SENATE.

WEDNESDAY, *December 10, 1913.*

The Senate met at 10 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

THE JOURNAL.

The VICE PRESIDENT. The Secretary will read the Journal of the proceedings of the preceding session.

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

The VICE PRESIDENT. The Secretary will call the roll.

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

Ashurst	Gronna	Overman	Smoot
Bacon	Hollis	Owen	Sterling
Bradley	Jackson	Page	Stone
Brady	James	Perkins	Sutherland
Brandegee	Johnson	Reed	Swanson
Bristow	Jones	Robinson	Thompson
Bryan	Kenyon	Shafroth	Thornton
Burleigh	Kern	Sheppard	Townsend
Burton	La Follette	Sherman	Vardaman
Clapp	Martin, Va.	Shields	Walsh
Colt	Martine, N. J.	Shively	Warren
Crawford	Nelson	Simmons	Weeks
Dillingham	Norris	Smith, Ga.	Williams
Gallinger	O'Gorman	Smith, S. C.	Works

Mr. SHEPPARD. I wish to announce the unavoidable absence of my colleague [Mr. CULBERSON] and to state that he is paired with the Senator from Delaware [Mr. DU PONT]. This announcement may stand for the day.

Mr. SMOOT. I desire to announce that the senior Senator from North Dakota [Mr. MCCUMBER] is unavoidably detained from the Senate.

The VICE PRESIDENT. Fifty-six Senators have answered to the roll call. There is a quorum present. The Secretary will read the Journal of the proceedings of the preceding session.

The Journal of yesterday's proceedings was read.

Mr. WILLIAMS. Mr. President, I notice from hearing the minutes read that upon yesterday a resolution (S. Res. 19) seems to have passed the Senate to pay some clerk hire out of the contingent fund of the Senate. The resolution never passed the Committee to Audit and Control the Contingent Expenses of the Senate, and the Senate can not pass a resolution which is valid in law to pay anything out of the contingent fund of the Senate until it has met the approval of the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. MARTIN of Virginia. Mr. President——

Mr. WILLIAMS. Wait a minute. In other words, the Senate can not by a resolution repeal a law of the United States. There is a law of the United States which provides that nothing shall be paid out of the contingent fund of the House unless it has been approved by the Committee on Accounts of that body, and that nothing shall be paid out of the contingent fund of the Senate unless it has been approved by the Committee to Audit and Control the Contingent Expenses of the Senate. Now, I yield to the Senator from Virginia.

Mr. MARTIN of Virginia. Mr. President, I simply want to say that at the proper time, when we reach that order of business, I expect to move a reconsideration of the vote by which the resolution referred to by the Senator from Mississippi [Mr. WILLIAMS] was passed, for the reason that in the last appropriation bill these additional employees were provided for by act of Congress, and that, in addition to the reason given by the Senator from Mississippi, is amply sufficient to show the necessity of reconsidering the vote which was had on yesterday, and I contemplate making, and shall at the proper time make, a motion to reconsider the vote on the resolution, which was taken yesterday.

Mr. WILLIAMS. Mr. President, the resolution went to the Committee to Audit and Control the Contingent Expenses of the Senate and was reported adversely; so, of course, even if it stands without reconsideration, it is not worth the paper on which it is written, and can not be executed.

Mr. SMOOT. Mr. President, I do not desire to take any time in discussing this matter, but this question has been before the Senate previously. The approval which the Senator speaks of is the approval of the voucher which is made by the chairman of any committee of this body. Of course I do not want to consume the time of the Senate now, as I believe the resolution will be reconsidered.

Before the Journal is approved, however, Mr. President, I believe I ought to call attention to the fact that the Journal and the RECORD ought to agree, and they do not agree. The Journal shows, as read by the Secretary, that yesterday morning when I called for a quorum the President announced that there were 58 Senators present. The RECORD this morning shows that there were 64 Senators present. Both can not be right.

While I am discussing the matter, I might as well call attention to changes that have been made in the RECORD for the last two days, the practice of which I believe ought to be stopped. On December 8 I called for a quorum.

Mr. WILLIAMS. I yielded to the Senator for——

Mr. SMOOT. Oh, no; the Senator yielded the floor.

Mr. WILLIAMS. I want to dispose of this point first, though, and this matter of the call has nothing to do with what the Senator is talking about.

Mr. SMOOT. The Senator did not yield to me. I took the floor in my own right.

Mr. WILLIAMS. The Senator took the floor by saying that he did not want to discuss the question, and then he did proceed to discuss it by giving an ex cathedra opinion to the effect that what was meant by this law, which is a very plain law, was that the committees had power to audit, and nothing else. Now, I submit to the Chair the proposition that it does not make so much difference just now, but the law is that nothing shall be paid out of the contingent fund of the House unless it has received the approval of the Committee on Accounts of that body, and that nothing shall be paid out of the contingent fund of the Senate unless it shall receive the approval of the Committee to Audit and Control the Contingent Expenses of this body. It is, in other words, a self-denying ordinance to keep the contingent funds from being burdened by all sorts of accounts.

Mr. SMOOT. I have the floor, and I wish to continue. On the morning of December 8 I called for a quorum, and the Vice President announced that there were 48 Senators present. The next morning when I looked into the RECORD I found that 61 Senators were recorded as being present. On that same day Senator WEEKS called for a quorum, and the Vice President announced 51 Senators as being present. The RECORD the next morning shows 59 Senators as being present. Senator BRISTOW called for a quorum that day, and the Vice President announced 48 Senators as being present, while the RECORD shows 58 as being present. Yesterday morning I called for a quorum, and the Vice President announced that there were 51 Senators present, while the RECORD this morning shows 64 Senators as being present. It shows the Senator from Oklahoma [Mr. OWEN] as being present, although he did not enter this Chamber until 29 minutes past 10 o'clock. The Journal shows there were 58 Senators present, while the RECORD shows 64 Senators as being present. Senator HITCHCOCK asked for a quorum, and it was announced that there were 57 Senators present. I do not know how many the RECORD will show as being present, because the call was made in a speech of the Senator from Minnesota [Mr. NELSON], yet to be published. Senator GALLINGER called for a quorum, and the Vice President announced 59 present, while the RECORD shows 62 Senators as being present. I called for a quorum at 8 o'clock last night, and the Vice President announced there were 56 Senators present, while the RECORD shows 59 as being present.

Mr. President, I simply call attention to this fact, because I believe the RECORD should show the exact facts. I am perfectly willing to say that I think it has happened in this way: Senators have come into the Chamber perhaps after the announcement, and the Secretary has recorded their names as being present as answering to the roll call, but I do not believe that practice should be hereafter allowed.

Mr. BACON. Mr. President——

The VICE PRESIDENT. May the Chair make a statement before the Senator from Georgia proceeds?

Mr. BACON. Certainly.

The VICE PRESIDENT. Whatever is wrong about this matter is directly traceable to the conduct of the present occupant of the chair. The Chair was inquired of by the Secretary as to whether it was a proper thing, after the result of the roll call had been announced and before any other business had taken place, if a Senator entered the Chamber and requested the Secretary to put him on the roll as being present, for the Secretary to do so. The Chair asked what had been the custom of preceding presiding officers, and was informed by the Secretary that the immediate predecessor of the present occupant of the chair had said that until some other business was transacted, although the announcement had been made by the Chair, it was not in violation of the rules of the Senate to mark Senators present who actually arrived in the Chamber before any other business had taken place. The Chair then instructed the Secretary to proceed in accordance with the ancient custom of the Senate, and the Chair does not desire that the Secretary shall be criticized for doing what was done by direction of the Chair.

If it is not the desire of the Senate that that practice shall continue, the Secretary from this time forward, after the announcement of the result of a roll call is made, will not record the name of any Senator. The Sen tor from Georgia.

Mr. BACON. Mr. President, I merely wish to state from my own experience something in illustration of what the Chair has just said. This morning I was in the Chamber before the Senate convened. I went into the cloakroom to put up my hat and hang up my coat. While I was there, which seemed not exceeding two minutes, the bell rang. As is usual, the bell rings after the roll call has begun, and my name, being second on the list, was called before I entered the door. I was in the room when the name of Mr. BRADLEY was called. I was here for a few moments while the call was proceeding, intending to ask the Chair to permit me to record my presence, when I was called to the door upon an official matter by a messenger from the Smithsonian Institution, of which I am one of the regents. Standing at the door, thinking I would certainly be in time to answer my name, I was detained longer than I anticipated; and as I entered the Chamber the Vice President announced the result of the call. I then asked the Secretary to record my name, and he did so. Is there any impropriety in that?

Mr. SMOOT. No, Mr. President; I do not think so; but there is not a similar case once in a thousand roll calls.

Mr. BACON. That simply happened this morning, and I have no doubt that similar cases are happening all the time. As the Vice President has said——

Mr. BRISTOW. Mr. President——

Mr. BACON. Pardon me a moment, until I finish the sentence. As the Vice President has said, of course, after we have passed from the roll call and proceeded to other business, it would be improper to then add a Senator's name to the list, but where a Senator is in the Chamber, although after the announcement has been made by the Chair, but before the Senate has proceeded to other business, there is certainly no impropriety in the presence of that Senator being recorded.

Mr. SMOOT. Where a Senator was in the Chamber at the time the roll was called or had been in the Chamber during the roll call, that would be a different thing entirely; but I do believe, Mr. President, that after the announcement of a roll call has been made, and a Senator later enters the Chamber, he ought not to be recorded as present during that roll call.

Mr. BRISTOW. Mr. President, I should like to ask the Senator from Georgia what would be his judgment in regard to a case like this: At the roll call on the convening of the session yesterday morning the Senator from Oklahoma [Mr. OWEN] was not present and did not appear until some time after half past 10 o'clock. In the meantime a bill had been taken up and was under discussion. The RECORD shows that at the time the roll was called the Senator from Oklahoma was present and answered to his name, when, as a matter of fact, he was not in the Chamber for about half an hour afterwards, and business had been transacted before he appeared. Does the Senator from Georgia think the RECORD ought to show that he was present when he was not and did not appear for half an hour?

Mr. SMOOT. And I desire to call the Senator's attention to the fact that the roll call was commenced at 2 minutes past 10 o'clock yesterday morning.

Mr. BACON. Mr. President, I have addressed my reply to the statement of the Vice President, and I think under the circumstances stated by the Chair the secretaries are not to be criticized, nor is the practice to be departed from.

