take away any bank's privilege." He said further that "banks have been closed because the clearing house has withdrawn their privilege"; also, "that the rumor that the clearing-house privilege has been withdrawn is sure to cause a run on a bank."

An illustration of the effect of the withdrawal of this privilege is found in the failure of the Knickerbocker Trust Co. It had a capital of \$750,000, and therefore was not allowed to become a member of the clearing house, but was forced to make its clearances through the Bank of Commerce, which was a member bank. Under the rules the Bank of Commerce had the right to give the trust company notice that it would refuse to clear for it any longer. This notice was given and the bank was forced to close its doors the next day, which started the panic of 1907.

This action was taken although the bank was entirely solvent, as was shown by the fact that on its reorganization it paid its debts in full and had a surplus over.

Another example of power of the clearing house to destroy solvent banks is found in the treatment accorded the Oriental Bank, which was a member of the association. It was clearing for two or three other banks, and the committee gave it notice that it must cease to do so, and forced the president of the bank to resign, although upon an investigation being made of the Oriental, at its request, it was clearly shown that it was entirely solvent.

Later the Oriental took out clearing-house certificates, as did all the banks during the panic, depositing therefor collateral to the amount of more than two dollars for one. Afterwards, and before the panic was over, notice was given this bank and others in like condition that these certificates must be retired in a very short time. This fact was published in the newspapers and so excited the depositors that a run was made upon the bank and it and three other banks were forced to close their doors within a day or two.

Mr. Hepburn, one of New York's great bankers, said that this action of the clearing house was "a great mistake." Mr. Kelly, the president of the bank, called it "a tragedy of finance." It was, because every one of the banks was solvent and paid all its debts.

As I have said, these associations are unincorporated. They are not regulated by law and the courts have no jurisdiction over them. No matter how many "sad mistakes" are made, no matter how many "tragedies of finance" are enacted, the victims must suffer, without any relief from the courts. It clearly appears from what has been said that they exercise powers too important and far reaching to be beyond the regulation and control of law.

NEW YORK STOCK EXCHANGE.

It has been said that the New York Stock Exchange is "probably one of the most important financial institutions in the world." There can be no doubt that it does exercise a very powerful influence over the finances of this country. It is a market place for the stocks, bonds, and other securities of corporations.

The exchange is not incorporated and makes its own rules and regulations without any restrictions of law. Its membership is limited to 1,100. No one can join except where there is a vacancy caused by the death, resignation, or expulsion of a member, or by the purchase of the seat of a member. Membership is much sought after, as is indicated by the fact that \$96,000 has been paid for a seat.

The exchange has become a great factor in the hands of the gambler and manipulator. It is just as legitimate to have a market place for corporate securities as it is to have one for agricultural products or any other commodity. The evil consists in the fact that its operations are not restricted to the purchase and sale of securities just as actual commodities are bought and sold, but it is used very largely for the purposes of gambling. The committee appointed a few years ago by Gov. Hughes, of New York, to investigate the exchange, said in its report 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 exchange does not work according to any fixed law. The natural law of supply and demand has no place in the philosophy of the exchange or of the operators of Wall Street. The thing most unexpected by the public is most likely to occur, yet nothing rarely ever happens except what has been carefully studied out. No general ever planned and prepared for a great battle with more care than do these men on the inside when they are preparing to manipulate the market in order to fleece the public.

The right of any system or organization that affects the finances of the entire Nation to exist depends in a large measure upon its honesty. I quote again from the report of the Hughes committee:

In its nature it is in the same class with gambling upon the race track or at the roulette table, but is practiced upon 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. 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.

Speculation does not create wealth. One of the evils that grows out of operations in Wall Street is that it takes vast quantities of money to New York City, withdraws it from the lines of productive activity, and ties it up in speculative enterprises. Honest business suffers, monetary conditions are disturbed, and panics often result.

During that period of the year when there are no crops to move there is money lying idle in the banks. This money is sent to New York, where it is used by the speculators, and when it is needed to move crops it frequently can not be had. This necessarily affects the prices of agricultural products. It means lower prices, and is therefore hurtful to the agricultural sections.

The producer may suffer; low prices but scantily repay him for his toil; but the gambler cares little for this. His only thought is to have money with which to carry on his nefarious schemes, so that he may continue his operations that add nothing to the real wealth of the land and are utterly unfruitful and unprofitable to anyone but himself.

One of the practices of Wall Street that is productive of much harm is what is termed "short selling." By this is meant that a person sells what he does not own, hoping that the price will decline and that he can buy at a lower figure and thereby make a profit. As indicating harm that might come from this kind of business, I quote from the testimony of one of the prominent men of New York:

Q. What is the purpose of "short selling"?—A. Generally speaking, to make a profit.

Q. To make a profit by what process?—A. By repurchasing the "short selling" at a declining price.

Q. That is by selling a security that you have not got and gambling on the proposition that you can get it cheaper than the thing that is sold.—A. That is the usual process.

Q. Do you mean to say that if there is a panic raging it is a defensible thing for a man under the circumstances to sell stock that he has not got with the idea of getting it back cheaper?—A. I do think it is defensible. I certainly think it is defensible.

Q. You know that that would simply accentuate the fierceness of the panic, do you not?—A. It could not be otherwise.

It is the opinion of this man, which is simply illustrative of the general sentiment of Wall Street, that it is perfectly legitimate to add to the fierceness of a panic if the gamblers can profit by it.

Panics bring wreck and ruin; they bring suffering and misfortune; by them men are driven to suicide; people are thrown out of employment; women and children go about the streets with hungry, haunted looks upon their faces; men lose the earnings of a lifetime; and the hopes of manhood are destroyed; all these things must come that the man in Wall Street may prosper.

A terrific indictment, but one which very truly states the case, is made by a gentleman writing on this subject, when he said in referring to the operators on Wall Street, that "They have become simply forged-steel teeth on the feeding cylinder of the Wall Street thrashing machine, gathering and feeding the harvest into its clutch to be flayed and torn that the golden grain may be separated to swell the granaries of the already overrich, the chaff to be tossed aside, the straw returned to the people to fertilize their soil for another harvest; only the scattered gleanings of the fields are left to feed the toilers."

Power joined with privilege necessarily creates selfishness and wickedness and as a result frequently bring ruin, misery, and despair. There is no more shameful page in our history than that which shows that the Government has allowed such an institution with the power to blight and destroy, the power to affect the finances of the entire country, to grow up wholly unregulated and uncontrolled by law.

The Money Trust investigating committee has made some very strong recommendations on this subject. Following those recommendations I have introduced a bill which is now pending

and will be considered at the regular session. If it is enacted into law it will, in my judgment, relieve in a large measure, if not entirely, many of the evils that have resulted from the illegitimate operations of the New York Stock Exchange, and will result in bringing relief to people throughout the whole Nation. I shall not discuss that bill at this time, but intend to do so when it is under consideration.

CONTROL OF MONEY AND CREDIT.

The question that was more fully investigated than any other by the committee was that relating to the concentration of the control of money and credit. It was charged that a great power had grown up that had such control over the finances of the country that it could depress prices, affect and fix the wages of labor, regulate interest rates, and in many other ways exert baneful and hurtful influence.

After a careful consideration of the testimony the committee reported—

That there is an established and well-defined identity and community of interest between a few leaders of finance, which has resulted in a great and rapidly growing concentration of the control of money and credit in the hands of these few men.

As to the methods of effecting this control, the committee said that it is done—

First. Through consolidations of competitive or potentially competitive banks and trust companies, which consolidations in turn have recently been brought under sympathetic management.

Second. Through the same powerful interests becoming large stockholders in potentially competitive banks and trust companies. This is the simplest way of acquiring control, but since it requires the largest investment of capital, it is the least used, although the recent investments in that direction for the apparent purpose amount to tens of millions of dollars in present market values.

Third. Through the confederation of potentially competitive banks and trust companies by means of the system of interlocking directorates.

Fourth. Through the influence which the more powerful banking houses, banks, and trust companies have secured in the management of insurance companies, railroads, producing and trading corporations, and public-utility corporations by means of stock holdings, voting trusts, fiscal-agency contracts, or representation upon their boards of directors, or through supplying the money requirements of railway, industrial, and public utilities corporations, and thereby being enabled to participate in the determination of their financial and business policies.

Fifth. Through partnership or joint-account arrangements between a few of the leading banking houses, banks, and trust companies in the purchase of security issues of the great interstate corporations, accompanied by understandings of recent growth—sometimes called "banking ethics"—which have had the effect of effectually destroying competition between such banking houses, banks, and trust companies in the struggle for business or in the purchase and sale of large issues of such securities.

INTERLOCKING DIRECTORATES.

The most interesting part of the testimony on this subject was that relating to interlocking directorates. It was developed that 18 large banks and trust companies, all but 5 of which are located in New York City, had directors in 152 of the largest corporations. These corporations included banks, trust companies, insurance companies, express companies, railroad companies, steamship companies, manufacturing companies, including the International Harvester Co., the United States Rubber Co., the National Biscuit Co., and many others. These 18 financial institutions have 180 firm members and directors. In the aggregate they hold 385 directorships in 41 banks and trust companies, having total resources of \$3,832,000,000 and total deposits of \$2,834,000,000; 50 directorships in 11 insurance companies, having total assets of \$2,646,000,000; 155 directorships in 31 railroad systems, having a total capitalization of \$12,193,000,000 and a total mileage of 163,200 miles; 6 directorships in 2 express companies and 4 directorships in 1 steamship company, with the combined capital of \$245,000,000 and a gross income of \$97,000,000; 98 directorships in 28 producing and trading corporations, having a total capitalization of \$3,583,000,000 and total gross annual earnings in excess of \$1,145,000,000; and 48 directorships in 19 public-utility corporations, having a total capitalization of \$2,826,000,000 and a total gross annual earning in excess of \$428,000,000. In all, 746 directorships in 134 corporations, having total resources of \$25,325,000,000.

It was further shown that J. P. Morgan & Co. have 23 directorships in 13 banks and trust companies, having total resources of \$1,406,000,000 and deposits to the amount of \$989,000,000; 4 directorships in 4 insurance companies and a controlling stock in another, having total assets of \$1,249,000,000; 20 directorships in 12 transportation systems, having total capitalization of \$4,379,000,000; 12 directorships in 7 producing and trading corporations, having a total capitalization of \$1,939,000,000 and gross annual earnings in excess of \$899,000,000; and 4 directorships in 3 public-utility corporations, having a total capitalization of \$1,013,000,000. In all, 63 directorships in 39 corporations, having total resources of capitalization of \$10,036,000,000.

Without going into such detail as to the other 17 banking institutions it will be sufficient to give a concise statement as to the aggregate number of directors and the assets of the corporations in which some of them are interested. The First

National Bank of New York has 89 directors in 49 corporations, having total assets of \$11,393,000,000. The Guaranty Trust Co. of New York has 160 directors in 76 corporations, having total assets of \$17,342,000,000. The Bankers' Trust Co. has 113 directors in 55 corporations, having assets of \$11,184,000,000. The National City Bank, of New York, has 86 directors in 47 corporations, having assets of \$13,205,000,000. The National Bank of Commerce has 149 directors in 82 corporations, with assets of \$18,165,000,000. The Chase National Bank has 67 directors in 48 corporations, with assets of \$11,527,000,000. The Astor Trust Co. has 144 directors in 63 corporations, with assets of \$14,416,000,000. The New York Trust Co. has 74 directors in 47 corporations, with assets of \$12,408,000,000. The members of this group do not have such extensive affiliations, though some of them are quite large.

In addition to these directorships many of these institutions have directors who are also voting trustees in some of the largest manufacturing and public-service corporations, to wit, in the International Harvester Co., International Agricultural Co., Intercontinental Rubber Co., Westinghouse Electric & Manufacturing Co., and many railroad companies. By means of the system of voting trusts the right to elect the directors and thereby dictate the policy of the company is placed in the hands of these men.

Because of the power given by voting trusts and interlocking directorates there is hardly a railway corporation or large manufacturing establishment that is not dominated and controlled by this small group of financiers. While their holdings in many of these corporations is often small, yet they control them, because the corporations must look to the bankers for their capital. The bankers absolutely dictate to them as to the issuance of their securities. These securities can only be handled by large banking houses, and there is a rule among them that one bank shall not interfere with another in the handling of the securities of a customer; therefore competition is shut off. This means a higher charge for money to use in business; consequently it means a higher price for commodities or service which is paid for by the public.

These financiers exercise their power to shut off competition. They control "big business." No large corporation can be organized without their consent. No issuance of corporate securities of any volume has been made in years that was not handled by this crowd, and Mr. Morgan stated that no railroad had been built during the past 10 years that would compete for business with an existing line. They believe in cooperation; they oppose competition. Cooperation for the general good is one thing, cooperation for selfish ends is another. With them it is the same old story of the trusts and combines; the purpose is to rob and oppress the public.

The most striking instance of the immense profits of these great banks is that the First National Bank of New York. On January 1, 1901, it had a capital stock of \$500,000. The net profits of the bank for the succeeding 12 years amounted to \$61,000,000. In 39 years its dividends aggregated 18,500 per cent. It is rather a significant fact that in 1908, the year following the panic, its net profits were more than \$10,000,000, which is more than twice as much as the net profits during any year since 1901.

It is not surprising that, having such control, these men use it for selfish purposes; nor is it strange that there should be so much poverty in the land. Statistics show that there are about 19,000,000 families in the United States. About 200,000 are rich, 2,000,000 are well to do, 7,200,000 are poor, and 9,600,000 are very poor. More than one-half of these have an annual income of \$600, while more than 4,000,000 families have an annual income of less than \$400; yet J. P. Morgan, when asked how much stock he owned in one financial institution, said that it was only a small amount, about \$1,000,000.

Mr. Chairman, I have no war to wage against a man simply because he is wealthy. But no man ought to be allowed to accumulate riches by robbing and oppressing another. One of the great social dangers of the times consists in the disparity of condition of our citizenship. There is, as just suggested, a wide chasm between the extreme wealth of the few and the extreme poverty of the many.

Mr. Chairman, hours could be spent in reviewing the work of the committee, but I shall only refer to the admission of certain interested parties to the effect that conditions are such as to be a menace to the general public. Mr. George M. Reynolds, a Chicago banker, testified that—

I am inclined to think that, the concentration having gone to the extent it has, does constitute a menace.

Mr. Jacob H. Schiff, one of the largest bankers in New York, testified along the same line:

Q. Have you been an interested observer of the concentration and control of money and credit in New York in the last few years?—A. I have.

Q. You have seen it grow very rapidly, have you not?—A. Yes.
Q. And you have seen it drift into fewer and fewer hands, have you not?—A. It has drifted into fewer and fewer corporations.

The testimony of Mr. George F. Baker, who is president of one of the largest banks in New York, was also heard on this subject:

Q. I suppose you would see no harm, would you, in having the control of credit as represented by the control of banks and trust companies still further concentrated? Do you think that would be dangerous?—A. I think it has gone about far enough.

Q. If it got into bad hands it would wreck the country?—A. Yes; but I do not believe it could get into bad hands.

Q. So that the safety, if you think there is safety in the situation, really lies in the personnel of the men?—A. Very much.

Q. Do you think that is a comfortable situation for a great country to be in?—A. Not entirely.

The recommendations of the committee on the question of the concentration of control of money and credit, so far as it related to banking, included the subjects of consolidation of banks, interlocking directorates, interlocking stockholdings amongst banks, voting trusts in banks, cumulative voting in election of directors, security holding companies as adjuncts to banks, fiscal-agency agreements, underwriting of securities, investments in bonds, the conduct of officers and directors of banks, and publicity of assets and stockholders.