Mr. BRISTOW. I desire to say that I am in entire accord with the Senator from Georgia [Mr. BACON], for I think he should have been recorded as present, because he was present, and it is well known that he was here, as he had been in the Chamber.

Mr. OWEN. Mr. President, I did not understand the particular roll call to which the Senator from Kansas referred. A number of times when the roll call has been proceeding I have walked up to the desk and asked to be recorded, and immediately gone out. Probably it was such an occasion as that to which the Senator has referred.

Mr. SMOOT. No, Mr. President; the roll call to which the Senator has reference was the first roll call yesterday morning. The Senator from Utah called for a quorum yesterday morning at 2 minutes past 10 o'clock, and the Senator from Oklahoma did not enter this Chamber yesterday morning until 29 minutes past 10.

Mr. GALLINGER. Regular order!

Mr. SUTHERLAND. Mr. President, the resolution to which the Senator from Mississippi has called attention, providing for additional clerks——

The VICE PRESIDENT. If the Senator will pardon the Chair for just one moment, the Chair wants this matter first settled, because the Chair has assumed the responsibility for what has been done on information obtained as to the conduct of his predecessor in this office, and the Chair does not want the secretaries criticized when the blame is with the Chair. The Chair desires to know now whether they shall be instructed to record no Senator as present after the result of the roll call is announced or whether the previous custom, which, as the Chair believes, did exist, shall continue.

Mr. GALLINGER. Mr. President, during the short period that it was my privilege to preside over the Senate I feel quite sure that there were a few exceptional cases where a Senator was permitted to record his name when he came in the door just as the roll call was completed, but it was not the custom to allow Senators to go to the desk after the announcement had been made and record their names. I do not know that any great harm comes from it, and yet I think it is a bad practice. While the name of the Senator from Georgia ought to be recorded this morning, of course—for we all knew that the Senator was present—I think it would be a wise thing for the secretaries to refuse to enter any name that was not on the roll when the announcement was made from the Chair.

The VICE PRESIDENT. Well, it must be settled one way or the other, and the Chair will instruct the secretaries to record no Senator's name after the Chair has announced the presence of a quorum unless such Senator obtains permission of the Senate to have his name recorded as present.

Mr. SUTHERLAND. Mr. President, the resolution (S. Res. 19) providing for additional clerks, which was agreed to on yesterday, is probably entirely unnecessary, because of the provision in the appropriation bill to which the Senator from Virginia [Mr. MARTIN] has called attention; but I do not want to let the construction which the Senator from Mississippi has placed upon the law pass without challenge. The position of the Senator from Mississippi, as I understand, is that the Senate is powerless to authorize a payment from the contingent fund unless the Committee to Audit and Control the Contingent Expenses of the Senate has first sanctioned it. Am I correct about that, I will ask the Senator?

Mr. WILLIAMS. Yes.

Mr. SUTHERLAND. The language of the law is:

> Hereafter no payment shall be made from the contingent fund of the Senate unless sanctioned by the Committee to Audit and Control the Contingent Expenses of the Senate—

And so on. It seems to me that that only means that the payment itself shall not be made unless the committee shall sanction it, but not that it may not be authorized by the Senate to be made. In other words, the Committee to Audit and Control the Contingent Expenses of the Senate in that respect simply exercises the power of an ordinary auditor. When the Senate has authorized an expenditure to be made and the time has come when payment should be made under the authorization of the Senate, then it is the duty of the committee to see that it is properly made under the law, but——

Mr. WILLIAMS. Will the Senator read the exact language of the law?

Mr. SUTHERLAND. It is:

> Hereafter no payment shall be made from the contingent fund of the Senate unless sanctioned by the Committee to Audit and Control the Contingent Expenses of the Senate—

And so on.

It seems to me that it would be a remarkable situation if the Senate, which is the creator of the Committee to Audit and Control the Contingent Expenses of the Senate, was absolutely powerless to do anything unless its creature had first authorized it to do it.

Mr. WILLIAMS. Mr. President, if the Senator from Utah will pardon me, there are some things beyond the power of the Senate, and one of them is to amend, modify, or vary a law which has been passed by both branches of the Legislature and approved by the President.

Mr. SUTHERLAND. That is quite true.

Mr. WILLIAMS. This is one of those cases. The Senate can not do anything which would have that effect. The reason underlying this law was that very frequently, in that spirit of comity and courtesy and good fellowship that characterizes both bodies, resolutions get through very easily to make payments out of the contingent fund. Therefore the two Houses joined together in passing a self-denying ordinance, a law which should restrain their own power over their own contingent fund, and so they have said expressly that no payment shall be made out of the contingent fund of either body unless sanctioned by the Committee on Accounts of the House and by the Committee

to Audit and Control the Contingent Expenses of the Senate. The entire reason of the law would be defeated if the construction were placed upon it which the Senator from Utah now seeks to place upon it.

The object of my announcement this morning was to give notice, so that Senators would understand the situation, that so far as this resolution was concerned it carried no appropriation; that until the Committee to Audit and Control the Contingent Expenses of the Senate had approved of it, it was just that much waste paper; and that there was no obligation upon the Committee to Audit and Control the Contingent Expenses of the Senate to approve of it at all; that it was a matter in foro conscientiæ so far as they were concerned. I do not see how language could be used that is plainer than just what the Senator has read—that no payment shall be made out of the contingent fund unless sanctioned by these two committees in the respective Houses.

Mr. SUTHERLAND. Mr. President, I quite understand the position taken by the Senator from Mississippi, and I have no doubt that, if the law had provided that no payment should be authorized, then the Senator's construction would have been correct, but I do not think——

Mr. WILLIAMS. I have never said that.

Mr. SUTHERLAND. If the Senator will bear with me. I do not think it was the intention of the law to preclude the Senate from controlling its contingent fund or to prevent the Senate from controlling the Committee to Audit and Control the Contingent Expenses of the Senate.

Mr. ROBINSON. A parliamentary inquiry, Mr. President.

The VICE PRESIDENT. Does the Senator from Mississippi yield to the Senator from Arkansas?

Mr. WILLIAMS. If the Senator will pardon me, the intention of the law is expressed by the words of the law.

Mr. ROBINSON. Mr. President, I desire to submit a parliamentary inquiry. What is before the Senate?

Mr. WILLIAMS. Nothing, except——

Mr. ROBINSON. I ask for the regular order, Mr. President.

The VICE PRESIDENT. The Journal of yesterday's proceedings will stand approved as read.

Mr. SUTHERLAND. Mr. President, just a moment. I understood that the Senator from Virginia [Mr. MARTIN] had moved to reconsider the vote by which this resolution was agreed to. Am I correct about that?

The VICE PRESIDENT. The Senator from Virginia said he would do so at the proper time. It will undoubtedly come up later.

Mr. SUTHERLAND. May I be indulged to say just a single word? I have said what I have simply because I differ with the Senator from Mississippi as to the construction of this law, and I do not think his statement ought to pass unchallenged.

Mr. WILLIAMS. I do not think we differ. The Senator from Utah and I agree that the Senate can authorize the payment, but they can not enforce it, and they can not compel it. It must be sanctioned by the committee before it becomes anything except a brutum fulmen.

Mr. LANE. Mr. President, I understand the ruling of the Chair to be that hereafter any Senator who is not here during the time of the roll call will not be marked upon the roll. Is that correct?

The VICE PRESIDENT. That is correct; after the Chair has announced the result, there being objection to the practice.

Mr. LANE. That being the fact, I wish to announce for the benefit of my friend the Senator from Utah that I got in a bit late, just after the roll call was finished, but that I am here. [Laughter.]

Mr. GALLINGER. We are glad to welcome the Senator.

ADDITIONAL CLERKS TO SENATORS.

Mr. MARTIN of Virginia. I move that the vote by which Senate resolution 19 was agreed to on yesterday may be reconsidered. It is the resolution which was referred to in the discussion a few moments ago, by which an additional clerk is to be provided for certain Senators and paid out of the contingent fund of the Senate. The resolution was inadvertently passed, as provision was made in the last general deficiency appropriation bill that these additional clerks shall be paid as other clerks are paid, under a statute. I move, therefore, that the vote be reconsidered.

Mr. WARREN. That was from December 1 until the 30th of June next.

Mr. MARTIN of Virginia. That is true; and they will be provided for in the regular way in the regular appropriation bill; but at present the resolution which passed yesterday is not only unnecessary but is confusing and calculated to give trouble.

Mr. JONES. Mr. President, I desire to say that the statement of the Senator from Virginia is entirely correct. There will be no objection to the reconsideration.

The VICE PRESIDENT. The question is on the reconsideration of the vote whereby the resolution was agreed to.

The motion to reconsider was agreed to.

Mr. GALLINGER. Now, Mr. President, let the resolution be indefinitely postponed.

Mr. MARTIN of Virginia. I concur in that request, and move that the resolution be indefinitely postponed.

The motion was agreed to.

RAILWAY LAND GRANT IN IOWA (S. DOC. NO. 310).

The VICE PRESIDENT laid before the Senate a communication from the Secretary of War, transmitting, in further response to a resolution of the Senate of August 19, 1913, reports of the Chief of Engineers and Chief of the Quartermaster Corps of the United States Army relative to the land grant under the act of Congress approved May 12, 1864, which was ordered to be printed, and, with the accompanying papers, ordered to lie on the table.

TRAVEL OF EMPLOYEES OF INTERIOR DEPARTMENT (H. DOC. NO. 464).

The VICE PRESIDENT laid before the Senate a communication from the Secretary of the Interior, transmitting, pursuant to law, a statement showing in detail what officers or employées (other than special agents, inspectors, or employees who in the discharge of their regular duties are required to constantly travel) of the Department of the Interior who have traveled on official business from Washington to points outside of the District of Columbia during the fiscal year ended June 30, 1913, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

ANNUAL REPORT OF THE ATTORNEY GENERAL (H. DOC. NO. 460).

The VICE PRESIDENT laid before the Senate the annual report of the Attorney General of the United States for the fiscal year ended June 30, 1913, which was ordered to lie on the table and be printed.

UNITED STATES COMMERCE COURT (H. DOC. NO. 451).

The VICE PRESIDENT laid before the Senate a communication from the Attorney General, transmitting, pursuant to law, a statement of the expenditures of the appropriation for the United States Commerce Court for the fiscal year ended June 30, 1913, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

COURT OF CUSTOMS APPEALS (H. DOC. NO. 454).

The VICE PRESIDENT laid before the Senate a communication from the Attorney General, transmitting, pursuant to law, a statement of the expenditures of the appropriation for the United States Court of Customs Appeals for the fiscal year ended June 30, 1913, which, with the accompanying paper, was referred to the Committee on Appropriations and ordered to be printed.

FINDINGS OF THE COURT OF CLAIMS.

The VICE PRESIDENT laid before the Senate the following communications from the assistant clerk of the Court of Claims, transmitting certified copies of the findings of fact and conclusions filed by the court in the following causes:

The cause of Mary Sommers, widow of Rudolph S. Sommers, deceased, *v.* United States (S. Doc. No. 308); and

The cause of Mary D. Gearon, granddaughter and sole heir of Patrick Dee, deceased, *v.* United States (S. Doc. No. 309).

The foregoing findings were, with the accompanying papers, referred to the Committee on Claims and ordered to be printed.

PETITIONS AND MEMORIALS.

Mr. KENYON presented a petition of sundry citizens of Randalia and Fayette, in the State of Iowa, praying for the enactment of legislation to further restrict immigration, which was referred to the Committee on Immigration.

He also presented a memorial of sundry citizens of Dubuque County, Iowa, remonstrating against the adoption of an amendment to the Constitution granting the right of suffrage to women, which was ordered to lie on the table.

Mr. O'GORMAN presented petitions of sundry citizens of Brooklyn and Albany, in the State of New York, praying for the enactment of legislation granting relief to persons who served in the United States Military Telegraph Corps during the Civil War, which were referred to the Committee on Pensions.

Mr. SMITH of Michigan presented resolutions adopted by the Michigan Equal Suffrage Association, of Jackson, Mich., favoring the adoption of an amendment to the Constitution granting the right of suffrage to women, which were ordered to lie on the table.

PAY OF EMPLOYEES.

Mr. MARTIN of Virginia. From the Committee on Appropriations I report back favorably without amendment House joint resolution 164, authorizing the Secretary of the Senate and the Clerk of the House to pay the officers and employees of the Senate and House, including the Capitol police, their respective salaries for the month of December, 1913, on the 20th day of said month. I ask unanimous consent for the present consideration of the resolution. It simply provides for the payment of the salaries of the employees of the two Houses on the 20th of this month.

The VICE PRESIDENT. Is there objection to the present consideration of the resolution?

Mr. GALLINGER. Mr. President, I think the resolution should be read in full.

The Secretary read the joint resolution, and there being no objection, the Senate, as in Committee of the Whole, proceeded to its consideration.

The joint resolution was reported to the Senate without amendment, ordered to the third reading, read the third time, and passed.

BILLS INTRODUCED.

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

By Mr. SMITH of Georgia:

A bill (S. 3609) to amend section 237 of the Judicial Code so as to provide for a review by the Supreme Court of the United States of all final decisions rendered by the highest court of a State in suits of the character and kind named in said section, and for other purposes; to the Committee on the Judiciary.

By Mr. BRISTOW:

A bill (S. 3610) for the relief of C. E. Moore; to the Committee on Post Offices and Post Roads.

A bill (S. 3611) granting a pension to Anna J. Shepherd; and

A bill (S. 3612) granting an increase of pension to William B. Warren (with accompanying papers); to the Committee on Pensions.

By Mr. LA FOLLETTE:

A bill (S. 3613) granting an increase of pension to Hattie A. Harris; to the Committee on Pensions.

By Mr. BURLEIGH:

A bill (S. 3614) granting a pension to Emil Ginther; to the Committee on Pensions.

By Mr. OWEN:

A bill (S. 3615) for the relief of the estate of Allen J. Mann, deceased; and

A bill (S. 3616) for the relief of the heirs of G. W. Click, deceased; to the Committee on Claims.

A bill (S. 3617) granting an increase of pension to W. H. Riner; to the Committee on Pensions.

By Mr. CHAMBERLAIN:

A bill (S. 3618) granting an increase of pension to Oregon Washburn (with accompanying papers); to the Committee on Pensions.

By Mr. TILLMAN:

A bill (S. 3619) for the relief of heirs of John D. and Elizabeth Witherspoon, deceased; to the Committee on Claims.

By Mr. TOWNSEND:

A bill (S. 3620) to remove the charge of desertion from the record of Isaac Terwilliger; to the Committee on Military Affairs.

A bill (S. 3621) granting an increase of pension to Hattie S. Russell (with accompanying papers); to the Committee on Pensions.

By Mr. BRANDEGEE:

A bill (S. 3622) for the relief of the heirs of Adam and Noah Brown; to the Committee on Claims.

By Mr. JONES:

A bill (S. 3623) providing for certain regulations to the business of commission merchants engaged in interstate commerce; to the Committee on Interstate Commerce.

By Mr. O'GORMAN:

A bill (S. 3624) granting a pension to Nana E. Sears; to the Committee on Pensions.

AMENDMENT TO INDIAN APPROPRIATION BILL.

Mr. OWEN submitted an amendment authorizing the Secretary of the Interior to withdraw from the Treasury of the United States the sum of $10,000 on deposit to the credit of the Creek Indians and pay the same to the trustees of the Henry Kendall College, intended to be proposed by him to the Indian appropriation bill; which was referred to the Committee on Indian Affairs and ordered to be printed.

BANKING AND CURRENCY.

Mr. CRAWFORD submitted two amendments, intended to be proposed by him to the bill (H. R. 7837) 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; which was ordered to lie on the table and be printed.

PERSONAL EXPLANATION.

Mr. OWEN. Mr. President, I rise to a question of personal privilege.

On page 549 of the CONGRESSIONAL RECORD of December 9, 1913, the Senator from New Hampshire [Mr. GALLINGER] suggested that the Senator from Oklahoma had interpolated in the RECORD the words "roll call." I was not able to recall what the RECORD showed, and therefore requested that it be sent for. I now have it in my hand—folios 200, 201, and 202.

Mr. GALLINGER. I will ask the Senator if that relates to his first statement?

Mr. OWEN. I decline to be interrupted by the Senator from New Hampshire.

The PRESIDING OFFICER (Mr. WALSH in the chair). The Senator from Oklahoma declines to yield. The Senator from Oklahoma will proceed.

Mr. OWEN. On page 549 the Senator from Oklahoma called attention to the RECORD, on page 149, where he had called the attention of the Senate to the various quorums called for and to the number of Senators who answered "present" on the roll call. At that time the Senator from Oklahoma mentioned the matter of a roll call in connection with these quorums eight different times, the last time in reference to the Senator from New Hampshire [Mr. GALLINGER], who made the point of no quorum at 8 o'clock p. m., and 56 Senators were present on the roll call. That was the eighth time the roll call was mentioned.

When reference was made to that last night the Senator from New Hampshire suggested that the term had been interpolated, and cross-questioned the Senator from Oklahoma. The Senator from Oklahoma did not remember what the original record was, but remembered what he intended to say. He now finds from the original record that he used the term "roll call" eight times, and it was the eighth time that he referred to the Senator from New Hampshire.

The Senator from Oklahoma finds from the RECORD, folios 200, 201, and 202, that he did not interpolate the words "roll call," as suggested by the Senator from New Hampshire, but that the Senator from New Hampshire did interpolate certain words in referring to the statement made by the Senator from Oklahoma, so as to read as follows:

Mr. GALLINGER. The Senator has put into the RECORD that when I made the point of no quorum there were 65 Senators present. They may have been in the cloakroom or on the street or somewhere else, but they were not at that time present in the Senate Chamber—

The Senator from New Hampshire interpolated the words—

as the Senator would have the country believe—

intending to impute to the Senator from Oklahoma a desire to misrepresent the Senator from New Hampshire before the country. He suggested that the Senator from Oklahoma had interpolated words not used, which was not a true suggestion, but he did not suggest that he himself had interpolated words which were not true, as the fact now appears from the RECORD.

The only possible foundation for the complaint of the Senator from New Hampshire is that on the first occasion, when the Senator from Oklahoma referred to the number of Senators present at these calls, the RECORD shows that he did not, on page 53, column 1, insert the words "roll call," but immediately afterwards explained to the Senator from New Hampshire in the following words:

I said the call of the roll disclosed the presence of 56 Senators.

So the imputation of the Senator that he was being misrepresented is not true, much less that the Senator from Oklahoma desired to misrepresent him. The RECORD shows it is not true; and yet the Senator has persisted in misrepresenting the Senator from Oklahoma, under the color of the claim that the Senator from Oklahoma had misrepresented him.

Mr. GALLINGER. Mr. President, at best this is a tempest in a teapot; and I hardly think the Senator from Oklahoma, who is so anxious to have the currency bill considered, ought to continue this controversy.

What does the RECORD show? The first time the Senator from Oklahoma lectured the Senate and told us what our duty was, and that we ought not to have roll calls, although the rules of the Senate give us that liberty, and the roll has been called sev-

eral times at the request of Senators on the other side during the past few days. This is what the Senator said:

Mr. President at 1.55 p. m. to-day the Senator from Utah [Mr. SUTHERLAND] made the point of no quorum. There were 61 Senators present.

Mr. LIPPITT. I should like to ask who made that statement?

Mr. GALLINGER. The Senator from Oklahoma.

At 2.45 p. m. the Senator from Utah [Mr. SUTHERLAND] again made the point of no quorum. There were 65 Senators present. At 4 o'clock p. m. the Senator from Utah [Mr. SMOOT] made the point of no quorum. There were 56 Senators present. The Senator from Utah [Mr. SMOOT] again made the point of no quorum at 12 minutes past 5. There were 58 Senators present.

Mr. President, this entire controversy hinges upon that statement made by the Senator from Oklahoma, that those Senators were present. It is true that subsequently he said that he meant to say that it was on a roll call, after he had been called to account for what I considered to be a statement calculated to make a false impression.

The matter is not of great consequence at best, however. The Senator from Oklahoma says I have made statements that were not true. In that respect he has evened it up, because I made the same observation concerning himself; so we will just let it go as it is.

Mr. OWEN. Mr. President, it is a serious matter when one Senator imputes to another a wrongful purpose and when one Senator tries to misrepresent another Senator. It is a serious matter. It interferes with the parliamentary proprieties of this body. It is a breach of the etiquette of this body. It is contrary to the rules of this body.

After having all this explanation and having had it perfectly well understood, the Senator interpolated in the RECORD words he did not use, to the effect that the Senator from Oklahoma would have the country believe that these gentlemen were all in their seats at the instant the point of no quorum was made.