It was shown by the testimony that each one of these matters is an element in the system that has developed and makes possible the Money Trust. Legislation along the lines suggested in the report of the Pujo committee will break the power of this Money Trust. I have introduced a bill on this subject, following the recommendations of the committee, and I trust that it will have consideration at the regular session.

THE CURRENCY BILL.

Mr. Chairman, I shall discuss for a short while the currency bill. It does not meet my ideas on the subject in many particulars; but as it will, in my judgment, relieve the situation somewhat I shall support it. My study of the subject has led me to the conclusion that the great need of the country is "banking" reform rather than "currency" reform. Some of the provisions of the bill touch upon the former question.

FEDERAL RESERVE BANKS.

The bill provides that the continental United States shall be divided into not less than 12 districts. There will be a Federal reserve bank in each district. The stock of this bank will be held by the member banks in the district, as none but banks are allowed to subscribe for or hold this stock.

There will be a compulsory association of all national banks—that is, every national bank must subscribe for stock in the reserve bank within one year or surrender its charter as such—and a permissible association of State banks, savings banks, and trust companies, provided they comply with the provisions of this act.

No Federal reserve bank can be organized with a paid-up and unimpaired capital of less than \$5,000,000. Each member bank must subscribe to the capital stock of the Federal reserve bank a sum equal to 20 per cent of the capital stock of the subscribing bank.

Each Federal reserve bank shall have nine directors, and they are divided into three classes—A, B, and C.

Class A shall consist of three members, who shall be chosen by and be representative of the stockholding banks.

Class B shall consist of three members, who shall be representative of the general public interests of the reserve district.

Class C shall consist of three members, who shall be designated by the Federal reserve board.

Directors of class A will be chosen in the following manner: The chairman of the board of directors of the Federal reserve banks will classify the member banks of the district into three groups. Each group will contain one-third of the banks of the district. The bill provides that each bank of the Federal reserve district shall call a meeting of its board of directors and shall elect one of its own members as a district reserve elector. The name of the elector shall be certified to the chairman of the board of directors of the Federal reserve bank. The chairman prepares lists of all the electors thus named by the banks in each of the three groups and transmits one list to each elector, who is entitled to select from among the names on the list one name, not his own, as representing his choice for Federal reserve director in class A.

Directors of class B are chosen by the same electors, except that they must be selected from a list of names furnished one by each member bank. It is provided that they shall be fairly representative of the commercial, agricultural, or industrial interests of their respective districts.

FEDERAL RESERVE BOARD.

The general supervision of all the Federal reserve banks is given the Federal reserve board. This board will consist of

seven members, including the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency, who shall be members ex officio, and four members chosen by the President, by and with the advice and consent of the Senate. It is provided that of the four appointive members not more than one shall be selected from any one Federal reserve district, and that the President shall have regard to a fair representation of different geographical divisions of the country. The powers of this board are very comprehensive. They will have the right to examine into the accounts and books of affairs of all the Federal reserve banks, to require reports from them showing assets and liabilities, amount of reserve and the nature and maturities of paper, to require one reserve bank to discount for another, to suspend reserve requirements, to supervise and regulate the issue and retirement of reserve notes, to suspend officials of reserve banks, to appoint receivers for such banks, and to perform all duties specified or implied in this act.

The prime purpose of the bill is to furnish an elastic currency. President Wilson, in his message to Congress recently, said:

We must have a currency, not rigid as now, but readily, elastically responsive to sound credit, the expanding and contracting credits of everyday transactions, the normal ebb and flow of personal and corporate dealings.

There has been much written and spoken on the subject of elastic currency. It seems to be pretty generally agreed among financiers and students of the money question that under the present system our currency lacks elasticity. It is said that there are tides in the course of trade like there are in the sea; and that our currency does not expand and contract in response to the trade tides.

What is needed is to put our currency system on a stable, businesslike, and permanent basis, giving it elasticity, yet so safeguard it as to prevent inflation of credits.

The principal defect of our national-bank system is the rigidity of its note circulation. In a broad sense the volume of notes is regulated not by the wants of trade, not by the amount or kind of commercial paper offered for discount, but by market price of United States bonds.

Even if the bonds were sufficient in amount and satisfactory in price the note circulation would still be lacking in the elasticity which should characterize a good system.

By elasticity is meant the capacity to increase or diminish in volume in accordance with the needs of the community and simultaneously therewith.

Where there is the power of elasticity, the amount of notes outstanding at any time will depend not upon the volition of either the banker or the depositor but upon the public demand. And there is no criterion of these demands so correct as the quantity of business that is done.

There are some seasons of the year when a greater quantity of currency is needed than at other times in order to take care of business, and these ebbs and flows vary in different localities and in different trades.

The demand is for a currency that will be at all times responsive to those immediate needs and that will keep pace with the business and growth of population of the country, meet every crisis, and when the crisis is safely passed go back for cancellation, so that there will be no inflation.

Our national-bank currency does not possess the property of elasticity. It remains for long periods nearly uniform in amount. In many of the great countries of the world these seasonal demands for currency are recognized, and there is an outflow and inflow of notes corresponding to the need for them.

This rigidity of our banking system produces alternations of speculation and of stringency and extreme fluctuations in the rate of interest. The losses to the country because of these things can not well be calculated.

PROVISIONS FOR ELASTICITY.

The issue of notes must be made primarily through the Federal reserve board, and it is provided that said "notes shall be obligations of the United States and shall be receivable for all taxes, customs, and other public dues."

Any Federal reserve bank may, upon vote of its directors, make application to the local Federal reserve agent for these notes and must accompany the application with a tender of prescribed security.

This collateral security consists of notes and bills of exchange arising out of commercial transactions. Such notes and bills of exchange are confined to those "issued or drawn for agricultural, industrial, or commercial purposes, or the proceeds of which have been or may be used for such purposes."

The Federal reserve board is given the right to define the character of this paper within the meaning of the act. However, it is specifically provided that "such definition shall not include notes or bills issued or drawn for the purpose of carrying or trading in stocks, bonds, or other investment securities,

nor shall anything herein contained be construed to prohibit such notes and bills of exchange, secured by staple agricultural products or other goods, wares, or merchandise, from being eligible for discount."

The element of elasticity is given by these provisions. The only criticism that I have to make of this part of the bill is that I do not think that the time of the maturity of the paper secured by agricultural products is quite long enough. However, as the borrower must deal directly with the local banker, who knows him personally and who will likely be ready to extend any reasonable accommodations, he will, under ordinary conditions, be able to get an extension or renewal of his paper.

This will enable the producer to borrow money from the local bank on his agricultural products and thereby enable him to hold them for higher prices. The bank of his community will be anxious to extend these accommodations, because the note will be readily rediscounted at the reserve bank, and because it will share in part in the prosperity of the individual producers that comes from his security the highest market price for his product.

PANICS.

The proponents of this bill claim for it that it will materially lessen the chances of financial panics, if it does not entirely prevent them.

No stronger argument could be made in its favor; and if the argument be true, there is nothing that could be said for it that so popularizes it with the people.

The primary cause of a panic is the fear of the people that they can not get cash for their bank deposits. Just as soon as they realize that the bank will pay on demand their fears are allayed and the panic is over. By having the reserve bank to rediscount their paper the local bank can readily meet the requirements of their depositors, which will do much to allay any fear that may arise because of the probability of the bank being unable to meet the demands upon it.

History shows that we have never had a panic that did not originate in New York.

In the panic of 1907 we saw the entire industrial system of our country shaken and disturbed by the storm and stress of a great financial panic; values were unsettled; business was paralyzed; confidence was destroyed; industry was dormant; thousands of honest toilers were out of work and their families were suffering for the very necessities of life.

What caused it? We were in the midst of prosperity. Everything was in abundance; the fields were yielding great crops; the mines were yielding immense wealth; the factories were running to their full capacity.

The essential factor and prime cause of a commercial crisis is speculation, leading to inflated prices and the piling up of debts based upon such inflation which the debtors can not pay. Speculation thrives in New York more than anywhere else. The great reason for this is due to our system of reserves.

Under the present law the country banks are required to keep a reserve of 15 per cent, only 6 per cent of which is required to be kept in their own vaults. The remaining 9 per cent drifts very largely to Wall Street banks, where it is loaned in large sums to the speculators.

The piling up of these deposits or reserves in the New York banks lowers the rate of interest and incites speculation.

Speculators may bid up the price of stocks and the rate of interest at the same time, until a climax is reached. Then a reaction will come, stocks will fall, margins will be exhausted, traders will be sold out, banks begin to fail, and the panic is on at full blast.

Under the present law 15 per cent of the deposits of a country bank are required to be held for the protection of its depositors. However, three-fifths of the reserves may be deposited in banks in reserve or central reserve cities.

As there are only three central reserve cities, New York being one, these surplus reserves naturally concentrate there, because the banks can draw interest on them, while if kept at home they lie idle in the vaults and produce nothing.

We will understand the great opportunities afforded the speculator for obtaining funds if we consider the way the system has been worked to gather the money of the country and store it in the Wall Street banks.

One great bank is the approved agent to receive deposits of the lawful money reserves of 1,071 national banks. Another great bank receives deposits from 1,802 country banks, another from 3,108, another from 478, another from 919, another from 615, and still another from 1,233.

Thus it will be seen that the reserves of nearly all the national banks are deposited in New York.

On the face of the law on the subject of reserves, it appears that a reserve is required to be kept for the protection of the

depositors, but in reality, as I believe, the law was enacted for the benefit of the great banks of Wall Street.

Whether this be true or not, it is certainly true that the system has been used to gather in constantly increasing millions into those banks.

The ability of these great banks in New York, through their connected interests, to engage in underwriting, to finance promotion schemes, where the profits resulting from overcapitalization represent hundreds of millions of dollars, places them beyond let or hindrance from competitors elsewhere in the country.

Floating the stocks and bonds in overcapitalized transportation, traction, mining, and industrial corporations does not create wealth, but it does absorb capital. Through the agency of the great banks many millions of money belonging to the country banks have been tied up. When it has been needed and called for by the country banks it has been impossible to get it.

The reason for this is that so much money is tied up in stock gamblers' debts, and it is unavailable because the gambler can not convert his stock into cash upon the call of the bank.

On August 22, 1907, the last call before the panic, the New York banks owed the other banks of the country a net balance of \$410,000,000. The report for December 3 shows a reduction to about \$388,000,000. With all the pressure brought to bear on the national banks of New York, the other banks of the country were able to draw of their own money only a little more than \$20,000,000—only about 5 per cent of what belonged to them. They would not have been able to get this much but for the fact that the Government deposited about \$47,000,000 with the national banks of New York.

This bill provides for the deposit of reserve funds in the regional banks. This will prevent the concentration of reserves in New York. This is one of the best provisions of the bill, as it will lessen the amounts of funds to be used by the gamblers of Wall Street, which will have the effect of decreasing speculation, and thereby diminishing the probabilities of financial stringency and possible panic.

There was no serious impairment of bank resources during the panic of 1907; but there was a serious impairment of the confidence of the people in banks, because of their inability to meet the demands upon them, which was due, as I have suggested, to conditions on Wall Street.

RESERVES.

I am opposed to an arbitrary fixed reserve. Ours is the only great country that requires it. One of the evils of a fixed reserve is that it requires that the bank must hold a reserve of 15 per cent, which must either lie idle in the vaults of the bank or be sent to a bank in another section of the country. In either case the community that produced the money is deprived of the use of it.

The resources of a bank should be readily available and should be devoted to supplying the needs of the commercial community. Money was once defined as "a medium of exchange," but is now used almost altogether for reserve purposes upon which to build a system of credits.

The reserve lies idle. It can not serve the purposes of trade and commerce. It is a violation of law to use it. In times of panic there is a great scramble among the banks to build up reserve, which only tends to increase the intensity of the panic. By reducing the amount of reserve required and by keeping the reserves from concentrating in a few New York banks a decided improvement is made over the present system.

One inherent weakness of this measure is that the Government does not possess the power to put it into effect. It is altogether optional with the banks as to whether or not it shall become effective. If its provisions do not suit them, then the law is a dead letter. We may rest assured that unless the great money power believes that it is to its interest to enter the system that this law will not be put into operation. It seems to me that we might devise some laws that would do justice to the money power and at the same time see to it that the interests of the people are amply protected.

The powers of the Federal reserve board are very far reaching. No other board, official, or ruler ever was clothed with such authority. It has absolute control over the issuance of bank notes. Four of the seven members can say to whom these notes shall be issued. It is left to their discretion, and there is no power of review or court of appeal. It is with them to determine the welfare, happiness, and prosperity of every citizen of the United States. Discriminations can be made in favor of one bank against another or one section or community against another. I would prefer to have a law passed that does not give such large discretion to a few men. We must risk the honesty and good judgment of these men. If they prove unselfish, honest, and of good business judgment, it will be well; if not, we will suffer.

The world's history is full of instances of misplaced confidence, of ill-used power, of the betrayals of trust. In his message vetoing the bill to recharter the United States Bank he gave solemn warning against its powers in the hands of private persons and against placing any such powers in the hands of the President. He said:

In ridding the country of an irresponsible power which has attempted to control the Government, care must be taken not to unite this same power with the executive branch. To give a President the control over the currency and the power over individuals now possessed by the Bank of the United States, even with the material difference that he is responsible to the people, would be as objectionable and as dangerous as to leave it as it is.

This bill, however, is much better than the Aldrich bill, because it provides that the issuance of notes under Government regulation rather than by private or banking interests. While subject to the criticism just made of the possibilities of the abuse of power, yet it is less likely to come from governmental officials.

There ought to be some provision for elasticity of currency, and it could be made without the organization of reserve banks that require such a large capitalization. Under this bill every bank must subscribe an amount equal to its capital stock, one-half to be paid and the remainder subject to call by the reserve bank. This will take from each community a large per cent of its money, which can only be replaced by the number borrowing from the reserve bank. I would prefer to have money retained in the community where it belongs in order to serve the wants and needs of that community. In many sections of the country there is now a scarcity of money, and this subscription to stock the reserve bank will take away capital that is needed to develop the resources of those sections.

REFUNDING 2 PER CENT BONDS.

There are now outstanding about \$750,000,000 2 per cent Government bonds. It is proposed to refund these bonds, or at least those deposited by national banks with the Treasurer of the United States as security for circulating notes, into bonds bearing 3 per cent interest, payable 20 years after issue and exempt from all taxation. Some of these bonds are held by individuals. They are not given the privilege of refunding their bonds; it is only the banks that have the privilege. This is an unfair discrimination. It imposes an unjust burden on the taxpayers, as it will mean that it will cost the Government in interest on these bonds about \$125,000,000 more than it would have to pay on the 2 per cent bonds. It is simply a gratuity to the banks. I can not consent to any such proposition, and am opposed to this provision of the bill.

EXEMPTION FROM TAXATION.

The capital stock of the reserve banks is exempted from taxation, Federal, State, county, and municipal, except in respect to taxes upon real estate. I am opposed to this feature of the bill. The bank is organized and operated for profit, and no good reason can be assigned to show that the banks should not bear their share of the burdens of the Government, just as individuals do. The stock should not be taxed by the authorities where the regional bank is located, because its capital will be drawn, in some instances, from several States; but each member bank should pay taxes on the stock held by it.

EXCHANGE CHARGES.

The banks have raised serious objection to that provision of the bill pertaining to charges for exchange and collection of checks and drafts. There is good reason for this objection. This is a legitimate charge for service rendered. The Government requires the payment of a fee for its money orders, as do the express companies. If it is proper and legitimate on the part of the Government, it is equally so on the part of the banks. To refuse to allow such charges for the service is unjust to the smaller banks and will materially affect their profits.

INTERLOCKING DIRECTORATES.

Mr. Chairman, I have already called attention to the community of interests of a few great banking houses caused by interlocking directorates. I voted in the caucus to amend the bill so as to prohibit interlocking directorates. A resolution was passed deferring the matter at this time and instructing the Committee on the Judiciary to bring in a bill on the subject at the next session. Under the rules of the caucus I gave notice that I would vote in the House to amend the bill so as to prohibit such interlocking of directorates.

My connection with the Money Trust inquiry had convinced me that the system of interlocking directorates constitutes one of the strongest elements in the formation of the Money Trust. By such interlocking, a few men have been able to exert great influence in almost every line of industrial activity. It gives not only community of interest, but actual power of control of vast sums of money. They are able to dic-

tate to some of the largest moneyed corporations where their deposits shall be kept and with whom they shall do business. Having such control they have the power to keep down competition by refusing credit. Indeed, it virtually makes one great partnership, whose interest is to keep down competition and to kill off competition. There are many such instances.

The whole object of the system is to form combinations for the purpose of controlling big business, to utilize the money of the public, bank deposits, against the interest of the public, to engage in the business of creating pools, manipulating prices, and in many ways placing unjust burdens upon the people. I see no reason for delaying action against such a system.

Another reason why I favor action at the present time is that unless there is such a prohibition the Federal reserve banks will be organized with the system in full force. To permit this will simply mean that the Money Trust will organize some of the reserve banks and exert a very potent influence in the organization of others, and I fear that some of the good effects of the bill will be lost.

LOANS ON FARM LANDS.

Under the present law a national bank is not allowed to loan money upon real estate. This measure provides any bank, except those in reserve or control reserve cities, may loan on improved and unencumbered farm lands, but not more than 25 per cent of its capital and surplus. This provision is not of very much value, as at present there are about 25,000 banks, and over 17,000 of the State banks can loan whatever amount they choose on land, while only the national banks are prohibited from doing so. If all the State banks come into the system it will necessarily decrease the amount that can be loaned on farm lands.

AGRICULTURAL CREDIT SYSTEM.

The farmer receives less returns on his investment than any one else. In 1909 statistics show that the manufacturers had invested the sum of \$18,423,000,000. They employed 6,615,000 persons and produced \$20,627,000,000. The farmer had \$40,000,000,000 invested, while there were 12,500,000 persons employed in this work. In 1911 they produced only \$9,000,000,000.

The number of mortgages upon farm lands is increasing. In 1910 there was a mortgage indebtedness of \$3,460,000,000. Something must be done to alleviate this condition. In many of the foreign countries cooperative credit systems and rural banking systems have been inaugurated, which have proven beneficial to farmers. These systems provide for long-time loans at a low rate of interest.

The matter of interest is a question of great moment to the producing class, whose returns are both slow and small. Something ought to be done that will give them a lower interest rate. It is almost a tragedy that the speculator can get money at about one-half what it costs the merchant, the manufacturer, and the farmer. It is gratifying to know that an active interest is being taken in this subject and that the rural-credit systems of other countries are being investigated.

The toiler, the producing class, is the mainstay of any country. He is entitled to a just distribution of opportunity; and I know nothing better to be done for him than to lift from his back the unjust burdens that have been placed upon it by the selfishness and unscrupulousness of designing men, and to enable him to have a just action for his labor. Inaugurate some system that will permit him to obtain money at a lower rate of interest and the cry of "Back to the farm" will be answered, because he can pay his debts, improve the farm and thereby make life more interesting and attractive.

Mr. Chairman, if this bill does what its proponents claim, it will bring a large measure of relief. It will improve financial conditions very much. However, its effects will be alleviative rather than preventive. There is a cancerous growth upon the body politic and currency reform will not eradicate the evil. This is not said by way of criticism of the bill; but simply to say that it is only one of the remedies to be applied. War must be waged upon the trusts and combines, speculators must be prohibited from gambling in commodities, by which incalculable harm is done to the producer, the power of the Money Trust must be broken so that we may be both politically and economically free. If such warfare is successfully waged, this Government, which is the best "that ever rose to animate the hopes or bless the sacrifices of mankind," will be filled with a happy, contented, and prosperous people.

Mr. HAYES. Mr. Chairman, I yield 10 minutes to the gentleman from Oregon [Mr. LAFFERTY].

The CHAIRMAN (Mr. BRUMBAUGH). The gentleman from Oregon [Mr. LAFFERTY] is recognized for 10 minutes.

Mr. LAFFERTY. Mr. Chairman, the section of the pending measure which appeals most strongly to me is the last one,

which provides that "the right to amend, alter, or repeal this act is hereby expressly reserved."

By this bill the bankers of the country will be able to inflict upon us the present system of highway robbery a little bit more humanely than they are doing it at the present time.

The gentleman from Kansas [Mr. MURDOCK], in one of the ablest speeches ever delivered upon this floor, expressed my views exactly upon this and the other questions upon which he touched. The bill is a palliative and is not a remedy. It is but the shortest kind of a step in the right direction. I shall vote for it for that reason and not because it gives the American people anything like the full measure of relief to which they are entitled.

Is it not astonishing that nearly every Member who has talked on this measure has apologized to the House because he did not know anything about it? The secret of this wholesale confession of ignorance lies in the fact that our monetary system is being conducted in a strange and unnatural manner and not because the subject would be involved or intricate at all if dealt with upon the most elementary principles of honesty and fairness.

Let me give a few figures to show how the public is being literally robbed by the banks. The banks of the United States own all told approximately \$1,500,000,000. They have deposits of the people's money amounting to \$17,000,000,000. Yet the total stock of money in the United States is only \$3,500,000,000. Think of it! The banks have "on deposit" and loaned out at interest, of course, more than five times as much money as there is in the United States and more than ten times as much as the banks themselves own.

You have heard of the man who lived off of the interest of what he owed. The banks are creating swollen fortunes by that very process. They owe the people \$17,000,000,000, and they have this loaned out at 8 per cent.

Talk about doing business on a shoe string! That is exactly what the money power of this country is doing. No wonder it is under a continual strain; no wonder we have money panics.

The process by which panics come about is simple. A national bank opens up for business with \$1,000,000 capital stock. Soon it has deposits of \$10,000,000. The latter it loans out, except the small "reserve" of 15 per cent if a country bank or 25 per cent if a city bank required to be held in its vaults by law. One-third of its depositors conclude they want their money for some reason or other. They can not get it. The bank has not got it. The result is a panic or a bank failure.

What is the remedy proposed by this bill? It is to permit the banks to pledge in the hands of a Federal reserve agent the notes of those to whom it has loaned the people's money, whereupon the Government of the United States will issue to the bank Treasury notes to the full amount of such securities, provided that instead of holding a reserve of only 15 per cent or 25 per cent, as is required to protect private depositors, the Federal reserve banks must maintain a reserve of 33½ per cent to redeem these Treasury notes. This gives to the banks the right to immediately pay out two-thirds of the Treasury notes received from Uncle Sam, which would, of course, enable them to pay off their depositors requiring their money. In this way panics are to be prevented. It will do the work. I concede this bill will prevent money panics. But it permits the money-lending classes to continue to collect unearned millions from the farmers and laborers of America annually, just as they have been doing in the past, through the 8 per cent method, which is usury.

Do you ask me what the real remedy is? I answer it is to provide a real asset currency and not a halfway asset currency, based not upon loans to bankers at one-half of 1 per cent, as this bill provides, but based upon real estate mortgages and Government bonds deposited with the Government as security for the issuance of an asset currency to the farmers and investors of this country at a fair rate of interest, say 3 per cent or 4 per cent, whereby the finances of America would be placed upon the most prosperous and stable basis in its history.

There should be a currency adequate in amount to do the business of the country. The wealth of the United States is \$125,000,000,000. Our total money supply at present is only \$3,500,000,000, which is less than 3 per cent of the Nation's total wealth. That is why, with bountiful crops and factories running at full capacity, it was possible to have a panic in 1907. There is not money enough to do the business of the country. The clearing-house transactions last year were \$168,000,000,000. The transaction of this gigantic volume of business with only \$3,500,000,000 is equaled nowhere, to my knowledge, except on

the occasion when our Savior fed 5,000 men with 5 loaves and 2 little fishes.

How easy it would be for this Congress to provide an adequate currency for the American people and at once bring interest rates down to 3 or 4 per cent if it only wanted to do so.

I will explain how this could be done. Our national debt is approximately \$1,000,000,000. We could provide by law for the refunding of this debt, the paying off of the present bonds, and the issuing of new bonds to the public, with the provision that any person depositing one of the bonds as security should have the right to borrow Treasury notes for the full amount, not at one-half of 1 per cent, but at 3 per cent. We could make these Treasury notes redeemable in gold or its equivalent at the Treasury of the United States. Just as the Treasury notes we are by this bill loaning to the bankers, on security not so good, are to be redeemed. The citizen borrowing the money would put it in circulation, and when he wanted to redeem his bond he could do so with any notes of similar character or other lawful money.

Mr. MURDOCK. Mr. Chairman, will the gentleman yield right there?

Mr. LAFFERTY. Certainly.

Mr. MURDOCK. Is not that proposition just exactly what we do for the banker to-day?

Mr. LAFFERTY. It is exactly the same.

Let it not be forgotten that we now have loaned to the bankers nearly a billion dollars' worth of Treasury notes, secured by the deposit of United States bonds, and the bankers are not paying one cent of interest for this gigantic loan. It may be said that they are paying indirectly 1 per cent interest, because the bonds with the circulation privilege pay only 2 per cent interest, whereas the banks could have bought bonds paying 3 per cent interest had they not desired this circulation or loan privilege. But at most it can only be said that the banks are now paying the Government 1 per cent interest indirectly for a loan of nearly a billion dollars, and all these bonds could be refunded and loans provided for directly to the people at 3 per cent upon their deposit as security.

But this is only one method of supplying asset currency to the public at 3 per cent which would be as good as gold.

The other law that Congress should pass is this: The agricultural lands of the United States, exclusive of houses and improvements, are worth \$30,000,000,000, or nearly one-third of the total wealth of the United States. We should pass a law authorizing the Federal Treasury to loan Treasury notes to the farmers at 3 per cent up to one-half of the value of their farms, thereby making the security the best in the world, and in that way plenty of money would be put into circulation. These Treasury notes should be identical in terms with those we are now loaning to the banks at one-half of 1 per cent, to wit, redeemable by the United States Treasury in gold or its equivalent. That would preserve the gold standard, would prevent any inflation or fiat money, and would take out of the clutches of the money changers nearly 100,000,000 honest, hard-working American people for whom we are supposed to be legislating.

The farmers are now borrowing approximately \$8,000,000,000 from the bankers, and are paying interest annually amounting to \$500,000,000, which is equal to the value of the annual wheat crop. The annual interest paid by the farmer to the banker is more than the cost of the Panama Canal. It amounts to \$5 per capita of the population of the United States. This interest charge does not fall altogether upon the farmer. He adds it to the cost of his products and the consumer in the city indirectly pays it. This accounts for a large part of the high cost of living.

Many other countries, including Australia and New Zealand, are now loaning money to farmers at 4 per cent and 4½ per cent. Prior to the passage of the farm loan law in New Zealand the farmers were paying 8 per cent. Following its passage the rate went down at once to 4 per cent and 4½ per cent. We should not forget that we have much to learn from these new countries. We got the Australian ballot, our best weapon in behalf of pure government, from Australia. And both Australia and New Zealand preceded us in the great reform of equal suffrage.

Suppose the following question was submitted to a referendum vote of the American people:

Shall we loan Treasury notes without limit to the bankers at one-half of 1 per cent on commercial paper of questionable value, or shall we loan these notes to the farmers and investors of this country upon Government bonds and 50 per cent agricultural land mortgages, at 3 per cent?

Does any Member of this House doubt what the answer would be?

This is not socialism. It is what will prevent socialism. But I am for laws for the public, no matter from what party they come.

New Zealand is making a profit of millions by loaning to farmers. America could build all needed rural roads with the 3 per cent interest profits.

Many of the countries of Europe aid the farmers by loans. It is one method of insuring the national food supply. In this country it would mean a back-to-the-farm movement, which is so much to be desired.

I also favor loaning city dwellers United States Treasury notes upon their homes upon the same terms. Real estate in a highly improved country like ours is the best security in the world. [Applause.]

Mr. HAYES. Mr. Chairman, I now yield 15 minutes to the gentleman from Michigan [Mr. J. M. C. SMITH].

The CHAIRMAN (Mr. GARNER). The gentleman from Michigan [Mr. J. M. C. SMITH] is recognized for 15 minutes.

Mr. J. M. C. SMITH. Mr. Chairman, I must not claim to be authority on finance, because I can not present myself as an exponent of great success in that particular adventure. Neither do I claim to excel in banks or banking, but just at this particular time the subject of our banking and currency laws is receiving public attention, and it is soon to be acted upon by this body. This may be my excuse for asking your indulgence for a few minutes to consider some of the features of our financial system. Banking, you know, as carried on in a small town is the science of receiving the money of one man and loaning it to another.

Our banking and currency laws have for a long time engaged the attention of this and other sessions of Congress and been a subject of much consideration by the financial institutions and financiers of our country. Of vital and prime importance to all the people, the producer and consumer, the employer and employee, this question also directly affects the prosperity and welfare of our Government itself. From the formation of the Republic to the present time a correct system of finance, banks, and banking has received marked attention from our ablest statesmen and thinkers. It at first engaged the attention of Hamilton, Albert Gallatin, later of Jackson, Lincoln, Chase, and other men of note and national renown. In an uncertain state it is present with us to-day in a complex form, and we can not and do not underestimate the financial policy of a great Nation. To maintain our standing among the nations of the earth our money and currency must be of standard value the world over—sound as our statutes, stable as the Government, and pure as the flag. It must have the confidence of the people. It must do justice to the capitalist, manufacturer, merchant, farmer, and to the laboring man. It should be well regarded, approved, and recommended by all, with no partiality shown to any class, and at all times and under all conditions flow unhampered and unrestrained through the channels of commerce. It should be such a system as will place our country on the highest pinnacle of sound finance and, like our Constitution, serve as a model for all nations.

Mr. Chairman, it is said that ours is the worst banking system in the world, and while I have not given full credence to that statement, I have long thought it could be improved. Some of the defects are patent and other criticisms eliminate themselves into such deep channels of scientific investigation and research as to border on the mysterious or lose themselves in the imagination. It is a complete science and should contain no uncertain element.

Criticism of our present national banking system is made by some because it was established as a war measure. That it performed a noble mission none will deny.

Many of the older people here to-day know by actual experience the condition of the country's banks and its currency prior to their establishment. All was confusion, all was chaos, and one taking a wildcat bank bill needed to be ready to start to get it cashed before the bank went out of existence. This was all changed by the creation of the national banks, and while a few have failed, it can well be said that for the volume of business transacted and capital employed the losses sustained through them are but a fraction of 1 per cent. Can any other kind of business make this good showing? Safe and sound is the rule; kind and courteous is the treatment. Millions upon millions are paid into the banks to be called for and paid when wanted, the bank doing its full share in establishing confidence between man and man. All this business is transacted with the regularity of a clock and upon a margin so small that it would be hardly noticeable in the management of many other kinds of

business, and, generally speaking, the same is true of all our State banks, savings and trust companies. Their affairs are given the fullest publicity, and I think the time will come when publicity will have its application to many of the quasi-public organizations of our Government, and if by that means watered stock and fictitious values be eliminated better results will follow.

"I am in favor of a United States bank," said Lincoln. The national bank came into existence at the time of the Rebellion, gave him great aid in his mission, and since, dotted thickly among all the people like good neighbors, have fulfilled a useful mission. Banking is not making money; it is safeguarding money; and when banks were first established they charged a fee for keeping it.