I agree that it is a tempest in a teapot in a certain sense, but I do not think the Senator ought to try to put a Member of this body in a false position, much less that he should do so under the color of imputing that very fault to another.

Mr. GALLINGER. Mr. President, I say again that I think we had better proceed with the currency bill rather than with this personal controversy. The Senator from Oklahoma has not been overcareful in what he has said in debate. I simply repeat that I called attention to an inaccuracy, and it was an inaccuracy. As to my suggestion that the Senator desired the country to understand that the Senator has told us three or four times that he is talking to the country and not to the Senate. I have not been talking to the country. As I said last evening, I do not think the country cares a rap about this matter, and I think we had better let it go.

Mr. OWEN. I agree with the Senator.

The PRESIDING OFFICER. Morning business being closed, the calendar under Rule VIII is in order.

PRESIDENTIAL APPROVAL.

A message from the President of the United States, by Mr. Latta, executive clerk, announced that the President had on the 6th instant approved and signed the act (S. 2318) authorizing the appointment of envoys extraordinary and ministers plenipotentiary to each Paraguay and Uruguay.

BANKING AND CURRENCY.

Mr. OWEN. I move that the Senate proceed to the consideration of House bill 7837.

The PRESIDING OFFICER. The Senator from Oklahoma moves that the Senate proceed to the consideration of House bill 7837. Is there objection? The Chair hears none.

There being no objection, the Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 7837) 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.

Mr. NELSON. Mr. President, on account of the importance of the subject matter under consideration and many of the intricate questions involved, I felt it incumbent upon me to prepare a written speech. If I had not been interrupted I probably would have finished the speech on the first day, for I was four hours on my feet; but as you know, Mr. President, both on Monday and yesterday I was subjected to a great deal of interruption. It is very embarrassing not to submit to such interruptions. If a man has a written speech and declines to submit to interruptions some critical people may infer that he is not familiar with the subject, and therefore declines to answer questions. Sometimes a man may be considered impolite when he declines to yield for interruptions. In view of these and other considerations I felt that I could not deny to my colleagues the right to interrupt me and to catechise me.

There is another consideration that I want to call attention to that has actuated me in taking up so much time of the Senate in going over this bill in detail. It is this: I have heard the remark on several occasions from Senators that there is no real difference between the Owen bill and the Hitchcock bill; that they are both about the same. To my mind a statement of that kind conveys the impression that any gentleman who makes such a statement is not familiar with either bill; that he takes his information at second hand; that he really does not know the distinction between the Glass bill and the Owen bill and the Owen bill and the Hitchcock bill; that he is for anything that the spirit of Democracy and the Democratic caucus may prescribe.

I wish to say, before proceeding further, that I shall invite the attention of the Senate this morning to some other provisions of the bill. I have aimed in this discussion to take up the several bills and discuss paragraph by paragraph the important sections. I have omitted some of the minor ones, or those as to which there is not much difference between the three bills, but I have aimed to present to the Senate, as clearly as I could, the difference between the three bills and to point out what I conceive to be the superior merits of the Hitchcock bill.

Yesterday I was on the subject of the issue of the proposed new currency, the Federal reserve notes. Under the Hitchcock bill these notes may be issued on two plans. First, they may be issued dollar for dollar in gold or gold certificates; in other words, the reserve notes may take the place of our present gold certificates.

The other condition is that they may be issued upon short-time commercial paper of the nature prescribed in the bill, accompanied by a gold reserve of 45 per cent; in other words, the reserve bank on presenting commercial paper of this character equal to the par value of the reserve notes asked for, and having in connection with it a supply of 45 per cent in gold, is entitled to these new reserve notes. But the gold reserve of 45 per cent may in emergencies be reduced from 45 per cent to 30 per cent. In case of such reduction the reduction is subject to a special tax regulated in proportion to the deficiency of the reserve. Such a tax is to be at the rate of 1 per cent per annum upon every 2½ per cent or fraction thereof of reduction below the maximum reserve, but in no event can the gold reserve go below 30 per cent. The object of requiring that of these banks where the reserve falls below 45 per cent is to act as a deterrent on the undue inflation of the currency. I regard the requisite of a gold reserve as important for two reasons. It not only furnishes a fund for redeeming the currency in gold, but there is another important reason. Where a bank is required to keep a large gold reserve it acts as a brake upon the undue inflation of currency. Our old State-bank system, where the banks were required to keep little or no gold reserve, led to endless inflation, to a superabundance of paper currency, practically irredeemable; commerce and trade suffered from it in general, and many people were bankrupted and lost their little all.

In the particulars to which I have referred, Mr. President, the Glass bill differs from both the Hitchcock bill and the Owen bill in allowing the reserve notes to be redeemed in gold or in lawful money instead of in gold alone. As the original Glass bill came before this body it allowed this new currency to be redeemed not only in gold but in lawful money, and the term "lawful money" technically meant not only what are denominated "greenbacks" but silver dollars. I am glad to say that we succeeded in convincing our friends on the other side in the committee that our position in this respect was correct, and that they ultimately concurred with us in the view that we ought to eliminate the term "lawful money" and make these notes absolutely redeemable in gold coin or gold certificates, which are practically the same as gold coin.

Mr. BORAH. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Idaho?

Mr. NELSON. Yes.

Mr. BORAH. Do I understand that the redemption is now confined to gold?

Mr. NELSON. The redemption of these new notes, these reserve notes, is confined to gold or gold certificates. It does not refer to national-bank notes.

Mr. BORAH. Certainly not; but I was under the impression that the last report upon the bill provided not for redemption in gold at the Treasury but for redemption in gold or lawful money at the reserve bank.

Mr. NELSON. I think that has been corrected in the last or caucus print; that is, if a man insists on the gold he must go up to Uncle Sam's counter and demand a redemption of his notes. If he is content to take lawful money, he can present them to the bank.

Mr. BORAH. Of course, ultimately, I suppose, it amounts to gold redemption.

Mr. NELSON. In the final analysis it will, but it weakens the character of the notes. In order to make these notes first-class commercial paper, they ought absolutely to be redeemable in gold or its equivalent under all conditions and at all times and places.

The Glass bill required, as I said, 33⅓ per cent of lawful money of reserve notes, and the Owen bill requires a reserve of 33⅓ per cent in gold if presented at the Treasury, or gold or lawful money if presented at the reserve bank.

The Owen bill, as it originally came here when reported by the chairman's section of the committee, provided that these bills should be receivable for all Government dues except customs. That was made an exception. I am glad to say, however, that the caucus corrected that and eliminated the exception.

Both the Glass and the Owen bills differ from the Hitchcock bill in leaving it entirely discretionary with the Federal reserve board to issue currency to a reserve bank. The Hitchcock bill provides that the reserve bank is entitled to reserve notes on complying with the conditions of the law as to gold reserves and as to collateral security; in other words, if a reserve bank has a gold reserve of 45 per cent and tenders eligible commercial paper equal to the par value of the notes required, it is absolutely, upon such notes and such collateral security, entitled to circulation. Under the Owen bill it is discretionary with the reserve board whether it will allow such currency to issue to a reserve bank. Under the Hitchcock bill, the reserve bank, if it has eligible commercial paper equal to the par value of the currency at par and has the 45 per cent gold reserve, is entitled to that currency.

As I said a moment ago, the requirement of this new reserve serves a double purpose. Not only does it fortify the notes and make them absolutely safe, but, in the next place, it is a deterrent and a brake upon undue inflation; it prevents an excess of such paper circulation. We find that principle adopted in France, in Germany, and in Great Britain. The Bank of England can issue notes representing the permanent Government debt, sixteen or eighteen million pounds. I forget the exact amount, but it is something like that.

Mr. SHAFROTH. Eighteen million pounds is right.

Mr. NELSON. Eighteen million pounds. All issues of notes beyond that by the Bank of England are pound for pound in gold.

Under the Owen bill, even allowing the bank, as we propose to do, to issue notes, gold for gold, dollar for dollar, it would be discretionary with the reserve board.

Mr. NORRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Nebraska?

Mr. NELSON. I do.

Mr. NORRIS. I should like to inquire of the Senator what particular object can be accomplished by issuing these notes with the gold reserve of 100 per cent. Would it not be just the same in reality as a gold certificate?

Mr. NELSON. In effect it would be, but the gold would be in the banks, and it would be the property of the banks instead of being in the Treasury. It is the property of the holders of gold certificates scattered all over creation. Some of the holders of gold certificates may be in Europe. The gold in the Treasury is their gold, whereas if the gold certificate is presented to the bank and the bank wishes currency for it, the bank must go to the Treasury, draw the gold, and keep it in its own vaults as a reserve.

Mr. NORRIS. From what the Senator has said in regard to the owner of the gold certificates, if it be the rule that a man could take a hundred cents on the dollar, would he not in reality be the owner of it?

Mr. NELSON. No; he would not be the owner of it in the sense that he would be of a gold certificate. He would have those same notes, and their character as legal obligations and promises to pay would be identical with the other notes.

Mr. NORRIS. In one case he would have gold certificates to go and get the gold with.

Mr. NELSON. To go and draw the gold.

Mr. NORRIS. Yes; and in the other case he would have the Federal reserve notes to back up by gold, which he could also get by presenting Federal reserve notes.

Mr. NELSON. And that he can do in the other case as to notes based on commercial paper. They are exactly on a par in that respect.

Mr. NORRIS. But the explanation I want to get from the Senator is what good would come from it?

Mr. NELSON. The good of it is that the bank secures that store of gold reserve; it has an opportunity to get it in the vaults of the bank and issue its notes against it, while in the other case, as long as the gold reserve is outstanding, you do not know where those certificates may be and the Treasury is only a custodian and keeper of the gold.

But imagine, and I want to be very frank with Senators, that this is not so much a practical question as the other feature of the note-issuing provision. I imagine that most of the notes will be issued upon commercial paper with the 45 per cent gold reserve or, as it is in the other bill, 43⅓ per cent gold reserve—whichever provision is finally adopted—and the banks are not likely to issue this dollar-for-dollar currency to any great extent, except for the purpose of replenishing their gold supply.

There is another small matter to which I will call the attention of the Senate. The Owen bill provides for the issue of reserve notes in denominations of $1, $2, $5, $10, $20, $50, and $100. In the Hitchcock bill we have eliminated the ones and twos. We do not believe that these reserve notes ought to be smaller than $5. There are several reasons for our belief. These notes circulate from hand to hand, and we have a large amount of silver currency circulating in the shape of silver certificates. I think our silver dollars and our silver certificates can well occupy the field of the $1 and $2 notes and that the reserve notes should not be of a smaller denomination than $5.

I am glad to see the Senator from Mississippi [Mr. WILLIAMS] in front of me listening to what I am saying, for I look at the situation just as it is. He and his coadjutors will finally fix up the bill as it will become a law, and I hope I may be able to convert him to that extent, so that he will impress the ideas that I am trying to impress upon him upon his Democratic associates.

In reference to the so-called clearing-house or exchange provisions in the bills, the Owen bill and the Hitchcock bill are identical. The original Glass bill was very defective in that respect, though in one sense it might be good for the country at large. It would be a great blessing to provide a place for the clearing of checks and drafts without expense to the public at large, but it would be a terrible blow to the country banks. Practically, as it appeared from the evidence presented to our committee, it would deprive the smaller country banks of a large proportion of their net income and net resources by wiping out the exchange business and preventing them from making any charge for selling drafts or making collections. From the evidence before the committee it appeared that some of these banks, most of them, I think, have been reasonable and fair, but some of them have been guilty of making unreasonable and undue charges. That matter we have cured both in the Owen bill and in the Hitchcock bill. We permit these banks to make reasonable collection and exchange charges, but we allow the reserve board to regulate it so that there can not be any undue or excessive charges. I think it is a very wholesome provision. By means of it we do not deprive the small local banks of a reasonable amount of revenue, and at the same time we have a tribunal that has the opportunity to check or restrain any undue exactions of the banks.

Section 18 of the bill simply repeals the provision of the law requiring a national bank to deposit Government bonds before it can do business. Under the existing law national banks, regardless of whether or not they take out circulation, are obliged to deposit $30,000 and not less than one-third of their capital with the Treasury Department in United States bonds. I have no doubt the provision was originally inserted in the law for the purpose of securing a market for Government bonds at that time, in 1864, but the provision is practically obsolete and should be repealed. These bonds are not the basis of circulation, as are the bonds a bank must deposit as a prerequisite to secure a charter as a national bank.

I now come to a question which I regard as one of the most important in the bill, made so because of the changes in the Owen bill by the Democratic conference. I refer to the provision for the refunding of the 2 per cent bonds.

The Hitchcock bill, section 19, provides that the reserve banks shall each year purchase 2 per cent bonds of the United States at par and accrued interest equal in amount to not more than 50 per cent of their capital. The reserve banks purchasing such bonds may deposit them with the reserve agent—that is, the reserve agent who is an officer of the directors of the

regional banks—as security for the circulation of Federal reserve notes, or they may exchange the bonds at the Treasury Department for one-year Treasury gold notes bearing 3 per cent interest. In case such exchange is effected the banks are required, at the option of the Government, to renew the one-year gold notes, year by year, for a period of 20 years; that is, instead of commercial paper, those one-year gold notes may be presented as a basis of circulation, or a bank requiring circulation may present partly commercial paper and partly such one-year gold notes to secure circulation. Those one-year gold notes may also be used as security for reserve-note circulation, and are also available as an investment of the bank for the employment of its idle funds, and to aid them in protecting the gold supply.

It is conceded that those one-year 3 per cent gold bonds can be readily sold and gold procured on them, and that in that way they will be a means of maintaining and keeping up the gold reserve. In addition to that, they will be valuable to the reserve banks in case they have idle funds. In case they have funds that are not called for by the member banks they can invest them in these 3 per cent bonds and derive the interest that inures from them as an addition to their income and resources. National banks that sell their 2 per cent bonds in the manner indicated must retire that portion of their note circulation for which the bonds were given as security. These one-year 3 per cent gold notes are to be immune from all kinds of taxes. The Glass bill provides for the exchange of the 2 per cent bonds for 20-year 3 per cent bonds at the rate of 5 per cent a year and the retirement of national-bank-note circulation in the same proportion. In other words, the Glass bill provides that 5 per cent a year of these 2 per cent bonds now outstanding may be converted into 20-year 3 per cent bonds. Under the Owen bill they can be converted into one-year 3 per cent gold notes, which the banks are required to renew from year to year if necessary. One advantage of the one-year notes is that the Government at any time it has a surplus revenue can redeem those notes while in the other case, if we issued a new 20-year bond, the Government could not redeem those bonds in any other way than by going into the open market and buying them.

Mr. WEEKS. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Massachusetts?

Mr. NELSON. I yield.

Mr. WEEKS. May I suggest to the Senator another advantage which the proposition before the Senate has over the Glass bill? In the Glass bill the earnings of the reserve banks were to be divided between the Government and the banks after paying a stipulated rate of interest; as I recall it, 40 per cent of the excess to be added to the rate of interest to be paid the banks and 60 per cent of the earnings going to the Government. Refunding these bonds, as is proposed in the Glass bill, imposes an additional rate of interest of 1 per cent, so that there would have been in the end $750,000,000 of 2 per cent bonds, as there are now, refunded into 3 per cent bonds, costing seven and a half million dollars more in interest, without any recompense in any way, of which seven and a half million dollars the Government would receive 60 per cent of the profits and the holders of the stock of the bank the other 40 per cent. As a net result it would cost the Government $3,000,000 a year more than it does now to carry the same amount of debt, and the indebtedness would not be in such shape that it could be used for any purpose, like maintaining our gold supply. Is not that a correct statement?

Mr. NELSON. It certainly is exactly correct, and I am very glad that the Senator has made it.

Mr. WEEKS. If we have not done anything else in the delay which has taken place in the hearings and discussion of the bill, we have certainly saved the Government $3,000,000 a year and have furnished the banks with a security which will enable them to maintain the gold supply.

Mr. NELSON. I now come, Mr. President, to compare the Owen bill with the Hitchcock bill in this respect, and to point out and demonstrate that the Owen bill by its provisions perpetuates and continues the present inelastic national-bank-note currency.

One of the chief objections sought to be attained by this legislation was to escape from the effects, often in the past proven to be disastrous, of an inelastic currency based upon bond circulation. There are two provisions in the Owen bill which, beyond any doubt, will lead to a continuation of the present bond secured currency. So that instead of escaping from that, eliminating it, and relying on the new currency which we are providing for in this bill, we are left at the mercy of the old currency.

The provisions that bear on this subject and make it clear are, first, paragraph 8 on page 14 of the last print of the Owen bill, the bill, as I understand, which has been passed upon by the Democratic conference. It is one of the provisions that relate to the power of the reserve banks. I will quote the provision in full:

Eighth. Upon deposit with the Treasurer of the United States of any bonds of the United States in the manner provided by existing law relating to national banks, to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited, such notes to be issued under the same conditions and provisions of law which relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege.

Can any Senator maintain that that provides for any other than the same kind of notes that we now have under our national-bank system? The paragraph which I have just read gives the reserve banks the power to issue the same kind of currency based upon Government bonds as our national banks can issue at this time.

In this connection, I propose to call the attention of the Senate to the refunding provision of the Owen bill, and to show how that bill further fortifies and makes this contention absolutely sure. I ask Senators to turn to page 60 of the last print of the Owen bill, and, at the risk of some delay, I will quote the whole paragraph to the Senate in order that they may see exactly what it provides. I read from the last print of the Owen bill, which I may call for brevity the caucus print:

SEC. 18. Any member bank desiring to retire the whole or any part—

A member bank is a national bank—

Any member bank desiring to retire the whole or any part of its circulating notes may file with the Treasurer of the United States an application to sell for its account, at par and interest, United States bonds securing circulation to be retired.

The Treasurer shall, at the end of each quarterly period, furnish the Federal reserve board with a list of such applications, and the Federal reserve board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least 10 days before the end of any quarterly period at which the Federal reserve board may direct the purchase to be made. Upon notice from the Treasurer of the amount of bonds so sold for its account, each member bank shall duly assign and transfer, in writing, such bonds—

That is, the outstanding bonds—

to the Federal reserve bank purchasing the same, and such Federal reserve bank shall thereupon deposit lawful money with the Treasurer of the United States for the purchase price of such bonds, and the Treasurer shall pay to the member bank selling such bonds any balance due after deducting a sufficient sum to redeem its outstanding notes secured by such bonds, which notes shall be canceled and permanently retired when redeemed.

Here I come to "the milk in the coconut":

The Federal reserve banks purchasing such bonds shall be required to take out an amount of circulating notes equal to the amount of national-bank notes outstanding against such bonds.

Now, listen:

Upon the deposit with the Treasurer of the United States bonds so purchased, or any bonds with the circulating privilege acquired under section 4 of this act, any Federal reserve bank making such deposit in the manner provided by existing law shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited. Such notes shall be the obligations of the Federal reserve bank procuring same, and shall be in form prescribed by the Secretary of the Treasury—

Listen to this, Senators—

and to the same tenor and effect as national-bank notes now provided by law. They shall be issued under the same terms and conditions as national-bank notes.

Can anything be plainer than that? This section provides that the reserve banks may buy up the Government bonds which have the circulation privilege and put the money in the Treasury, whereupon the Treasury transmits it to the bondholders, and then the reserve banks deposit these bonds again with the Comptroller of the Currency and get exactly the same kind of bond-secured currency that we have now. In that way, under this provision of the bill, you will be perpetuating our present system of bond-secured currency; you will continue under the provisions of this bill, which I have quoted, to maintain all these notes in circulation based upon Government bonds instead of upon commercial paper.

What has been the cause of the lack of elasticity in the national-bank notes? Why have they been inelastic? Why have they been too rigid to meet the commercial needs of the country? It is because they have been based on Government bonds and would only ebb and flow in volume as the banks saw fit to buy those Government bonds. That, as I supposed, was the system which we were endeavoring to get away from by this legislation.

There are two important points that we seek to accomplish, or should seek to accomplish, by this legislation. One is to gather up, concentrate, and utilize the bank reserves in a better and more effective manner than has been the case up to this date; the other is to provide the country with an elastic currency, a currency that will be regulated, not by the purchase of

bonds but by the commerce and trade of the country, based on the commercial paper that is used as an incident to that trade and commerce.

It is only in that way that we can secure an elastic currency; it is only in that way that the countries of the Old World, where they have better banking systems than we, have succeeded in securing an elastic currency that responds to the commercial wants of the country. Yet, while that is avowedly the purpose, or ought to be the purpose, of this legislation, in cold blood, with malice prepense, the Owen bill proposes to perpetuate the very system that we are trying to get away from by this legislation.