The national banks of our country do not by any means have a monopoly of the banking business, and I insert a table of the Treasury Department showing that on June 14, 1912, of the financial institutions doing a banking business 17,823 were State banks, stock saving banks, loan and trust companies, mutual savings banks, and private banks, while there are only 7,372 national banks, and that of the total deposits the national banks had only \$5,825,400,000, while there were deposited in the other banks and trust companies the sum of \$11,198,603,800. The table shows that the reserve of the national banks was 17 per cent and the combined reserve of the others was 5.1 per cent.

Statement relating to the number, capital, individual deposits, and reserve (cash on hand) of national and other banks on June 14, 1912.

Class.	Number.	Capital.	Individual deposits.	Reserve.
National banks.....	7,372	\$1,033,570,600	\$5,825,400,000	\$996,142,800
State banks.....	13,381	459,067,000	2,219,977,000	241,756,000
Stock savings banks.....	1,292	76,871,000	842,897,800	29,266,000
Loan and trust companies.....	1,410	418,985,000	2,674,578,000	182,151,000
Mutual savings banks.....	630	3,608,657,000	16,186,000
Private banks.....	1,110	22,348,000	152,494,000	7,450,000
Total.....	25,195	2,010,841,600	17,024,003,800	1,572,951,800

In adopting our financial laws or a financial policy we should avoid all chance or even experiments that are of an uncertain nature, hold fast to those principles that have been found to be wholesome and sound, and upon their basis rear a structure that will last with time, permanent in its character, and accomplish the purposes intended. To accomplish this we should first determine without question the defects of our present system and what constitutes safe banking and sound currency. Very little complaint is made about our standard of currency. Our credit, which often takes the place of money, is high and is firmly established in the public confidence and integrity. It was by credit that we established our independence, for we had little or no money at the time of the Revolutionary War. Credit was used freely and played a prominent part in carrying on the War of the Rebellion. And now nothing should be permitted that will cause or tend to cause our commercial credit at home or abroad to be tarnished. To impair our public faith is to invite public disaster. Embarrassed commercial integrity weakened the federation of the Colonies, but was fully restored by the confederation of States. One of the reasons that our Republic holds an exalted position among all the nations of the earth is that it has always kept its faith, its promises, and its credit, not only to the letter but to the intent and purpose as well. And I say without hesitation and fully realizing that this statement is counter to high authority that the best standard of money is gold, not because gold has an intrinsic value, not because gold of itself is the best money, but gold is used as money by the nations of the globe. Money is the representative of value and the medium of exchange, barter, and trade. Its value depends largely upon public confidence, the ability of the Government to make it good, and the willingness of the people to receive it and exchange their commodities for it. Our money to-day is good the world over, and no thought of impairing its value is exhibited in the bill.

Government, State, and county bonds are good upon which to base a currency as long as the credit of the Government, State, and municipality is sound and solvent, but who would want his fortune or the money received for his products or toil based upon the bonds of a nation when that nation is threatened or devastated by war? And in very recent years some of the great nations of the earth have had their very existence so threatened by war and invasion that their bonds would be poor security for sound currency or anything else. A staple currency good to-day and to-morrow, good in all kinds of peril, good at home and abroad, must have its feet resting on a safe and sufficient staple standard reserve, and in the present bill

I take it that the board of control will see to it that at all times all currency issued will be upon a safe reserve.

The general stock of money in circulation on August 1, 1913, in the United States, according to the statement of the Treasury Department issued on that day, was:

Gold coin (including bullion in Treasury).....	\$606, 015, 613
Gold certificates.....	1, 000, 560, 414
Standard silver dollars.....	72, 173, 431
Silver certificates.....	470, 578, 117
Subsidiary silver.....	155, 408, 145
Treasury notes of 1890.....	2, 640, 639
United States notes.....	338, 623, 763
National-bank notes.....	710, 891, 001
Total.....	3, 356, 891, 123

On August 1, 1913, there were outstanding \$750,393,191 of national-bank notes, of which amount \$47,402,190 were in the Treasury for redemption purposes, leaving \$710,891,001 in circulation. There were held in the United States Treasury in trust for the security and redemption of the national-bank notes August 28, 1913, \$742,101,800. In bonds, as follows:

Loan of 1925, 4 per cent.....	\$33, 921, 700
Loan of 1908-1918, 3 per cent.....	22, 246, 200
Consols of 1930, 2 per cent.....	604, 073, 900
Panama, of 1936, 2 per cent.....	52, 962, 860
Panama of 1938, 2 per cent.....	28, 897, 140
Total.....	742, 101, 800

How to retire and cancel this vast sum of \$750,393,191 of national-bank notes is one of the many large and difficult problems contained in this bill. The scheme presented in the report of the committee is to retire the bonds against which these were issued and give 3 per cent bonds to the bank in the place of the bonds deposited by the bank with the Treasury to obtain and secure national-bank notes for circulation. The national banks paid gold or money interchangeable for gold, as good as gold, for these United States bonds with the currency and circulation privilege. They paid not only par, but more than par for them, because of the currency privilege. The committee in its majority report say that without the currency privilege these bonds would be worth only 80 cents on the dollar in open market. The report says:

The ownership of bonds has thus inflicted a severe loss upon holders already, and something like \$30,000,000 has, according to the Comptroller of the Currency, been "written off" by the banks and must be regarded as one of the costs of carrying the note system at present in use. There is general agreement that if the circulation privilege were to be taken from the 2 per cent bonds—or, what is the same thing, if a new system of note issue were to be established which would practically displace the present system—the twos would deteriorate to a price not higher than 80.

But this is not the sole effect of changing our system of issuing bank notes or currency. The cancellation of \$750,000,000 and upward of the money of the country is so marked and would be so violent if done at once that of itself it would invite disaster. So the committee has provided that only one-fifth of the bonds held for circulation can be refunded in any one year, thereby cutting the dog's tail off a little at a time so it will not hurt so much. Instead of creating more money or a greater volume of money the act provides for eliminating so much of the money we already have in the country and substituting only a privilege in its place. To retire this vast amount of notes in this manner by law smacks of confiscation. The Government has the gold that the banks paid for these bonds. It is now proposed to refund the bonds. Then why not pay back to the banks either the gold paid for the bonds and redeem them or currency based upon that gold? This would look equitable, or leave it to the owners of the bonds to take pay in 3 per cent bonds. Since this bill was first filed the 2 per cent bonds shrunk in value for the first time in the history of our country to below par, and entailed a loss upon the holders of \$30,000,000. But, Mr. Chairman, let us take another feature of the bill; and that is, what reform does it seek to bring about and enact? If you are sick, you call a physician; he diagnoses your case and finds out what is the matter with you before administering any medicine or giving you treatment. So, before undertaking to legislate upon the important subject of banking and currency and enacting it into law, we should be certain of the need of such legislation and the effect it will have upon the country, the currency, and the banks. It is urged as a necessity for banking and currency legislation that our currency is too rigid, that it should be more elastic and respond more readily to the need and requirements of trade, and automatically appear and retire when needed and not needed. The committee report:

The bankers who urged the creation of an asset currency and the public men who recommended the issuance of additional United States notes or Treasury notes, whether protected or unprotected, were fundamentally alike in their belief that the whole trouble with existing banking lay in a difficulty in securing proper supplies of currency when needed and of withdrawing them when not needed.

And as an example the whole argument is based upon the great need of money during the period for moving the crops. Upon the face it does not seem needful to change over our whole present banking system and create more banks and turn over the control of the banking system of the United States to a control board to make our currency more elastic or to move the crops. Recently we have been shown an example of elastic currency and the use of it for crop moving, and if anyone knows of any crops to move and will report the same to Mr. McAdoo, Secretary of the United States Treasury, I am sure he will find plenty of funds available for moving the crops. Recently this official placed in the banks of the city of Washington, D. C., \$600,000 to move crops, and double this amount in the city of Baltimore, while large amounts have been distributed throughout the United States, if we can rely upon reports; and when depression threatened and money on call in New York City commenced to climb upward, then it was that the Secretary of the United States Treasury made the announcement that there were in the Treasury printed and ready for use \$500,000,000 of emergency and elastic currency, and that he would deposit it in the banks to prevent a crisis if need be, and the rates went down and the threatened financial depression subsided. Here we have emergency and elastic currency and the machinery at hand to use it when need be. This shows that emergency currency can now be issued under the Vreeland Act, and in that respect the present act seems to bear a close resemblance to the provisions of the Vreeland Act.

Suppose, for some reason or another now unknown or unseen, the Government should withdraw its deposit, just as Jackson did in 1833? What then? Or the scheme does not work out well and an election should be held upon the issues of repealing this act, and a majority is elected favorable to that issue. What then? To me it would have been better to amend our present banking laws by giving vitality to elastic currency as the first step. This can be done by allowing the Secretary of the Treasury to accept Government and other State, county, and municipal bonds for currency, the same as he does now for Government deposits and deposits of postal-savings banks for currency, and in times of crisis or panic accept bills of exchange and standard commercial paper for currency. The bill should contain, in addition to the provisions for loaning on farm mortgages and the establishment of a savings department, the further right to form associations for a system of farm credits.

This can be done without creating a great central bank, which President Jackson knocked into a proverbial "cocked hat" because of the great power it would place in the hands of a few men. Here it is proposed to place the power of controlling the banks and the money of our great Republic in the hands of seven persons acting as a control board. If any provision of the Aldrich Monetary Commission Act was criticized, it was the one creating and intrusting the management of our national finances to a board of control. By the terms of this act the board is to consist of the Secretary of the United States Treasury, the Comptroller of the Currency, and the Secretary of Agriculture, ex officio, with four other members appointed by the President and confirmed by the Senate. The Aldrich Act provided that the board of control should consist of a governor, two deputy governors, the Secretary of the Treasury, the Comptroller of the Currency, the Secretary of Agriculture, the Secretary of Commerce and Labor, and 15 members to be elected by the branch banks, who shall represent the agricultural, commercial industries, and other interests. In the creation of this board there is no improvement over the Aldrich system.

Mr. Chairman, the bill contains the provisions of law for a system of banking and currency. New banking and currency laws have been wanted and needed for nearly a generation. The people expect currency and banking legislation, but that this bill if enacted into law will meet with great favor is very problematic. As for me I would prefer to amend our present law by extending and enacting into law the provisions of the Vreeland Act or similar provisions for issuing currency upon safe governmental, State, county, municipal securities and bank assets if panic threatened or in times of crisis. Why not? The Government now takes State, county, and municipal bonds as security for United States deposits and deposits of postal savings banks. It is the inherent sovereign right of the Government to coin and issue money. Why turn this right over to the dictates of a board of seven members? Again the change involves the deposit of the Government money not in the United States Treasury, but in the banks without security. Now no Government money is deposited in any bank without security. The transfer of \$220,000,000, or a considerable part of this amount, from the Treasury of the United States into any bank is something of an adventure. But the bill permits national

banks to have a savings department and to loan money on real estate, and when it is finally enacted into law it is hoped it will meet with and receive the approval of the people. The name is immaterial. It makes no difference by what name it is called. If such a system is to be adopted, let it be the greatest financial system known to the world in modern times, yielding to the demands of the people and with none other than the needs of all the people and the Nation to subserve. [Applause.]

Mr. PHELAN. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill H. R. 7837, and had come to no resolution thereon.

ENROLLED BILL SIGNED.

Mr. ASHBROOK, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bill of the following title, when the Speaker signed the same:

H. R. 7595 An act providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition, and for the protection of foreign exhibitors.

LEAVE OF ABSENCE.

Mr. CARTER, by unanimous consent, was granted leave of absence for 30 days, on account of service on the Joint Commission to Investigate Indian Affairs.

RECESS.

Mr. PHELAN. Mr. Speaker, I move that the House do recess until 8 o'clock to-night.

The motion was agreed to; accordingly (at 6 o'clock and 30 minutes p. m.) the House stood in recess until 8 o'clock p. m.

EVENING SESSION.

At the expiration of the recess the House resumed its session.

CURRENCY.

Mr. BULKLEY. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the further consideration of the currency bill, H. R. 7837.

The motion was agreed to.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 7837) 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 of banking in the United States, and for other purposes, with Mr. GARNER in the chair.

Mr. BULKLEY. I yield 10 minutes to the gentleman from Connecticut [Mr. KENNEDY].

Mr. KENNEDY of Connecticut. Mr. Chairman, within the limited time at my disposal I can only consider a few of the sections of the banking and currency bill. So much has been said by the gentlemen who have already spoken on the bill that it leaves very little unsaid. I will try to put what I have to say in as few words as possible in the hope that I may add a little to the many brilliant arguments that have been made on this bill. I am in favor of the bill now before the House, because I believe a change in the currency system of the country is absolutely necessary, and the change should be made at this session. It is claimed the President is taking a keen interest in currency reform; he is criticized by some for his activity, but we must all admit he is free from corporate influences or the influence of the moneyed interests of the country, a man who is known to all the people as being absolutely fearless, working for the interests of the whole country.

I represent one of the large manufacturing and agricultural districts in Connecticut, and I believe that this bill will meet the needs of the manufacturers, business men, farmers, and the laboring men. Financial experts have been puzzled for many years trying to suggest a reform, and have presented several bills that in their judgment are most needed in our banking and currency laws. All of them failed. But there is no question that the present bill will meet the requirements. If it is passed by this Congress, there will be no financial panics, because all the people will receive benefits under the new system and will have confidence in it; and, further, because it will be next to impossible to create any artificial stringency by manipulation of the money market. From my study of the bill the most important things—the interest rates, the volume of currency, and extensions of credit—will all be controlled in the interests of

the public by a Government board. There will be no ground for the fear and distrust which usually brings on panics, because everybody will know there is enough money to go around and that enough credit will always be available to meet all legitimate needs.

Of all the public questions now before the people it is probable the average man or woman knows least about the financial question. So it is with you and with me and with 99 out of every 100 people you may meet upon the streets. But that is only another reason why the country should be educated to know good currency legislation from bad currency legislation. Some objections have been made that the present bill gives too much power to one man, and that we may some day have a man in the White House who is not as honest as the present occupant, and that he may appoint members of the board in favor of the bankers and against the people. The answer to this objection is the President appoints the members of the board, but the Senate must approve of said appointments. The people can trust the President.

Under this bill the working man will always get his pay in Government currency as good as gold and he will not be asked to accept clearing-house checks or other credit substitutes because all employers will always be able to get the currency which their business justifies.

The small business man will be able to borrow at a lower rate and to secure more adequate accommodation, because the banks will feel more free to invest in the commercial paper of local communities, knowing that they can immediately realize on this paper by rediscounting it, whenever they need to do so. The small banker will be able to do business directly with the Federal reserve bank, where he will have the same facilities as the big bank. He will be freed from his dependency upon the big banks and be able to serve his customers according to his own judgment, subject only to reasonable supervision by the Government board. It will give to the small bankers the same security it gives to the small business men, and must tend to stimulate competition in commerce and industry, and this competition in time can not fail to give lower prices to the consumer and more employment to the producer.

In fact there are several good features in this bill that appeal to me, but time does not permit me to enumerate all of them. Some of those that have struck me most forcibly are the sections forbidding any bank examiner from accepting a gratuity. Also the prohibition against an officer or director of a bank receiving any benefits directly or indirectly, or any fee of any kind in connection with loans.

Mr. McKENZIE. Will the gentleman yield?

Mr. KENNEDY of Connecticut. I can not; I have not the time. This is a great protection not only to the bank but also to the public. It prohibits directors from making money on loans that they will later have to pass upon and which would necessarily influence their judgment in favor of the person requesting the loan. The bill will operate to extend a bank's reserves, and will prevent the throwing of securities upon the market to maintain credit. It can not cause inflation of the currency. Reserve money will be held to work and the banker can lend it over and over again. Under our present currency laws it is impossible for the banks to do all the business that they will be able to do under the proposed change.