Mr. SHAFROTH. Mr. President, does not the Senator recognize the fact that the United States notes or greenbacks are just as inelastic as the national-bank notes, and is the Senator in favor of retiring the greenbacks?

Mr. NELSON. Oh, the Senator does not mean what he says.

Mr. SHAFROTH. Yes, sir.

Mr. NELSON. I will tell you why.

Mr. SHAFROTH. They are a fixed currency.

Mr. NELSON. I will tell you why; and I say it in a spirit of humility. There is no comparison between the two, for the reason that we have a law on the statute books which prevents the amount of greenbacks from being increased. That circulation can not be extended. Heretofore we had more greenbacks outstanding than we have now; and some years ago—I do not recall when—we had at the head of the Treasury Department Secretaries who were trying to eliminate the greenbacks and get them out of circulation. To prevent that Congress passed a law—I can not recall the year——

Mr. SHAFROTH. In 1878.

Mr. NELSON. Yes; Congress passed a law prohibiting the further retirement of any notes. You can not call that an elastic currency, for it has remained at the volume of $346,000,000 for a great many years. Until we change the legislation of the country that will continue to be its volume; it can be neither more nor less. So it has not even the elasticity of national-bank-note circulation, which does have some slight elasticity.

We know that during the panic of 1907, while the banks as a rule were averse to purchasing bonds and extending their circulation, under the stress of the conditions then prevailing the banks did take out considerable circulation. If I recall the facts—and I think I am correct—during the pendency of that panic, and until the banks fully resumed, our national-bank-note circulation increased to the extent of about $50,000,000. I can not give the figures exactly. So in the matter of elasticity there is no comparison between greenbacks and national-bank notes.

Mr. SHAFROTH. That is, the national-bank notes are a little more elastic than the greenbacks?

Mr. NELSON. The greenbacks are not elastic at all.

Mr. SHAFROTH. They are not elastic at all, but the national-bank notes are a little more elastic than the greenbacks. If objection be made to the national-bank notes on the ground that they are inelastic, why is not that a much greater reason for retiring the greenbacks, because they are less elastic than the national-bank notes?

Mr. NELSON. There are a great many people who think they ought to be retired; and, as a matter of sound banking and currency principles, I think they could well be retired. I think we ought to have one uniform currency, such currency as is prescribed in this bill. I will take the Senator a little bit into my confidence in this matter, however. While I admit that that would be most sound, yet we old soldiers who fought in the War of the Rebellion, who carried muskets and rifles on our shoulders and greenbacks in our pockets, sustaining the Government's credit by carrying its greenbacks and sustaining the Government itself by carrying its muskets and rifles on our shoulders, have a kind of love for the dear old greenback. [Laughter.] While they now have new rifles, new guns, Krag-Jörgensens, and other improved firearms, instead of the old Enfield and Springfield rifles, we say nothing about that, but we old soldiers hate to let go of the dear old greenback. [Laughter.]

Mr. SHAFROTH. I agree with the Senator.

Mr. NELSON. The capitalists of the country may say that it was unjust and unfair to compel the people to take that kind of currency, which was then at such a great discount. I never heard a soldier at pay day object to taking greenbacks, and if the soldiers did not object, why should these moneybags object? They did not encounter the dangers or incur the risks of war, as did the boys who wore the blue. This, however, is foreign to the question, and I am sorry to have taken up the time of the Senate with it.

I will quote again the last part of the paragraph I have been discussing.

Such notes—

That is, the notes that are to be issued upon these 2 per cent Government bonds—

shall be the obligations of the Federal reserve bank procuring same, and shall be in form prescribed by the Secretary of the Treasury, and to the same tenor and effect as national-bank notes now provided by law. They shall be issued under the same terms and conditions as national-bank notes.

So, Mr. President, it seems to me that anyone who reads this refunding provision and, in connection with it, paragraph 8 of the powers given to the reserve banks, must inevitably come to the conclusion that, if this measure is enacted into law, it will perpetuate and maintain our present rigid bond-secured currency.

I desire now to call attention to another provision. I am reading from the Owen bill:

United States bonds bought by a Federal reserve bank against which there are no outstanding national-bank notes may be exchanged at the Treasury for one-year gold notes bearing 3 per cent interest. In case of such exchange for one-year notes the reserve bank shall be bound to pay such notes and to receive in payment thereof new 3 per cent one-year Treasury gold notes year by year for the period of 20 years.

That limits the purchase of 2 per cent bonds, and the substitution of 3 per cent one-year gold notes for them, to bonds that are not the basis of national bank note circulation. But under the funding provision of section 18 of the Owen bill, whenever the 2 per cent bonds on which circulation is now issued are purchased by the reserve banks they are to issue similar notes based on the bonds purchased, so that practically you are simply changing about. Instead of the national banks, as now, having outstanding seven hundred and fifty-odd millions of national-bank notes based on Government bonds, you would have these reserve banks—assuming that they bought up all the bonds, as they can do—having outstanding the same volume of notes based upon the same class of security, the Government bonds. So by this legislation you are not getting away from the present system.

As I have said several times, I regard it as of the utmost importance that by this legislation we shall escape from the rigid character of our present currency. We can only escape from it by substituting, as rapidly as we can and with as little friction as possible, the new system provided for in this bill and the new class of notes provided for in it.

Mr. SIMMONS. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from North Carolina?

Mr. NELSON. Certainly.

Mr. SIMMONS. I desire to ask the Senator a question for information, because I confess I am a little bit confused about this matter.

At the present time the national banks which hold these Government bonds have, in a large measure, discretion as to the amount of currency they will take out upon them, have they not?

Mr. NELSON. I can not exactly answer the Senator's question. I will say that any bank can buy Government bonds, but if a bank wants to issue national-bank notes it must deposit Government bonds with the Comptroller of the Currency, and it then gets circulation, as at present. It used to be that they got circulation only at the rate of 90 per cent, but as a result of recent legislation they now get dollar for dollar.

Mr. SIMMONS. The Senator does not catch my point. I understand that now a national bank can get 100 cents on the dollar on its bonds.

Mr. NELSON. Yes.

Mr. SIMMONS. The question I meant to address to the Senator—probably I did not express myself with clearness—was whether the national banks holding these Government bonds did not have a discretion as to whether they would take out anything in the way of notes, or as to the amount of notes they would apply for upon those bonds.

Mr. NELSON. There is a discretion as to the circulation they will take out, of course.

Mr. SIMMONS. Yes; a discretion as to the circulation.

Mr. NELSON. But for whatever circulation they do take out they must deposit bonds.

Mr. SIMMONS. Yes. The discretion is absolute?

Mr. NELSON. Oh, it is not mandatory now.

Mr. SIMMONS. The discretion is absolute with the national banks?

Mr. NELSON. Yes; as to the amount.

Mr. SIMMONS. The Government has no power to control that discretion?

Mr. NELSON. No.

Mr. SIMMONS. The Government can not say to a national bank, You ought to increase your circulation on these bonds?

Mr. NELSON. No; it can not do that.

Mr. SIMMONS. Under the system proposed in the Owen bill, will not the Government come into a power which will permit it in a measure to control the amount of circulation based upon Government bonds?

Mr. NELSON. Not under this provision.

Mr. SIMMONS. Suppose the reserve banks of the country, we will say in the course of a dozen years, should come into possession of all of the 2 per cent bonds?

Mr. NELSON. By buying them?

Mr. SIMMONS. By buying them and having them in their vaults. By reason of the Government's control over these banks, the fact that three directors of the banks are appointed by the Government, the fact that three other directors of the banks are not stockholders but are representatives of commercial interests in the country, and the further fact that the Government appoints the reserve board, could not the Government, in practical effect, say to these reserve banks, You shall increase your circulating notes based upon Government bonds?

Mr. NELSON. No. The bill defines the power.

Mr. SIMMONS. Technically speaking, it would not have the power, but in practical effect would it not have that power?

Mr. NELSON. It has not.

Mr. SIMMONS. What I mean to ask is, by means of the Government's control through its reserve board and through its representation upon the directorate of the banks, would it not be able to practically control the amount of bank notes based on Government bonds?

Mr. NELSON. It could not control it in the respect that I refer to; absolutely not. I will read the provision again.

Mr. SIMMONS. I think I undertand the provision which the Senator has read.

Mr. SHAFROTH. If the Senator will yield to me——

Mr. NELSON. Let me first answer the Senator from North Carolina.

Mr. BRANDEGEE. Will the Senator state whether the print from which he is reading is that of December 1?

Mr. NELSON. Mine is the print of December 1. I have mine marked "Third Owen bill." It is the bill that ran the gantlet of the Democratic conference. The first part of the section provides for application by the national banks.

Mr. CRAWFORD. From what section is the Senator reading?

Mr. NELSON. Section 18, page 60. It provides how national banks can get rid of these bonds, as they are anxious to do, because they are at a discount. It provides that they can sell them. I will not read the entire paragraph.

The Federal reserve banks purchasing such bonds—

That is, these 2 per cent bonds, for instance—

shall be required to take out an amount of circulating notes equal to the amount of national-bank notes outstanding against such bonds.

That is mandatory. There is no regulating power here at Washington. Neither the reserve board nor the directors of the regional banks can override that clear mandate of the law.

I now yield to the Senator from Colorado.

Mr. SHAFROTH. The object of that is to overcome the provision of the Hitchcock bill that $50,000,000 of this national-bank currency shall be retired, without providing a substitute currency for it, unless that substitute currency arises from the issuance of currency upon paper of 30, 60, 90, or 120 days, which may be deposited for the purpose of getting currency. That was the object of that provision, so as to prevent the contraction of the currency and to keep the currency at its present volume.

Mr. BRADY. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Idaho?

Mr. NELSON. I yield to the Senator.

Mr. BRADY. Is not the authorization of this additional currency discretionary with the board?

Mr. NELSON. Not the currency that we refer to here.

Mr. BRADY. It says:

The Federal reserve board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least 10 days before the end of any quarterly period at which the Federal reserve board may direct the purchase to be made.

My understanding is that the Federal reserve board is not compelled to do it.

Mr. NELSON. They can direct the purchase of the bonds, but if they are once purchased circulation must be taken out.

Mr. BRADY. After they are purchased?

Mr. NELSON. Yes.

Mr. BRADY. The circulation must be taken out?

Mr. NELSON. Yes. If the Senator will look at the foot of the page, commencing on line 24, he will see the provision.

Mr. BRADY. But it is to be left to the judgment of the reserve board as to whether or not the reserve bank shall purchase these bonds? Is that correct?

Mr. NELSON. No; not absolutely. The first question is as to whether the bonds shall be offered for sale. I read at the top of the page:

Any member bank desiring—

Of course these bonds can not be sold unless the banks that hold them are willing to sell them.

Mr. BRADY. Section 18, commencing with the first part of the section, says:

Any member bank desiring to retire the whole or any part of its circulating notes may file with the Treasurer of the United States an application to sell for its account, at par and interest, United States bonds securing circulation to be retired.

Mr. NELSON. Yes. That is, the first demand must come from the national banks.

Mr. BRADY. But they are not compelled to make that demand?

Mr. NELSON. No.

Mr. BRADY. They may do it?

Mr. NELSON. They may do it. Now, these bonds are not due in any particular year.

Mr. BRADY. And they may file applications stating that they desire to sell the bonds?

Mr. NELSON. Yes.

Mr. BRADY. Then the Federal reserve board has the power to require some bank to take the bonds and issue currency for them. Is that correct?

Mr. NELSON. It has the power, which I will read:

The Treasurer shall, at the end of each quarterly period, furnish the Federal reserve board with a list of such applications—

That is, applications from the national banks to sell those bonds—

And the Federal reserve board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks.

That is, compel the reserve banks to buy those bonds.

Mr. BRADY. That is the very question I was asking the Senator.

Mr. NELSON. It can compel them to do that; but before that can be done there must be first an offer, a desire, on the part of the national banks to sell the bonds.

Mr. BRADY. I understand that quite well.

Mr. NELSON. The Senator can see that now, when the 2 per cent bonds are at a discount and are likely to remain at a discount, they will all be ready to sell.

Mr. BRADY. That is quite true; but I am trying to have the Senator make as clear as possible the real authority of the reserve board.

Mr. NELSON. The only authority of the reserve board is in reference to the requirement to purchase the bonds. If the bonds are once purchased, circulation must be issued on them. The Senator can see that as long as the national banks do not apply to sell the bonds on which circulation is based those notes remain in circulation. Let me call the Senator's attention to the first paragraph:

SEC. 18. Any member bank desiring to retire the whole or any part of its circulating notes may file with the Treasurer of the United States an application to sell for its account, at par and interest, United States bonds securing circulation to be retired.

That comes from the national banks that have their notes outstanding. They want to get rid of them; they want the notes redeemed, so that they can sell the bonds. If they make such an application, it is in the power of the Federal reserve board to require the Federal reserve bank to buy those bonds, but if the Federal reserve board does not buy them, the notes are outstanding and the bonds are there. They are not due; they can not be redeemed.

Mr. BRADY. But, as I understand it, the Federal reserve board do not buy the bonds. They simply take the application of the purchaser and require some particular reserve bank to buy the bonds.

Mr. NELSON. It is the national banks that are trying to sell the bonds, and it is one of these new regional reserve banks that buys them.

Mr. BRADY. That is quite clear, but there is one point I wish the Senator would make plain. I want to find out what happens in case the Federal reserve board decides that they will not require the Federal reserve bank to buy the bonds.

Mr. NELSON. Then those bonds will remain in the Treasury Department as a basis for circulation. They will be left with the national-bank note circulation. It is only the bonds deposited in the Treasury that are a basis of circulation. If

the Senator will read the first four lines here, he will see the basis of it.

Mr. BRADY. What I was trying to have clearly understood is that it is within the discretion of the Federal reserve board to compel the Federal reserve bank to buy the bonds.

Mr. NELSON. They can order the Federal reserve bank to buy them.

Mr. BRADY. And they can refrain from ordering the bank to buy the bonds under this proposal.

Mr. NELSON. Yes; but if they do not buy them the notes are outstanding; the bonds are in the Treasury, and the bank notes that are issued on them are outstanding.

Mr. BRADY. That is the point I wanted to have made clear.

Mr. NELSON. So, you see, the system really amounts to this, to make it plain to the Senator: A national bank in the Senator's home town has $50,000 of national-bank notes outstanding based on Government bonds filed in the Treasury. It comes to the reserve board or comes to the Treasury of the United States and says, "I want to retire these notes that I have outstanding; I want to sell the bonds on which I have obtained this circulation." As your bank desires to sell these bonds for the purpose of redeeming or withdrawing its national-bank note circulation, the reserve board may order the reserve bank to purchase those bonds; but if it purchases the bonds it must issue circulation notes upon those bonds, just the same kind of notes as the notes that were based on the bonds when the national bank offered to sell them.

Mr. BRADY. That is my understanding.

Mr. NELSON. I do not know how I can make it any plainer.

Mr. BRADY. The only question is as to the authority of the Federal reserve board to say to my home bank, when it makes application to sell these bonds——

Mr. NELSON. Those bonds on which there is outstanding circulation.

Mr. BRADY. On which there is outstanding circulation. The Federal reserve board, as I understand it, simply makes a list of the bonds to be sold. The Federal reserve board does not purchase the bonds.

Mr. NELSON. Oh, no.

Mr. BRADY. My bank would simply make an application to it to sell the bonds.

Mr. NELSON. And to redeem its circulation.

Mr. BRADY. That application is filed with the Federal reserve board. Then the Federal reserve board may in its discretion require the Federal reserve bank to purchase the bonds.

Mr. NELSON. Yes.

Mr. BRADY. What I want to find out is what would be the position of my home bank in case the Federal reserve board said we will not require the Federal reserve bank to buy those bonds?

Mr. NELSON. If it made no application to sell the bonds or redeem the currency, there would be nothing for the reserve board or the bank to act upon.

Mr. BRADY. But that is not the point. My bank would want to sell its circulating notes. It would make an application to the Federal reserve board to sell its bonds. It may desire to do it. There is nothing in this proposed law to compel the Federal reserve board to relieve the situation by buying those bonds. It may do it or it may not do it. It is entirely discretionary with the board.

Mr. NELSON. I see what the Senator means. It is discretionary. But the point the Senator has referred to has no bearing on the main question in the case, and that is the question relating to our circulating medium.

Mr. BRADY. I understand that.

Mr. NELSON. The Senator can see that it is only swapping the national-bank notes for these new notes based upon the same kind of bonds.

Mr. BRADY. There is no question about that. The only point I was discussing was the actual transfer. If I understand the Senator's explanation, and I think it is very plain, if any national bank desires to sell its bonds, it files its application, and in case the Federal reserve board desires to buy the bonds they can require the Federal reserve bank to buy those bonds; but if the Federal reserve board says, "We will not require the Federal reserve bank to buy your bonds," the bank offering the bonds could not compel the Federal reserve board to take them.

Mr. NELSON. Then your bank would have to hold its bonds, and its national-bank notes would be outstanding.

Mr. BRADY. That is the point I desired to have made clear.

Mr. NELSON. It would be just where it was before it made the application.

Mr. BRADY. And this proposed law would be of no benefit to that bank.

Mr. NELSON. Not for the purpose of selling its bonds.

Mr. BRANDEGEE. Could not the bank which desired to retire its circulating notes which were secured by bonds sell the bonds in any other market?

Mr. NELSON. Certainly, they could sell them in the open market; and they could go with their legal-tender money to the Treasury and say, "We want to redeem our circulating notes," and if they were redeemed the national bank would get back its notes.

Mr. BRANDEGEE. And the national bank could hold its bonds, having taken up the notes.

Mr. NELSON. It could hold them.

Mr. BRANDEGEE. It could hold them if it wanted to do so?

Mr. NELSON. Certainly.

Mr. SIMMONS. If the Senator will pardon me, he is discussing the question whether the system proposed in the Owen bill, with reference to bank notes based on Government bonds, will be more or less elastic than under the present system?

Mr. NELSON. I will say that it is simply a perpetuation of the same system.

Mr. SIMMONS. That is what I understand the Senator to claim.

Mr. NELSON. It is neither worse nor better. All the vices and virtues and imperfections of the present system are perpetuated.

Mr. SIMMONS. I understand that to be the contention of the Senator. The Senator is contending that under the Owen bill, with reference to bank circulation based on bonds, the system will be in effect the same as at present, so far as elasticity is concerned.

Mr. NELSON. Certainly.

Mr. SIMMONS. Now let me ask the Senator——

Mr. NELSON. It will be just like this, to make the statement plain——

Mr. SIMMONS. I understand the Senator; but he does not understand me, I fear, and I am trying to have him get my viewpoint. I am a little bit confused about it and I am trying to get light and information from the honorable Senator who is a member on the committee and has evidently given close study to the subject. As I understand it, if a national bank desires to sell its 2 per cent Government bonds it notifies the Treasury Department of that purpose.

Mr. NELSON. They must desire to sell them for the purpose of taking up circulation.

Mr. SIMMONS. Yes. The bank notifies the Treasury Department of its desire to sell its bonds and retire its notes. The Treasury Department in that case requires the reserve banks to purchase those bonds and with the proceeds take up the outstandings, and requires the purchasing bank to redeposit the bonds and issues to them a like amount of reserve notes.

Mr. NELSON. The Federal reserve board is the authority that must require the banks to buy those bonds, but there the power of the reserve board ends. They can require the banks to purchase the bonds, and after the bonds are purchased the issuing of the same kind of currency upon them is mandatory.

Mr. SIMMONS. If under that authority the reserve bank does purchase these bonds it is compelled to take out notes against those bonds again, is it not?

Mr. NELSON. Yes, sir; exactly the same kind of currency.

Mr. SIMMONS. If a national bank should sell its bonds to a private citizen, he would not be required to take out circulation against those bonds, would he?

Mr. NELSON. Not an outsider.

Mr. SIMMONS. Then we have this condition——

Mr. NELSON. Allow me just a word here. You could not sell those bonds that were in the Treasury. They are there until the notes for which they are security are redeemed.

Mr. SIMMONS. But if I purchased those bonds from the bank, I could go to the Treasury Department and I could reclaim them by paying off the notes issued on them.

Mr. NELSON. No; you could not.

Mr. SIMMONS. Could not the bank do it? I am putting myself in the place of the bank.

Mr. NELSON. You would have to redeem those circulation notes.

Mr. SIMMONS. Exactly. I would have to redeem those notes and I would own the bonds.

Mr. NELSON. That is, the bank that deposited them would have them. The Treasury would deal with the bank.

Mr. SIMMONS. Then the notes would be canceled and pass out of circulation. But if these bonds are purchased by a central reserve bank, under the section of the bill read by the Senator the circulation based upon them would be retired, but in their place other notes of like amount would be issued to the purchas-

ing bank, and currency would be, in effect, neither reduced nor increased.