I have been informed the Secretary of the Treasury has been receiving hundreds of letters a day for the past month from all sections of the country and from all classes of people, manufacturers, farmers, merchants, miners, some bankers, and practically all of them are in favor of currency legislation as embodied in this bill. All of these letters have expressed general approval of the many features of the bill, especially that part relating to Government control. Control must be placed somewhere, and the great majority of these letters say that it is far preferable to have this control in the hands of Government officials rather than in the hands of private parties. The only objections we hear are those of a few of the big bankers who are directly affected by the bill. These men have always been in control of the finances of the country and naturally object to losing such a marvelously good thing.

Another good feature of the bill, especially to agricultural communities, is the provision made in the savings department of banks for loans on improved farming lands. This is a brand-new thing for national banks, and it will tend to keep the people's money in the places where it is owned and not concentrate so much of it in one place, while it prohibits the loaning of bank deposits for purposes of speculation in stocks and bonds. But the best feature of all is the governmental control of the national banking system.

An understanding of the nature of money and banking is necessary to a full comprehension of this big question. Money

is coin, and money is the measure of value. That is one of its chief functions. Money may also be a medium of exchange, and that is another important function, but in most transactions money is not used, for more than nine-tenths of the business of the country is done by exchange of property without the use of money in any other way than as a measure of value. This is accomplished by means of credit and the banks and clearing houses. Banking is not dealing in money, as is supposed by many people, but it is dealing in debts. A commercial bank is at one and the same time a manufactory of credit and a machine for the transfer of the ownership of property without the use of money.

This question of credits naturally leads to panics and the cause of panics. Great effort was made to minimize the importance of the recent panic by saying it was "only a bankers' panic." It is unnecessary to consider the many causes assigned for the panic. The assertion that it was a bankers' panic, coupled with the conduct of the Republicans in power at the time, is an admission of the weakness and unreliability of our present banking and currency system, for which that party is responsible. In the midst of the panic the long session of the Sixtieth Congress convened. The party in power was wholly unprepared to meet the situation, so it presented the makeshift Vreeland-Aldrich bill, and resorted to the worn-out expedient of a commission, to which the whole subject of banking and currency reform was referred. The panic of 1907 did not arise from any fear that savings banks were unsound, but from the fear that bankers had that banks might be unsound.

This brings us to the necessity for absolute confidence in the currency laws. The power to manufacture credit explains the apparently impossible fact that the banks of the country have on deposit right now more than \$13,000,000,000, which is more than four times as many dollars as the country has altogether, and thirteen times greater than the number of dollars actually held by the banks in their vaults. It is clear that these deposits are not made up of dollars, but of promises to pay dollars. These promises of the banks are evidenced by entries in pass books.

The pass book is a certificate of deposit. These bank promises are transferable by check, and it is by transferring these promises from one to another by checks in payment of bills that the great bulk of the business of the country is done, and done without the use of money. The banks issue promises to pay money on demand, and the holders of the promises check against the promises in settlement of bills. These checks in most cases are deposited in the bank. In a city like Washington or New York, each bank receives for deposit many checks on other banks. These checks are cleared through the clearing house daily. There each bank trades the check it holds against the other banks for the checks they hold against it, and the difference between the sum total in each case is settled in money. In other words, it is a matter of bookkeeping. The checks are drawn against credit at the bank to pay for goods or services, and the checks are paid by an exchange of the checks by the bankers at the clearing house.

In still other words, the bankers say to each other: "You give me the checks you have on me and I will give you the checks I have on you, and we will pay the difference either way in money." It is nothing more than an extension of the plan of settling bills between merchants who present each other with bills at the end of the month and check one bill against the other, and pay the difference in money. The same thing could be accomplished by the merchants giving checks to each other, and allowing the bankers to exchange the checks between themselves. It is an exchange of property without the use of money in either case.

Confidence therefore plays an important part in any currency system, but confidence is not everything. In the recent campaign Mr. Taft said: "Confidence is everything." But that is exaggeration. It is all too well known that confidence may be misplaced, and when it is misplaced it is a bad investment. There may also be a lack of confidence without reason, and when that is the case it is a very bad investment. An unreasonable lack of confidence leads to panic, and a justifiable lack of confidence adds to the panic the additional hardships and sufferings that flow from an abuse of credit. The panic falls on all alike, the innocent as well as the guilty, the thrifty and the unthrifty.

The CHAIRMAN. The time of the gentleman has expired.

Mr. GLASS. I yield to the gentleman five minutes more.

Mr. KENNEDY of Connecticut. Under the proposed new system panics will be impossible, because panics are based upon financial fear, and the fear itself is based upon the idea that those entitled to it may not be able to get money when they

want it. Under this bill, as I understand it, anybody actually entitled to it can get currency, and therefore no man with a deposit in bank need be afraid that the bank can not furnish currency if it is honestly and efficiently conducted. This will in turn prevent runs on banks and in preventing panics will also prevent unfair and undue contraction of credits with its consequent paralyzing effect on business and on the productive energies of the Nation. Business enterprises will have a stability unknown in the past history of the United States. Men will not be thrown out of employment wholesale throughout the country by the fright of financial and commercial panic, but finance and commerce will become steady. Men will be regularly and systematically employed. Men will not be ruined by violent and abrupt changes of values. Hundreds of thousands of men will not suddenly be thrown out of employment during these national waves of depression. There will be no national waves of depression nor undue feverish buoyancy. The consequence will be that the national energies of our people will be employed upon a firm basis that will be continuous.

One of the fundamental changes proposed under this bill is the establishment of the 12 reserve banks. The duties of these reserve banks will be to receive all capital subscribed by member banks. This would amount to not less than \$100,000,000. After the banks are started they will hold \$100,000,000 of reserves furnished by the national banks of the country and after 14 months up to \$400,000,000 of reserves. These reserve banks will also handle the current funds of the United States, amounting to from \$150,000,000 to \$200,000,000, thus making a total of about \$700,000,000 to back the new system.

The advantages to the banks of the country are so decided I can not conceive of any thoughtful bank not taking advantage of the opportunity. The advantage to our ordinary business man, as I have pointed out before, is very much greater than that to the bank, because it enables the man who is entitled to credit to obtain credit and will prevent a shrinkage of his assets by periods of financial stringency. It will also prevent his being forced into liquidation unjustly at times when he can not realize a fair value on his assets.

A few of the big banks of New York have felt inclined to insist that they should have the right to control the new system, because they think they understand the banking business better than other men. When the Interstate Commerce Commission was established the railroads were urgent in demanding representation upon the commission because it vitally affected them, but it would have been just as absurd to give the railroads control of a governing commission whose duty it is to require the railroads to deal justly with the people of the United States as it would be to give the banks control of the currency system of the country. Who will claim to-day that the railroads should be represented on the Interstate Commerce Commission?

Other great advantages to the banks under the proposed new system is that it will mobilize their own reserves and permit the surplus reserves of one bank to be made available for use by other banks by being put in a common fund available for rediscunts for the accommodation of banks needing such assistance. It will prevent a bank from being suddenly embarrassed by a run upon the bank, as such a bank would be able immediately not only to use its own reserves but would also be able to discount a large volume of its assets in the form of commercial paper and thus meet any sudden demand. In addition it could negotiate other loans by permission of the Government board, so that a sound bank could meet any unexpected demand in the form of a run or extraordinary financial pressure.

One of the great reasons, and an unanswerable one to my mind, for a change in our currency system and in favor of the present bill is the undoubted existence of a Money Trust sometimes called a "credit trust." There is no question that a Money Trust does exist in this country. No matter under what name it passes, I believe there is such a combination or concentration of credit in the United States to-day, and this bill will do more than any other thing ever attempted by any Congress in the history of the United States to strangle the Money Trust monster. The great opposition to currency legislation has come from the terrific power of this Money Trust which has been exerted to its utmost to check any legislation at the outset. To the thinking man, the very fact that these people strenuously object to this bill or in fact to any kind of currency legislation that will take the control from their hands, is sufficient to class it as the most desirable piece of legislation that could be enacted. Anybody who has studied the reports of the recent investigation by a House committee regarding the concentration or control of money and credit must come to the same conclusion, that there is a money trust or credit trust, and that we must control it or it will control us.

To prove this statement I quote below from the findings of this committee:

The concentration of control of money and credit has been effected as follows:

First. Through consolidation of competitive banks and trust companies, which consolidations in turn have recently been brought under sympathetic management.

Second. Through the same powerful interests becoming large stockholders in competitive banks and trust companies. This is the simplest way of acquiring control, but since it requires the largest investment of capital, it is the least used, although recent investments in that direction for that apparent purpose amount to tens of millions of dollars in present market values.

Third. Through the confederation of possibly competitive banks and trust companies by means of the system of interlocking directorates.

Fourth. Through the influence which the more powerful banking houses, banks, and trust companies have secured in the management of insurance companies, railroads, producing and trading corporations, and public-utility corporations, by means of stock holdings, voting trusts, fiscal-agency contracts, or representation upon their boards of directors, or through supplying the money requirements of railway, industrial, and public utilities corporations and thereby being enabled to participate in the determination of their financial and business policies.

Fifth. Through partnership or joint-account arrangements between a few of the leading banking houses, banks, and trust companies in the purchase of security issues of the great interstate corporations, accompanied by understanding of recent growth—sometimes called "banking ethics"—which have had the effect of effectually destroying competition between such banking houses and trust companies in the struggle for business or in the purchase and sale of large issues of securities.

The powerful grip of these gentlemen is still upon the throttle that controls the wheels of credit, and upon their signal those wheels will turn or stop. So, I say, if we do not act now, after awhile it may be too late.

In the words of the committee:

Far more dangerous than all that has happened to us in the past in the way of removing competition in industry is the control of credit through the domination of this Money Trust over our banks and industries. It means that there can be no hope of competition and no new ventures that could live against existing combinations without the consent of the trust that dominates the sources of credit. A banking house that has organized a great industrial or railway combination or that has offered its securities to the public is represented on the board of directors and acts as its fiscal agent thereby assumes a certain guardianship over that corporation. In the ratio in which that corporation succeeds or fails the prestige of the banking house and its capacity for absorbing and distributing future issues of securities is affected. If competition is threatened it is manifestly the duty of the bankers from their point of view of the protection of the stockholders, as distinguished from the standpoint of the public, to prevent it if possible. If they control the sources of credit they can furnish such protection. It is this element in the situation that unless checked is likely to do more to prevent the restoration of competition than all other conditions combined. This great power standing between the trusts and the economic forces of competition is the factor most to be dreaded and guarded against by all the people.

Let me say here that every time currency legislation has been proposed in this House or the Senate there has always been opposition to it. Every time an administration undertook to change the financial system of the country it has been opposed. In 1863, when the national banking system was established, some of the very same arguments that are used against this bill to-day were used, and that bill passed the Senate by only two majority, 23 to 21. They said then that there was lack of confidence. They said then that the State banks would not go into the national banking system. But they did. You say now that the national banks will not come into this reserve. They certainly will, because it will be to their advantage to come in.

In conclusion, we must keep in mind the borrowers as well as the bankers in relation to this bill. Are the bankers who object to this bill objecting in the interest of the people, or does the objection come from a selfish standpoint? We want the bankers to come in under the provisions of this bill. Let them give it a fair trial and if there are any defects discovered they can be amended. The Banking and Currency Committee and Members of this House have given a great deal of time to the preparation and discussion of this bill. It is going to pass, and after it has become a law there can be no question but the bill is in the interest of the whole people. [Applause.]

Mr. HAYES. I now yield 10 minutes to my colleague, the gentleman from California [Mr. KENT].

Mr. KENT. Mr. Chairman, I shall take but a few moments of the time of the House to state some views I have concerning currency and banking matters as affected by this bill.

I would respectfully submit that all laws, that all governments, that all forms of restraint offer but a choice of evils.

There is nothing humanly perfect but human perfection. In the coming days of our angelhood perfectness, to which we look forward with apprehension, we shall be fit to live without law, while mortal men in millennial times will be sublimated anarchists, living where there are no legal imperfections, because there will be no law.

It is in view of this basic theory that I find little patience for those who are looking for flyspecks in this bill and are over-

looking the great evils which I feel sure it will largely ameliorate.

Our present currency system is a crazy quilt of mutual and reciprocal profanities—gold, silver at a false ratio, gold certificates, silver certificates calling for 50 cents on the dollar, Treasury certificates redeemable in coin, a few outstanding "blood-stained" and pensioned greenbacks, and, finally, bank notes, which, being based on Government bonds, remind one of the struggle of the bankrupt to live on the interest of his debts.

As herdsman over this aggregation of sheep, goats, jack rabbits, white mice, and fleas stands patient Uncle Sam, saying, "You are all equal in value because I say so." Even the fiat of 90,000,000 people comes huskily in such a declaration.

We have justly complained of the trusts and combinations of the powerful and the greedy, and have seen in the ever-increasing inequality of distribution of our country's wealth a menace and a curse. Our currency system has not only aided the evil tendency, but the disproportionate distribution of currency has been much worse than the distribution of wealth, and the Aldrich bill would, in my humble opinion, have been the key-stone of this arch of centralization.

All streams of currency empty into Wall Street, to be used by the gamblers, promoters, and looters, as well as honest builders, and the streets of other great cities that indulge in Wall Street games are but extensions of Wall Street.

The western farmer, the southern planter, the miller, the miner, the lumberman, and many another possessing wealth—real wealth in terms of necessities of life—are forced to look to Wall Street for money, for their own money, to finance their exchanges, and if it is convenient to the stock gamblers of Wall Street or the wheat gamblers of La Salle Street they got their money—otherwise not.

How this centralized power has been used not only to deprive the indigent of opportunity, but those possessing real wealth of realizing on that wealth of food and goods of which they are possessed, was eloquently demonstrated in 1907.

Under our present system we can not get currency when we need it. We can not have it where we need it. Abundant harvests mean dearth and slack times mean redundancy.

Our great banking system can not be shattered; it must be conserved, helped, and encouraged. But Wall Street should not be our banking system. Our banking system must be controlled by law and the law must be construed and enforced by men, and these men must be guided by a sense of public welfare and not by the sole impulse of private profit.

I have no patience with the talk of Federal despotism—no such thing can exist. Shall we forever prefer a real Morgan-Rockefeller-Wall Street despotism to a boggy man—a hypothetical, imaginary traitor?

Institutions are not automatic. Men must operate them. We can not blame those private individuals who, finding themselves in power, work under the law to increase that power; but we can alter the law and we can replace them, in this case, with men who would face disgrace and imprisonment if they acted in their public capacity as the private individual has acted in his private capacity.

In this brief preface I wish to state that I believe this bill is a credit to its framers; that it is constructed on the lines of sound finance; that it is free from all taint of irredeemable fiat crazes. I believe it calls for the exercise by our bankers of all the qualities of caution and care without which any system would go on the rocks.

Banking—and by banking I do not mean pawnbroking in collateral loans—is a great service to society, an aid to commerce, just as railroads are. It is not an exact or a mathematical science except in part. The human element is predominant and we can not overlook it. For illustration, we might say that 25 per cent resembles chess and 75 per cent resembles poker—one calling for absolute mathematical formulas, the other percentage based on a mixture of chance and human nature.

We might well have an automatic chess player, but no one would ever try to invent a poker-playing machine.

Our bankers in village, town, and city constitute an army, expert in the needs and the abilities of their localities. Under proper control they should be enabled to broaden their usefulness. It is my belief that this bill will give them an opportunity for added usefulness.

I do not object to the mandatory feature, for the bill will prove a source of profit to legitimate banking, and those not wishing to accept its provisions should not claim the Federal brand, but, as we cowmen say, "should be vented and re-branded."

As to the constitutional argument urged by the gentleman from Iowa [Mr. Prouty], whereby he tried to show that the

bankers would be deprived of their property without process of law, that argument is finer spun than a modern skirt.

Banks can not claim the Federal good will and the Federal name without complying with Federal law. They can take their little dishes and play in the State yards if they see fit. Can the creator condition the existence of the creature?

As a matter of course this measure should be followed by a farm-credit system to aid in agricultural development by the use of fixed investment funds, for this is where such funds are needed and can be safely applied. Speculative bonds ought not to be the only outlet for the people's savings.

But this is another story and one in which current funds, the medium of exchange, should not appear. [Applause.]

Mr. HAYES. Mr. Chairman, I yield 30 minutes to the gentleman from Oklahoma [Mr. MORGAN]. [Applause.]

[Mr. MORGAN of Oklahoma addressed the committee. See Appendix.]

Mr. HAYES. I yield 30 minutes to the gentleman from Kentucky [Mr. LANGLEY].

[Mr. LANGLEY addressed the committee. See Appendix.]

Mr. GLASS. Mr. Chairman, the members of the Banking and Currency Committee of the House on this side of the aisle have reason to feel a lively sense of satisfaction over the fact that, after a general discussion of the currency bill reported to the House by the committee extending over a period of four days, no impression adverse to the measure seems to have been created.

I confess to a sense of personal gratification that my opening speech in presenting the bill to the House seems to have anticipated every objection that might, in reason, be offered; and I trust I may, with becoming modesty, express the judgment that it answered every adverse suggestion before it was made here upon the floor of the House, except, perhaps, one or two points involving, I suspect, legal refinements.

Member after Member on the Republican side has come forward to this stand and, declaring he had this or that objection to the bill, nevertheless concluded that it is so much better than the existing system he would have to vote for it upon its final passage. We, of course, think it is so much better than the existing system that it should pass the House with a unanimity that will insure its speedy enactment into law. There seems to be little serious objection to the details of the bill.

Our Republican friends apparently do not object so much to what the bill provides as to the manner of its consideration. There has been a good deal of criticism on this score, as if we had proceeded in a most unusual way and adopted unprecedented methods.

Some gentlemen who have urged this objection are absolutely sincere in their opposition to caucus processes. I have a degree of toleration for colleagues who really take that view, and to these I beg to repeat the assurance that we have not desired to make a partisan matter of this banking and currency bill in any offensive sense. But it must be remembered that we legislate through and by parties here; and I have been unable to understand how we may ever expect to overcome that defect of our American system, if it be a defect.

There has been complaint about there not having been hearings on the bill. The answer is that the bill itself is the product of extensive hearings on the subject of banking and currency reform. As soon as it became definitely known that the Sixty-third Congress would be immediately charged with the responsibility of currency legislation the Banking and Currency Committee of the House set about getting information on the subject. We had elaborate hearings, as I have already stated, to which not only were the bankers of the country invited but the select representatives of every national group in America.

The representatives of the trade-unions, the farmers' unions and granges, commercial bodies, railroad employees, the manufacturers, the credit men, specialists on the subject—all were invited to testify and did testify.

As to the consideration of the bill by the Committee on Banking and Currency, the Democratic members had conferences of their own; but there was no binding obligation upon any member to vote for any provision there agreed upon.

For weeks we carefully and diligently considered every feature of a tentative measure, discussing the alterations that were desirable and making changes that seemed to be wise. During all of that period, as I have previously indicated, I kept in constant communication and contact with the senior Republican member of the committee, assuring him that we did not care to make a partisan issue of the problem. We felt obliged, however, to proceed in the usual way.

After we had agreed on the details of the bill it was taken to a party caucus. Is that a startling procedure? Is there

anything of an unusual nature about that? Is it something so extraordinary and genuinely unique as to occasion amazement on the Republican side of this House?

Mr. PLATT. Will the gentleman yield?

Mr. GLASS. Certainly.

Mr. PLATT. I ask for information. Is it usual to take bills into caucus, discuss them there, and settle them before they have been in general debate in the House?

Mr. GLASS. It is on the Republican side. When the Republicans were in the majority it was not only usual, but almost invariable.

Mr. PLATT. I have been informed that there has only been one case on one bill.

Mr. GLASS. I never have known an important measure to pass this House relating to the currency or tariff that was not agreed on in party caucus or put through under party rule.

Mr. PLATT. Was that in caucus before going in general debate in the House?

Mr. GLASS. The Vreeland currency bill was put in the Republican caucus, and there was no debate of any description on it in the House until the day it was passed. Then only four hours of general debate were allowed instead of four days, which we have given you. [Applause on the Democratic side.]

Mr. SLOAN. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. SLOAN. As another new Member, I would like to ask the gentleman if the Payne tariff bill was considered in caucus by the Republican Party? I do not know. I was not here at the time, and I have not been informed. I do not mean the committee, but I mean the caucus of the Republican Members of the House.

Mr. GLASS. I was here, but I was not in the secrets of the Republican Party. I imagine the tariff bill went to caucus; but if not, the Republican Party of the House was then operating under rules and discipline that required every Republican Member to toe the mark or let Uncle Joe know the reason why. [Applause on the Democratic side.]

Mr. STEENERSON. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. STEENERSON. Has the gentleman ever read the resolution that was passed at the Republican caucus which agreed to the Vreeland-Aldrich bill?

Mr. GLASS. Yes; I have read it. I have it right before me, and I am going to read it to you presently. [Applause on the Democratic side.]

Mr. STEENERSON. So have I. I say the gentleman misrepresents that resolution—

Mr. GLASS. I do not misrepresent the resolution, because I have not yet referred to it.

Mr. STEENERSON. The gentleman said we were bound by the action in caucus.

Mr. GLASS. I have not said anything of the kind; but I am going to say it, and prove it.

Mr. STEENERSON. I defy the gentleman to prove it.

Mr. GLASS. I will read the resolution.

Mr. STEENERSON. If the gentleman will permit me, I will read it.

Mr. GLASS. Go ahead.

Mr. STEENERSON. This is the resolution adopted at the caucus on May 5, 1908, on the Vreeland currency bill:

Resolved, That this meeting or any adjournment thereof is only a conference and not a caucus, and shall not have the binding effect of a caucus; and that those who participate in its deliberations shall be absolutely free hereafter to act in accordance with their own judgment with reference to all matters considered before it.

That is found on page 6246 of the CONGRESSIONAL RECORD, May 14, 1908, first session, Sixtieth Congress.

Mr. GLASS. And to show just how sincere you were in that expression, when Charles N. Fowler, the Republican chairman of the Banking and Currency Committee, undertook to act on the resolution his head came off. He was removed from his position and Mr. Vreeland was made chairman in his stead. [Applause on the Democratic side.] That is how much freedom there was.

Mr. STEENERSON. Here is the RECORD before me.

Mr. GLASS. And there I have given you the real transaction as it occurred. Mr. Fowler, who had been eight years chairman of the Banking and Currency Committee, was humiliated and decapitated because he was simple enough to think your caucus resolution meant what it said.

Mr. STEENERSON. Oh, no; that is not it; I deny that.

Mr. HELGESEN. Will the gentleman yield—

The CHAIRMAN. Does the gentleman yield?

Mr. GLASS. I did not yield, but I will.

Mr. HELGESEN. Assuming that the Republicans for long years have done business along the same line Democrats are now

doing business, is it not true the Democrats have complained and criticized that method for the last 16 years?

Mr. GLASS. Yes; JOHN SHARP WILLIAMS used to rush up and down this aisle nearly every day in the session, exclaiming: "Here is another outrage you are about to perpetrate," and that is what you gentlemen are doing now when we are proposing to pass this bill.

Mr. JOHNSON of Washington. Will the gentleman yield for a question?

Mr. GLASS. Oh, no; I want to proceed.

Mr. JOHNSON of Washington. I just wanted to ask if the Democratic caucus was part of the new freedom?

Mr. GLASS. Yes; our caucus action portends the new freedom—a new freedom signaled by an achievement that no other Congress has ever exceeded. We are going to give you a revision of the tariff and pass a currency bill at a single session of Congress. That is new freedom, both industrial and financial. [Applause on the Democratic side.]

The gentleman from Minnesota [Mr. STEENERSON] talks about this resolution of his party "conference" by which nobody was bound. Let us see what Members of his own party thought of that resolution. Hear the plaint of Mr. Prince, a Republican member of the Committee on Banking and Currency of the House, with respect to this resolution that the gentleman has read:

My fellow Members, put the yoke upon you if you will.

Free to act as you please! Yet here was a Republican Member complaining that the last one of you was about to put on the yoke, and the last one of you did. The gentleman who read the resolution just now went along with the rest. [Laughter on the Democratic side.]

"Walk under the yoke," said Mr. Prince; "under buck," as the expression was at the time with respect to a yoke of oxen. He went on:

Now, the yoke may be easy and the burden light, but I want to say to you that I will not be put under the yoke. I will not assume the burden and go before my constituents and say that I am in favor of makeshift legislation; that I am in favor of discharging a committee of this House; that I am in favor of overriding the wishes of the people; that I am to be a mere tobacco sign.

Was the gentleman from Minnesota a mere tobacco sign on that occasion?

Mr. STEENERSON. The gentleman who made those remarks remained in the party, and was the chairman of a committee, and continued so during that Congress and the next. He was not kicked out of the party.

Mr. GLASS. I referred to Mr. Fowler, who was kicked out of the chairmanship of the Committee on Banking and Currency.

Mr. STEENERSON. No. I am talking about another man, who remained chairman of his committee.

Mr. GLASS. Now, Mr. Chairman, when I was interrupted I was trying to indicate just how we have proceeded with this bill; and a little further on I desire to contrast our conduct with that of certain gentlemen who have assailed us. I said we kept in constant communication with the senior Republican member of the Banking and Currency Committee, advising with him in good faith as to the provisions of the bill and asking suggestions from him. We received suggestions from him and embodied some of them in the bill that was subsequently reported here, after we had considered it in caucus and tamed some of our own members. [Laughter on the Republican side.]

Mr. SLOAN. With the yoke? [Laughter.]

Mr. GLASS. No. By convincing them of the error of their way. The bill was adopted by a vote of 163 ayes to 9 noes. We then took it to the full Committee on Banking and Currency for consideration, and there amendments were made. One of the amendments offered by my courteous friend, Mr. SMITH of Minnesota, and accepted by the Democrats was today made the subject of sharp Republican criticism here. [Laughter on the Democratic side.]

That is a simple recital of the entire procedure upon which we have been so bitterly arraigned. The gentleman from Pennsylvania [Mr. MOORE] initiated the talk about the "gag rule of the Democratic majority," and next the gentleman from Wyoming [Mr. MONDELL] performed. With a mien of injured innocence and an unctious that would have made Dickens ashamed of Uriah Heep [laughter]; with a simulation that would have driven Mr. Pecksniff, broken hearted, into oblivion [laughter], he deprecated the partisan zeal of Democratic members of the Committee on Banking and Currency and the Democratic caucus. He even tried to invest the whole thing with an air of mystery, suggesting that there was something sinister about it. He heard the question had been asked in the caucus and never answered as to "who had written the bill."

It occurs to me that if the gentleman's curiosity was acute enough to ascertain that such a question had been asked he

might have been diligent enough to have learned that it had been promptly answered. As a matter of fact, it was asked. As a matter of fact, it was answered; and it would have better comported with the usages of fair debate had the gentleman from Wyoming stated the answer along with the inquiry. There is no secret about it. Every provision of this bill which was not written by the chairman of the committee or some member of the committee was written under the immediate direction of the chairman by the expert of the committee, who had thorough technical knowledge of the subject. That is the way the bill was prepared; and, now, where is the mystery about it? After all, it is not a question as to who wrote the bill. It is a question as to what it contains; and that seems to be avoided by the critics. They all return to the same "King Caucus" plaint, which in no wise affects the merits of the legislation proposed.

Mr. GREEN of Iowa. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. GREEN of Iowa. I will bring the gentleman to talk about the subject which he spoke of just now. By virtue of this bill the national banks will have to subscribe—

Mr. GLASS. I will come to that presently. I want to talk a little more about what your side talked about chiefly, and then I will come to the provisions of the bill, though not one of them has been successfully assailed.

Mr. GREEN of Iowa. I wanted to ask a question. Will the gentleman yield further?

Mr. GLASS. Not right now; but I will further on.

Mr. GREEN of Iowa. Very well.

Mr. GLASS. The gentleman from Wyoming [Mr. MONDELL] made much ado about the partisanship of this side of the House. He talked in a pious vein about the patriotism which should characterize the consideration and enactment of currency legislation. I am constrained to question the sincerity of the gentleman when he ventures to decry the party caucus, for of the leading figures in the Republican caucus five years ago on the Vreeland currency bill the gentleman from Wyoming [Mr. MONDELL] was one of the foremost. How can he reconcile his preachments now with his performances then? How did our Republican friends proceed on that occasion? They introduced the Vreeland bill in the House on the 13th day of May, 1908, late in the afternoon. Before 11 o'clock on the 14th day of May the gentleman from Pennsylvania [Mr. DALZELL] brought in a rule. Will my friend who interrupted me awhile ago insist that he was not bound by the rule? He voted for it.

Mr. STEENERSON. I will say to the gentleman that I voted for it because I favored it. It was an emergency measure.

Mr. GLASS. The rule read:

Resolved, That after the adoption hereof the Committee on Banking and Currency shall be discharged and the House shall proceed to the consideration of H. R. 21871—

I was a member of the Committee on Banking and Currency, and I assert here that the bill never got to the doors of the committee. Not only that, I assert that when the rule was brought in the bill had not yet come from the Government Printing Office. The rule further provided that—

Debate thereon shall be concluded at not later than 5 o'clock p. m. to-day.

[Laughter on the Democratic side.]

The time to be equally divided between the friends and the opponents of the bill. It shall be in order to offer as a substitute for the bill H. R. 16730. On the conclusion of the debate, as herein provided, a vote shall be taken without delay or intervening motion first on the question of substituting H. R. 16730, if said bill shall have been offered, and then upon the passage of the bill or the substitute in lieu thereof, as the case may be.

What did all that mean? It meant that the Vreeland bill, made the subject of caucus action by the Republican Party, was brought into the House one evening and referred to the Banking and Currency Committee, which it never reached; the committee was discharged next morning from consideration of a bill that it had never seen. Under the rule no amendments were allowed to be offered on either side of the House, and debate was to be concluded in four hours. It permitted a substitute to be offered, but actually prescribed the very text of the substitute. [Laughter.] It undertook to make the Democratic side responsible for a substitute that the Democratic side had not considered and did not favor; and when no Democrat would offer the substitute in the terms provided by the Republican rule a Republican Member, the gentleman from California [Mr. KAHN], assumed to offer a Democratic substitute to a Republican currency bill, thereby not only mocking justice but making a harlequinade of the entire proceeding.

Mr. ALLEN. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. ALLEN. Does the RECORD show whether the bill was read or not?

Mr. GLASS. I do not now recall. I once heard John J. Ingalls describe *Paradise Lost* as "that great epic poem which everybody praises and nobody reads." [Laughter.] The Vreeland-Aldrich bill, whether read or not, was that great legislative enactment that no Republican wanted, but for which all of them voted under caucus rule. [Laughter.]

The Aldrich end of it was denounced by Republicans in this Chamber and the Vreeland end of it was denounced by Republicans in the other Chamber; and when there was a legislative union of the two bad measures the composite bill represented 50 per cent of House infamy and 50 per cent of Senate infamy, according to reliable Republican testimony. [Laughter.]

The Record will show that Mr. Prince, a Republican Member, asked where he could get a copy of the bill, and Mr. FITZGERALD, of New York, declared that no copies were to be obtained. The telephones in the cloakroom got busy, and a few copies were sent up from the Government Printing Office, whereupon Mr. FITZGERALD took one of these and called attention to the fact that the paper was not yet dry on which it was printed.

That is the way the gentleman from Wyoming [Mr. MONDELL], so piously complaining of our procedure now, performed when he last had occasion to consider currency legislation. He voted for a gag rule that gave us only four hours of debate, contrasted with four days for this bill. He voted for a rule that denied both the Democratic and Republican sides the poor privilege of offering a single amendment to the bill, whereas we shall give every Republican full opportunity to offer amendments to this bill.

Should not the gentleman be ashamed of that sort of inconsistency on the floor of the House?

Mr. BUCHANAN of Illinois. Will the gentleman yield?

Mr. GLASS. Yes.

Mr. BUCHANAN of Illinois. Was the Vreeland-Aldrich bill read and considered under the five-minute rule?

Mr. GLASS. Oh, no; never. Not only not read and considered under the five-minute rule, but they did not permit a solitary amendment to be offered to it. And yet the three gentlemen who have most bemoaned the method of procedure in the preparation and consideration of this bill were the three gentlemen most conspicuous in "perpetrating an outrage" on JOHN SHARP WILLIAMS and the Democratic Members of that Congress—Mr. MOORE, of Pennsylvania; Mr. MONDELL, of Wyoming, "Old Faithful" [laughter]; and my good and genial friend from Pennsylvania, Mr. BURKE, all of them standpatters, the last one of them toeing the mark when the whip cracked and each sneezing every time the Speaker took snuff. [Laughter.]

Mr. PLATT. Will the gentleman yield?

Mr. GLASS. Oh, yes; I always yield willingly to my friend.

Mr. PLATT. I wanted to ask why the Democratic Party should start out by taking the worst precedent of the Republicans instead of the best.

Mr. GLASS. We have not done that. I have tried to point out, in contrast, how decently we have treated you in requital of the bad treatment accorded us when your side had charge of currency legislation. We shall let you offer all the amendments you want to offer, and with great cheerfulness and consistency we will vote most of them down. [Laughter.] We shall do that, I think, because we are not willing to believe that a party responsible for the Vreeland-Aldrich bill could possibly improve this bill. [Laughter.]

The speech of my friend from Wyoming is a strange mixture of sense and, if I may say it without the least offense, nonsense. He asserts that the Federal board is given more power under this bill than any institution on earth, whereas I have shown, and no man here can show the contrary, that there is scarcely a power with which that board is invested which has not been performed by one or two Government functionaries for the last 50 years.

I challenge any Member on this floor right now to name a power conferred upon the Federal reserve board by the pending bill that has not been exercised by the Secretary of the Treasury or the Comptroller of the Currency under the national-bank act with respect to existing banks in some sense or degree for many years, except the power of note issue.

It is complained that the Federal reserve board has the option to issue notes or not to issue. Of course it has. Did not the bankers under the Aldrich scheme have the option of issuing or not issuing notes as they might please? Why not, when this is a Government issue, give the Federal board the option? When I directed attention to the fact that the Vreeland bill, for which the gentleman from Wyoming voted, vested this power with the Secretary of the Treasury alone, he insisted that I had not correctly quoted it. When I asked him in what particular I had misquoted, he said he did not have time to answer. I offered to yield him time to answer, but he has not

answered yet. Why? Because I quoted the law correctly. The Vreeland bill distinctly, in section 2, vested the Secretary of the Treasury with the exclusive power of issuing \$500,000,000 of credit currency and passing on the sufficiency of security; so that the gentleman was willing to vest with one man the very power that he protests is too great to be lodged with seven men! He talks derisively about this bill setting up a Pooh-Bah in the banking system, totally insensible of the fact that the measure which he helped put on the statute book does vastly worse in the way of concentrating control. I might aptly paraphrase his doggerel and remind him that the Secretary of the Treasury under the Vreeland-Aldrich Act is not only—

"The cook, and the captain bold,
And the mate of the *Nancy* brig,
And the boatswain tight, and the midshipmite,"
But—the whole infernal rig.

[Laughter and applause on the Democratic side.]

The gentleman sneeringly criticized the President of the United States, and rather offensively, I regret to say, intimated that Mr. Wilson has been using patronage to force currency legislation. I do not believe a word of it. [Applause on the Democratic side.] I refuse to believe that the present occupant of the White House is capable of undertaking to sway men's opinions or to coerce their actions by the use of Federal patronage. [Applause on the Democratic side.]

The gentleman from Wyoming, as did the gentleman from Pennsylvania, criticized the President for his alleged invasion of the privileges of the legislative branch by undertaking to coerce members of the Banking and Currency Committee and likewise members of the Democratic caucus. Retort to that sort of comment is easy. I might remind him, were I disposed to be disagreeable, that the preceding occupant of the White House caused his Attorney General to draw up a railroad bill which accompanied a presidential message to Congress, advising us to pass it. [Applause.] But what has all that to do with the merits of a currency bill now under consideration?

The gentleman from Pennsylvania [Mr. BURKE] discovered a mare's nest in this bill. "We have to fight over the battle for the gold standard," he exclaimed. For the first time, he said, since the Republican Party 13 years ago put a declaration on the statute books in favor of the gold standard, the doctrine has been repudiated in a currency bill. What nonsense! The gentleman seems ignorant of the fact that the national-bank notes which Federal reserve notes will gradually displace are redeemable in "gold or lawful money." He seems not to know that the Vreeland-Aldrich Act, for which he voted five years ago, requires that its emergency notes shall be redeemed in "gold or lawful money." He seems not to understand that the Aldrich scheme, which he confessedly favors now, uses precisely the same phrase as to the redemption of the notes for which the bill provides—"gold or lawful money." Even so sane and ordinarily sensible a paper as the New York Sun appears to be alarmed because this bill follows the national banking act and the Vreeland-Aldrich statute and the provision of the Aldrich scheme concerning note redemption. They affect to think we have made an assault upon the gold standard. What a pitiful sort of opposition to this bill that is.

My excellent friend, Mr. BURKE, found out something else. I hate to ruin his speech by calling attention to his discovery. [Laughter.] He said we have provided in this bill in behalf of the agricultural classes, for loans on unencumbered farm lands, but have discriminated against the humble laboring man in the cities; that we deny the workman the right to borrow money with which to defray the cost of his modest home. In that same speech he admitted that he was for the Aldrich bill, by reference to section 40 of which it will be noted that no loan on real estate is permitted in any one of the 47 reserve cities or the three central reserve cities of the country. Mr. BURKE being from Pittsburgh, a reserve city, thus advocates a scheme that expressly denies his humble laboring men the right to borrow money to defray the cost of their modest homes. [Laughter on the Democratic side.]

And so these astonishing inconsistencies proceed. Mr. Chairman. The gentleman from Wyoming [Mr. MONDELL] advocated the mobilization of reserves, but assailed the very provision of this bill which provided for mobilization; he advocated decentralization and assailed the very decentralizing feature of this bill. He talked about the failure of this measure to provide uniform discount rates. The Aldrich bill provided a uniform discount rate; but, if you will examine the hearings had before the Committee on Banking and Currency, you will there see that eminent bankers openly admitted that it was an impossible provision. The truth is, it was a pretense. While the bill provided that the rate of discount should be uniform, no method was devised to make the rate uniform,

whereas the open-market provision of the pending bill will enable the reserve bank to enforce its rate of discount.

Next, the gentleman from Wyoming criticized the bond-refunding provision of this bill, saying it would cost the Government \$7,000,000 per annum, whereas refunding under the Aldrich bill would not cost the Government a cent. Such simplicity, such credulity, were never witnessed before since the world was created. As a matter of fact, if there was one pretense in the Aldrich bill more obvious than many others, it was the pretense that the Government would be involved in no cost in refunding the 2 per cent bonds. Why not? The 2 percents were to be refunded into threes. Who was to pay the difference? The pretense was that the Government was to be authorized to levy a franchise tax in order to compensate itself. But the franchise tax was to come out of the Government's part of the earnings of the Federal reserve association, so that the Government was required to take its own funds with which to pay itself!

The Progressive floor leader of the House [Mr. MURDOCK], like most other gentlemen who have spoken, thought there were defects here and blunders there, and mistakes elsewhere in the bill, but graciously conceded that it was so much better than the existing system that he was inclined to vote for it, hoping that it would be improved at the other end of the Capitol. Nevertheless, he criticized the Democratic majority for an alleged violation of its platform pledges. The bill, he said, is timid, weak, halting, because it does not include a provision against interlocking directorates as promised in the Democratic platform. As a matter of fact, the Democratic platform declaration against interlocking directorates treated that subject as an antitrust proposition and did not associate it with banking and currency laws at all. And it is a trust proposition. What does the platform say on the subject? The exact language is this:

We favor the declaration by law of the conditions upon which corporations shall be permitted to engage in interstate trade, including among others the prevention of holding companies, of interlocking directorates, etc.

So that the declaration there had no connection with or relation to the subject of banking and currency; and it is absurd to charge that the Democrats in Congress have repudiated their platform merely because they refuse to embody extraneous matter in a bill for a banking and currency system. The presiding genius of the Money Trust investigation was the employed attorney, Mr. Samuel Untermyer, of New York, who so searchingly interrogated the witnesses; and he has publicly declared that the two subjects have no relation one to the other. He goes to the extreme of saying that anybody who undertakes to associate one with the other and to complicate this currency legislation with the proposition to embody in it the Pujo recommendations "is a party marplot."

But, pray, what is the position of the Progressive Party upon currency legislation? My friend from Kansas [Mr. MURDOCK] made a speech yesterday covering seven pages in the RECORD, and it contained seven lines about currency reform. He was given the privilege of naming a member of the Banking and Currency Committee. Am I not correct in that supposition?

Mr. HAYES. He was.

Mr. GLASS. Why did he not persuade this Progressive Member to embody in some one of the numerous bills he introduced some provision against interlocking directorates? Treated as a trust question, we know very well the position of the gentleman's leader, Mr. Roosevelt, on the subject of monopoly, because it is recalled that he made terms with the great Steel Trust magnates and promised the culprits immunity before they perpetrated their crime of absorbing the Tennessee Coal & Iron Co., thus consummating one of the most gigantic industrial monopolies of the world. [Applause on the Democratic side.]

Yet, with this record of his chief staring him in the face, the Progressive floor leader here criticizes the Democratic Party upon the pretense that it has violated faith with the people and repudiated its platform because it will not embody in a banking and currency bill something that relates properly to trusts and combinations in restraint of interstate trade.

Mr. Chairman, I believe I will not further tax the patience of the House by commenting on such irrelevant criticisms of the bill. They seem to have made no serious impression. I have been gratified, as well as astonished, at the moderation of gentlemen who have essayed to criticize the bill. It is a complex question, an exceedingly difficult problem, and while I knew that we had thrashed it out among ourselves pretty thoroughly I scarcely hoped that we had made such a good job of it as the criticisms from that side of the House would indicate.

I will not proceed longer in the discussion of the matter, and I thank my colleagues for their patient attention. [Applause.]

Mr. AUSTIN. Mr. Chairman, I ask permission to print remarks in the RECORD.

The CHAIRMAN. The gentleman has that permission.

Mr. AUSTIN. Mr. Chairman, under leave to print, I submit three letters written by Mr. Henry Clifford Stuart, an able and worthy citizen of this city, on "Currency reform." I have favorably known Mr. Stuart for several years. He has given much time and study to the currency question, and I ask those seeking light on the subject to give his views careful consideration.

The letters are as follows:

2619 WOODLEY PLACE,
Washington, D. C., August 2, 1913.

Hon. R. W. AUSTIN,

House of Representatives, Washington, D. C.

DEAR SIR: The terms "currency" and "reform" are apt to mislead us.

The bills pending in House and Senate will not change our present means for exchange at all, but merely remix, relabel, and rephrase them. "Laws" are being doctored so as to give our currency greater currency; that is all.

Before "reforming" anything, it might be well to stop to consider its present form, which may have changed greatly since we last stopped to look at it, and may be entirely different from what we think it to be.

Now, what is the present form of that which passes current among us, enabling us to effect our exchanges one with another?

Stop a moment and look at it. It may surprise some of us to learn that ours has come to be an out and out paper-money country; that we have come to speak of gold no longer as a "standard" but as a "base"—a base for a great volume of paper-note money, on which has been gradually superimposed a vast system of paper-credit money.

The great Nations, recognizing the insufficiency of gold even for a "base," and failing to perceive how rapidly the demand therefor is being impaired by the psychological wave now engulfing the world, are preparing for war by eagerly bidding against each other in its purchase—are buying gold, mind you; buying the "standard" at a price over and above that fixed.

Gold can be had only when it is not generally wanted, all the false promises of Governments to their peoples to the contrary notwithstanding. Its lingering connection with our present-day means for exchange is purely psychological. It is the tool financiers periodically exploit us with—nothing more.

We have already readily agreed to five hundred millions railroad-bond paper money; and we are agreed also to issue money, in any amount, on notes of hand—tissue-paper money. Would we do this if gold sufficed? I wot not. We do not yet openly admit that gold has passed, but down in our subconsciousness we are perfectly well aware that we have outgrown it, and that if exchanges depend upon it the vast activities of to-day would come to an immediate standstill, as indeed they do every time the bankers, for personal reasons, call for it.

Thus no objection is heard to paper money, the measures to give greater currency to various kinds of which are now being urged by the bankers themselves.

But what shall we say of the stupendous folly of our Government in undertaking to settle the money changers' rake off, which, in time, will absorb the whole, in gold. Where is it going to get the gold from? Issue bonds at our expense or tax us direct for its purchase?

Money of whatsoever kind is but a certificate—the certificate of the exchange relationship of labor as differently embodied. Gold, of all the most uneconomical means for exchange, would be worthless were it not for the labor behind it, and silver and other metals would not pass as small change were it not for labor and other things behind them—the fiat of a creditable Government and the consent of the people to the use of limited amounts in this way. So with paper money—it merely represents what is behind it. There can be no objection to the use of paper as money; it will always pass at par while we are confident that it is properly secured.

Nor have the bankers any objection to paper—where they control it. They only howl "flat money" and threaten dire disaster when we try to get together to instruct Government to provide and issue the means for exchange, without favor, to all entitled by proper security to its use—to all who have something to exchange.

They fear their time-honored privilege of preying upon the exchange necessities of the community may be threatened, and this is the reason for their present insolent denial of this right of sovereignty.

Now, there can be no objection to any honest means for exchange—anything that has real labor behind it in the amount represented or more—as long as it be fully adequate to the requirements of the people in no way constrains their activities, and is available to all on equal terms and without usurious charge.

Nor any objection to the banks continuing to act as agents for all parties to an exchange.

But we should most solemnly protest at making them the masters instead of the servants of the people.

We should protest at the very idea, not only of Government abdicating its right to provide the means for exchange, but of its continuing to neglect its duty so to do.

And although the bills now pending control the rates to be charged the banks by the Government, it might be respectfully suggested that some limit, however extreme, be set on the rates the people are to be charged by the banks.

This can not be done by means of usury "laws," all of which have ever been dead letters. It can only be done by freeing the supply—by naming a rate just a notch higher than the banks are to be allowed to charge at which anybody, possessing proper security, may upon demand and without commission, discount or any charge other than interest, obtain the needed means for exchange direct from Government itself.

And the Government should determine what security would be acceptable—and this should not be limited to the paper of any specially privileged classes, such as financiers and traders, but should be extended to farm lands and improved city real estate, manufacturing plants, and otherwise as widely as possible and at such proportion of their assessed value as to insure such confidence in the needed means for exchange as to give it full currency at face value without thought even of the credit of the Government behind it.

The means for exchange is a public necessity, and though it may be allowed to remain yet a while in private hands, the time has arrived when the Government must see to it that public necessity is no longer too greatly exploited.

No man wants gold save for purposes of exploitation, but all need to be assured of a never-failing means for exchange. The hawking about of gold by the financiers of the nations will not stand investigation—not in the present changing frame of mind of the peoples.

HENRY CLIFFORD STUART.

Hon. R. W. AUSTIN,
House of Representatives, Washington, D. C.

THE WHEREFORENESS OF GOLD.

DEAR SIR: Let us make a hasty, preliminary survey of this most interesting phase of the currency question.

Why is it that, failing in their attempt to have Government legalize their private makeshifts, the banks, forced to the (to them) desperate expedient of proposing that Government shall furnish a means for exchange, should insist that Government shall redeem same in gold, a thing that they themselves always promise but invariably and necessarily fail to do?

Let us consider this matter from one side only for the moment. Is it not obvious that if the banks be allowed to take a rake-off of 5 per cent only—and in so far as has yet been proposed they can charge anything they like—on the moneys the Government proposes to furnish them to trade upon, they must absorb the whole in 20 years, whether the issue be five hundred or five hundred thousand millions that the people call for?

Now, having absorbed all the money, why do they ask the Government to change it into gold? Is it not because this is the only way they can get from the Government bonds upon the people, taxing them in perpetuity?

They have no use for gold unless they can put it out at interest at once, and what way so easy to do this as to get the Government itself to take it off their hands. Hence the demand upon Government for what the Government has not got. If they really wanted gold for itself, they would ask the Government to buy and issue gold in the first place.

But the need of the people for a means for the exchange of their products remains. So having wound one silken thread around the Republic the Government issues the paper money through them again, and at the end of another 20-year period—in reality it is much shorter—they wind another, and so on until the revolution.

Might not this be one possible explanation of the white man's present state of bondage?

Faithfully, yours,

HENRY CLIFFORD STUART.

AN OPEN LETTER TO DR. SUN YAT-SEN.

2619 WOODLEY PLACE,
Washington, D. C., June 16, 1913.

MY DEAR DOCTOR: If you have ever visited a sugar plantation and happened to find an intelligence in charge of the vacuum pans, you probably learned that the man through whom this great invention came could not himself start it running until the steel of a fresh mind struck the last divine spark from his own.

While history may not look upon you as an originator exactly, you are certain to be regarded hereafter as the great adapter—the one modern who best attempted to turn the errors of the world to the good of the people—so, if but a hint be required to start China's boilers going, let me hope to do for you what the other layman did for the inventor.

I refer to the financial troubles of your country.

In throwing off the Manchu yoke the withdrawal of labor from its accustomed pursuits has disturbed the former economic level, involving a loss the equitable settlement whereof necessitates a redistribution of goods to effect which you are confronted with the need of making a sudden and extraordinary increase in your means for exchange.

You are being urged to use gold for this purpose, and the Governments of the western world have done their best to constrain your acceptance of a nominal \$300,000,000 from the private individuals who have grown fat upon and still finance them—the security for the loan to be your country and the price the bondage of your people.

To the everlasting honor of a Chinaman be it said you are the first statesman to balk at selling a people into slavery. The matter at issue is the settlement for and proper distribution of a loss, and you refuse to prostitute yourself by calling in as doctors those who live on losses.

The attitude of the Governments of the western world, which have ever betrayed their own peoples and would now serve as procurers, reminds one of the broken elephants which are used to ensnare those still free.

But you must pay the troops, you say, and settle the trumped claims despoilers would force upon you. Agreed: This can not be done severally by the people hence they depute you to do it for them collectively, requiring you to meet the other expenses of government as well.

But the troops are not asking you for gold—they have no surplus to exchange for gold. You are dealing with a loss which no one will take from you, but which must be settled by equitable distribution among yourselves. What you need is a means for distribution, a means for exchange, a means whereby you may take part of his goods away from him who did not fight to give to him who did.

Three hundred million dollars, even supposing that you really got them, might not be means enough. You may now need or be about to require more. Perhaps those who are trying to hold you up to "finance" you know this, but intend, once they have you in their power, that you shall go to them hereafter and beg for the balance necessary, when even more onerous terms will be imposed upon you.

What, with England drugging, Russia robbing, and the other powers of darkness hovering over you, it takes a mind as keen and a heart as stout as Christ's to do for the people; but as your's would seem such, why not show these gentlemen that you're no "piker" by starting "the game" yourself for \$500,000,000? I would not allow them to do even the engraving—they might alter the text.

I will not call you a "patriot"—none of the name ever had a brain sufficiently balanced to do the race any good—but assuming you to be what was once known as a "just" man, the absence of graft for yourself and your friends obviates all need of "discount"—the bonds convenient for the issuance of the currency can be sold at par.

And indeed they are worth par, for there is no finer "investment" anywhere than the 4 percents of an intelligent, hard-working, frugal, and ethically honest people, whose natural resources are barely scratched, whose national debt at the end of 1912 (Britannica Year Book) was only \$960,215,690, or less than \$3 per head for her 325,527,830 people, and who are about to establish a truly national government.

Draw a check on yourself and buy in the whole five hundred millions. No nation ever made an investment of such transcendent importance.

Being now the possessor of prime Government bonds, undepreciated by thievery of any kind, you will use them as collateral for the issue of \$500,000,000 in notes, of the denominations most useful to your people, taking very great care to make them full legal tender, so as to insure their currency, and not forgetting to first use them to take up your check, which should be immediately canceled, framed, and hung in the Treasury Department as a souvenir.

You will now proceed to pay the troops and other extraordinary expenses and thus restore the economic equilibrium which their forced departure from the paths of peace had temporarily disturbed.

You will thus have partitioned and properly distributed a loss. No one can do more, for a loss of this kind can never be made good.

You will next proceed with the foreign "claims," some partially just and others wholly fraudulent, but all of which you must settle in order to avoid the attentions of Governments whose intentions toward you are even more base than those of their subjects.

Here you are confronted with another kind of loss, largely imaginary with them but wholly real to you, which also must be distributed en toto among your own people, but which, alas, can not be settled so readily. These claimants, though living off your country, far from recognizing any obligation incurred thereby, are intent upon seizing the opportunity to mulct you for their private gain, nor are they likely under present conditions to await settlement. They demand payment at once and insist upon gold. As you have no gold, you must buy this much from the money lenders on any terms you can, thus increasing your foreign debt.

Now, at the end of 25 years the surtax you will have had to impose upon your people to meet the 4 per cent interest on the bonds you have been wise enough to buy yourself will have accumulated in sum sufficient to retire the paper money, and with this the bonds; but by this time you will have found out that this paper money is quite indispensable as a means for exchange.

When this time comes it will be easy for you, the eastern mind being more penetrating than the western, to give a most suggestive lesson by destroying the bonds, the purely imaginary necessity for which has been the reason for the 500,000,000 surtax, and asking your people what disposition they wish made of this useless hoard—whether they wish to take it themselves in exchange for the paper money of which the bonds were the superfluous symbol; whether, having found this paper money quite suitable for their own uses, they care to buy back from the foreigner the surplus products they have so sweated themselves to produce and send him in exchange for this gold; or whether they had not best apply it to the reduction by one-half of their foreign debt, in the hope of altogether eradicating this cancer in the course of another generation?

For, I repeat, you have been trying to make good a loss of a kind which can not be made good, and have only succeeded in speeding up your people, the result of which is a "surplus," which is unreal in that it has been obtained at the cost of the land and of the vitality of your people.

But it would be too great good fortune to thus easily distribute your own losses and pay debts and unjust claims at the cost of the vitality of one or two generations only. There would be nothing "modern" in this—this would be "futurist." No; you would not be allowed so to do. The fleets of the powers, which the financiers use as if they were their own, would be sent to close your ports at once. You would be cut up into "spheres of influence"—evil influence.

No! While these gentlemen are still able to play the forces of all "the powers" against the peoples, prudence demands that you should pretend to be asleep while they burglarize your house. So take the gold they would force upon you, but do not spend it. Remember that it is not yours to spend. It has only been "lent" you, and they pretend to expect you to return it.

Remember that gold is a tool only—to be used, but never lost—and that the only way to do this is to follow the example of its craftsmen.

After signing for three hundred millions in gold, take what they may actually let you have thereof, put it in your Treasury and keep it there, issuing against it note money to the full, and credit money in any amount you like, up to ten times its full amount or more, maintaining the parity fiction just as the bankers do.

Place a surtax on your people to meet the charge for the use of that for which you have no use, and when they get tired of paying tribute, and have prepared to and feel strong enough to resist the oppressors, pull the musty gold out of your strong box, add thereto the portion you signed for but did not get, and—send it back to them.

HENRY CLIFFORD STUART.

Mr. BULKLEY. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

The committee accordingly rose; and the Speaker having resumed the chair, Mr. GARNER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration the bill (H. R. 7838) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes, and had come to no resolution thereon.

DEATH OF REPRESENTATIVE TIMOTHY D. SULLIVAN.

Mr. GITTINS. Mr. Speaker, it becomes my sad duty to announce to the House the death of the Hon. TIMOTHY D. SULLIVAN, late a Representative from the thirteenth district of New York. I will not at this time, but I shall at some future time, ask the House to set apart a day when respect may be paid to his memory. I offer the following resolutions.

The Clerk read as follows:

House resolution 253.

Resolved, That the House has heard with profound sorrow of the death of Hon. TIMOTHY D. SULLIVAN, a Representative from the State of New York.

Resolved, That a committee of 20 Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the provisions of these resolutions, and that the necessary expense in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

The resolutions were agreed to.

The SPEAKER announced the following committee:

Mr. FITZGERALD, Mr. WILSON of New York, Mr. MAHER, Mr. RIORDAN, Mr. GOLDFOGLE, Mr. LEVY, Mr. CONRY, Mr. PATTEN of New York, Mr. GEORGE, Mr. GOULDEN, Mr. TALCOTT of New York, Mr. GITTINS, Mr. KINKEAD of New Jersey, Mr. PAYNE, Mr. CALDER, Mr. FAIRCHILD, Mr. DANFORTH, Mr. PLATT, Mr. PARKER, and Mr. CHANDLER of New York.

Mr. GITTINS. Mr. Speaker, I now offer the further resolution which I send to the desk.

The Clerk read as follows:

Resolved, That as a further mark of respect the House do now adjourn.

ADJOURNMENT.

The resolution was agreed to; accordingly (at 9 o'clock and 42 minutes p. m.) the House adjourned until Monday, September 15, 1913, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, report on preliminary examination and survey for a lock in the proposed dam at the foot of Caddo Lake, La. and Tex., and a channel from said dam to the Red River by way of Big Pass, Little Pass, Soda Lake, Twelvemile Bayou, and Cross Bayou (H. Doc. No. 236); to the Committee on Rivers and Harbors and ordered to be printed, with illustration.

2. A letter from the Acting Secretary of War, transmitting, with a letter from the Chief of Engineers, reports on preliminary examination and survey of harbors and rivers at or near Chicago, Ill., including Chicago Harbor, Chicago River, Calumet Harbor, Grand Calumet and Little Calumet Rivers, Ill. and Ind., Lake Calumet and necessary connection with Calumet River, and the lake shore from the mouth of Chicago River to the city of Gary, Ind., for the purpose of reporting a plan for a complete, systematic, and broad improvement of harbor facilities for Chicago and adjacent territory (H. Doc. No. 237); to the Committee on Rivers and Harbors and ordered to be printed, with illustrations.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. DEITRICK: A bill (H. R. 8131) for the acquisition of a site and the erection thereon of a public building at Wakefield, Mass.; to the Committee on Public Buildings and Grounds.

By Mr. PROUTY: A bill (H. R. 8132) for the acquisition of a site and the erection thereon of a post-office building at Pella, State of Iowa; to the Committee on Public Buildings and Grounds.

By Mr. WILLIS: A bill (H. R. 8133) to regulate the installation and type of scales to be used by carriers engaged in interstate commerce and to provide rules governing the weighing of freight; to the Committee on Interstate and Foreign Commerce.

By Mr. GOODWIN of Arkansas: A bill (H. R. 8142) to authorize the construction, maintenance, and operation of a bridge across the Bayou Bartholomew at or near Wilmot, Ark.; to the Committee on Interstate and Foreign Commerce.

By Mr. KENT: A bill (H. R. 8143) authorizing the Secretary of War to donate to the town of Santa Rosa, Cal., two cannon or fieldpieces; to the Committee on Military Affairs.

By Mr. KINDEL: Resolution (H. Res. 252) to investigate the alleged dissolution of the Union Pacific-Southern Pacific Railroad merger and other matters; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. FOSTER: A bill (H. R. 8134) granting an increase of pension to William B. Thurman; to the Committee on Pensions.

By Mr. GRAHAM of Pennsylvania: A bill (H. R. 8135) granting a pension to Delia White; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8136) granting a pension to Carrie Crane; to the Committee on Pensions.

By Mr. HENSLEY: A bill (H. R. 8137) granting a pension to Jane Johnson; to the Committee on Invalid Pensions.

By Mr. PALMER: A bill (H. R. 8138) granting a pension to George S. Frankenfield; to the Committee on Pensions.

By Mr. TAGGART: A bill (H. R. 8139) granting an increase of pension to James M. Brown; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8140) granting an increase of pension to Mary A. Holland; to the Committee on Invalid Pensions.

Also, a bill (H. R. 8141) granting an increase of pension to Clem B. I. Ambler; to the Committee on Invalid Pensions.

PETITIONS, ETC.

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

By Mr. LEVY: Petition of the Tompkins-Kiel Marble Co., New York, N. Y., protesting against the proposed increase of rate on drawback of marble for export; to the Committee on Ways and Means.

Also, petition of Sample & Co., L. Samuels & Co., Dryfoos, Blum & Co., the Cartwright Co., and E. Eising & Co., of New York, N. Y., protesting against the passage of legislation providing for a payment of 25 cents for rectifiers and wholesale dealers' stamps; to the Committee on Ways and Means.

By Mr. LINDQUIST: Petition of sundry business men of the eleventh congressional district of Michigan, favoring the passage of legislation 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.

SENATE.

MONDAY, September 15, 1913.

The Senate met at 12 o'clock m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

NAMING A PRESIDING OFFICER.

The Secretary (James M. Baker) read the following letter:

To the Senate:

Being temporarily absent from the Senate, I appoint Hon. F. M. SIMMONS, a Senator from the State of North Carolina, to perform the duties of the Chair during my absence.

JAMES P. CLARKE,
President pro tempore.

Mr. SIMMONS thereupon took the chair as Presiding Officer and directed the Journal of the proceedings of the preceding session to be read.

The Journal of the proceedings of Thursday last was read and approved.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the House had passed a joint resolution (H. J. Res. 130) to provide for the relief and transportation of destitute American citizens in Mexico, in which it requested the concurrence of the Senate.

ENROLLED BILLS SIGNED.

The message also announced that the Speaker of the House had signed the following enrolled bills, and they were thereupon signed by the Acting President pro tempore:

H. R. 4937. An act extending to the port of Dallas, Tex., the privileges of section 7 of the act approved June 10, 1880, governing the immediate transportation of dutiable merchandise without appraisement; and

H. R. 7595. An act providing for the free importation of articles intended for foreign buildings and exhibits at the Panama-Pacific International Exposition, and for the protection of foreign exhibitors.

PETITIONS.

Mr. THORNTON. On behalf of certain citizens of Colfax, La., I desire to present a petition of the National Woman's Christian Temperance Union, requesting the passage of the Sims amendment to the bill (H. R. 27876) providing that it shall be a condition precedent to the payment of any and all appropriations in this act that the Panama Exposition Co. shall contract with the Secretary of the Treasury to keep the gates of this exposition closed on Sundays during the entire period of the exposition. I move that the petition be referred to the Committee on Industrial Expositions.

The motion was agreed to.

Mr. JONES. I have here a telegram from the manager of the transportation bureau of the Seattle Chamber of Commerce protesting on behalf of the shippers of the country against the