Mr. NELSON. Exactly the same kind of notes.

Mr. SIMMONS. So the Government in this way prevents the currency covered by these bonds from being withdrawn from circulation. If it was left to individual initiative and control, the holder of those bonds would, by paying off these notes, retire that much circulation without being required to substitute anything in their place.

Mr. NELSON. That can be done now. Any national bank can retire its notes.

Mr. SIMMONS. That can be done now by holders of the $50,000,000 of bonds, which you provide may be retired every year.

Mr. NELSON. That is entirely different. The Senator is traveling outside of the line. I say that can be done by the national banks now. If a national bank has $50,000 in circulation, based on Government bonds, the national bank can go there and redeem that circulation.

Mr. SIMMONS. Exactly.

Mr. NELSON. It can take currency there and redeem the notes and get back the bonds.

Mr. SIMMONS. Exactly.

Mr. NELSON. It is at the option of every national bank to withdraw its circulation. If you go through the country you will find that the smaller banks, the country banks, as a rule, have circulation up to the amount of their capital. The national banks can not have more than the amount of their capital. The large city banks in New York and other places have only a limited amount, only a part of their national-bank notes outstanding in proportion.

Mr. SIMMONS. That is exactly as I understand it. At present the national banks can at will retire the circulation against their bonds now deposited in the United States Treasury.

Mr. NELSON. They can redeem those bonds at any time.

Mr. SIMMONS. But if those bonds are purchased by a reserve bank under the authority the Senator just read in the Owen bill, then that reserve bank can not retire that circulation.

Mr. NELSON. It must take out bonds.

Mr. SIMMONS. Therefore, this provision does provide for the mandatory issue of notes against that amount of Government bonds.

Mr. NELSON. That is what we have to-day. We have exactly the same system in the currency we have now that we are supposed to be trying to get away from.

Mr. WEEKS. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Massachusetts?

Mr. NELSON. I will yield, but I do not mean to take the Senator from North Carolina off the floor.

Mr. SIMMONS. I will yield to the Senator.

Mr. WEEKS. I wanted to call the attention of the Senator from North Carolina to a qualified error that he made in the statement which he has just submitted, relating to national banks retiring circulation. He said, if I understood him, that they could retire it at will. When the national-bank act was passed, and for 40 years of its existence, the law limited the retirement to $3,000,000 a month, the purpose being——

Mr. SIMMONS. The Senator will understand that I meant within the limitation of the law.

Mr. WEEKS. I will just complete my statement by saying that five or six years ago that limitation was increased from $3,000,000 a month to $9,000,000 a month, so that if no circulation were taken out and the national banks retired all they could every month for a year they would retire only $108,000,000 a year, or about one-seventh of the outstanding national-bank note circulation.

Mr. BRANDEGEE. That national-bank circulation is the bond-secured circulation?

Mr. WEEKS. The bond-secured circulation.

Mr. SIMMONS. Mr. President, the thought that I had in my mind was that at the present time the national banks holding these bonds can take out circulation upon them or not at their discretion.

Mr. NELSON. Up to the amount of their capital.

Mr. SIMMONS. Yes; up to the amount of their capital. But if the national banks desire to dispose of their bonds, as provided in the clause which the Senator has read, and they become the property of the reserve banks under the provision last read by the Senator from Minnesota, then those banks are compelled to issue circulating notes against those bonds.

Mr. NELSON. The same kind of notes and on the same condition.

Mr. SIMMONS. I think that is a very important differentiation between the present system and the system proposed in the Owen bill, so far as elasticity is concerned, because in the one case the amount of notes issued and in circulation based upon these bonds is largely within the discretion of the national banks, but when these bonds go into the hands of the reserve banks they have no discretion as to the amount of circulation that shall be issued against the bonds; they are required and commanded by the law to issue the amount. I speak of the 2 per cent bonds these banks are required to buy when offered for sale in the way provided.

Mr. NELSON. Does not the Senator see on reflection that that makes them still more inelastic? The national banks can redeem those notes and get back the bonds, they can retire the circulation, but this provision makes it mandatory, so that whenever bonds are bought by these reserve banks under the provisions of the bill, they must take out circulation under it, making it still more rigid.

Mr. SIMMONS. No; the Senator——

Mr. NELSON. It is not mandatory on national banks now. They can increase their circulation up to the amount of their capital or they can decrease it. But this makes it absolutely mandatory to issue on the bonds they purchase.

Mr. SIMMONS. The Senator is entirely right with respect to one class of Federal bonds that may come into the hands of the Federal reserve banks; that is, that class of bonds that they purchase indirectly from the national banks through the instrumentality of the Treasury. The Senator read two provisions with respect to the powers and duties of the reserve banks with reference to circulation based upon Government bonds. The first clause which the Senator read authorizes these reserve banks to acquire Government bonds, just as national banks are permitted to acquire them. They go into their vaults and become a part of the assets of the bank.

Mr. NELSON. No; they do not take the bonds. They must deposit them in the Treasury with the Comptroller of the Currency.

Mr. SIMMONS. I am talking about the first section which the Senator read.

Mr. NELSON. I am referring to that.

Mr. SIMMONS. The first section authorizes them, when they become the owner of Government bonds, to take those bonds to the Treasury and secure circulation upon them just as other banks are permitted to do. Is not that true?

Mr. NELSON. Is not that a continuance of the present system?

Mr. SIMMONS. Exactly.

Mr. NELSON. Do you want the present system of national-bank circulation that is claimed to be inelastic to be continued?

Mr. SIMMONS. Will the Senator permit me to finish the statement that I started to make?

Mr. NELSON. Go on.

Mr. SIMMONS. I say there are two sections of the bill with reference to the purchase of bonds by these reserve banks. One section permits them to purchase them just like any national bank can to-day purchase them, and after they have purchased them they can take out circulation upon them or not just as they please. Is not that true?

Mr. NELSON. Yes.

Mr. SIMMONS. So far as that part of the bonds which may be acquired by the reserve banks is concerned, there will be the same method as exists now and the same elasticity that exists now, no more and no less.

Mr. NELSON. Exactly, but——

Mr. SIMMONS. Except, if the Senator will let me finish, that in present conditions the national banks owning the bonds can take out circulation upon them at will.

Mr. NELSON. Up to the amount of the capital.

Mr. SIMMONS. Yes; up to the amount of the capital. Now, if the reserve banks which acquire these bonds buy them in the open market, if you please, with the same privileges that the national banks now have of obtaining issue upon them, the power of determining whether they will take out circulation upon those bonds or not, so as to respond to the business needs and requirements of the country, is not lodged absolutely in the breast of private ownership, as it is now, but by virtue of the fact that the Federal reserve board has general supervisory power over the banks, by virtue of the fact that the Government has three directors upon the board of the reserve banks, and that three other directors upon the board of the reserve banks are not stockholders in the bank, but they represent the business interests of the country, does not the Senator believe that with this representation of the Government and of the business interests upon the directory of those banks the power will be indirectly lodged in the Government of requiring these Federal reserve banks holding the bonds to take out such circulation upon those bonds as the business interests of the country

may from time to time require, and thus bring about a more responsive elasticity?

Mr. NELSON. I do not believe anything of the kind.

Mr. SIMMONS. Does not the Senator believe——

Mr. NELSON. I do not believe anything of the kind, for——

Mr. SIMMONS. Just a moment. Does not the Senator believe that this control over the banks would result in regulating the amount of circulation more in accordance with the business needs and requirements of the country than when that power rests solely and exclusively in the breast of men who have no interest except to advance their personal interests?

Mr. NELSON. Let us apply the proposed law. I will again read this paragraph of the section:

> Upon deposit with the Treasurer of the United States of any bonds of the United States in the manner provided by existing law relating to national banks, to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited, such notes to be issued under the same conditions and provisions of law which relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege.

Now, I want to say, and the Senator ought to know it, that no bank would undertake to buy and pay par for the 2 per cent bonds as an investment. If a reserve bank buys these 2 per cent bonds, in the nature of the case, under this paragraph, they will want to issue circulation. While in one sense there may be a technical discretion, as I have said, no reserve bank would go into the market and buy these 2 per cent bonds as a pure investment without intending to issue circulation; for as an investment those bonds are not worth over 75 or 80 per cent of their face value. So if the reserve banks went into the bond market under this paragraph to buy those 2 per cent bonds they could only buy them, to save themselves from a great loss, for the purpose of taking out circulation. To buy them as an investment would be utter folly. The Senator himself would not buy a 2 per cent bond as an investment and pay par for it, and no reserve bank would do so. Therefore, as a practical question, the proposition that the Senator has submitted is of no earthly value when applied to those 2 per cent bonds.

Mr. WEEKS. Mr. President——

The PRESIDING OFFICER (Mr. THORNTON in the chair). Does the Senator from Minnesota yield to the Senator from Massachusetts?

Mr. NELSON. I do.

Mr. WEEKS. I should like to add a word to what the Senator from Minnesota has said on the subject. One of the most important things for us to get rid of gradually, so gradually that it will not affect the business of the country, is the bond-secured circulation, because while it has the only elastic property which our circulation has, as a matter of practical effect, its elasticity is pretty nearly nil.

I understood the Senator from North Carolina to say that he understood the issuing of this circulation depended upon the will of the private owners of the bonds; that is, of the banks. Now, that is not strictly true.

Mr. SIMMONS. I meant within the terms of the law.

Mr. WEEKS. Because it is required by the national-bank act that 25 per cent of their capital shall be kept outstanding in circulation at all times; and not only that, but in order that the banks may take advantage of the Aldrich-Vreeland Act, which is our anchor to windward in case of trouble, they must have 40 per cent of their capital in bond-secured circulation, the purpose of that being to prevent banks from avoiding the carrying of these 2 per cent bonds in ordinary times, and then when we get into extraordinary times enabling them to take advantage of the Aldrich-Vreeland Act.

There is no retirement, as a matter of fact, of this circulation, or at least that is practically true, for the reason that the banks can not find a market for their 2 per cent bonds when they would be glad to sell them and retire the circulation; in other words, when they do not need the circulation. For that reason they send it in for redemption, it goes to the Treasury, is then sent to the bank which originally issued it, then goes to the reserve city bank with which the country bank is doing business, and finally it comes back to the Treasury, very frequently in exactly the same condition in which it was when it was issued a month or more before. It is the country banks that issue circulation so largely. The city banks do not do so on account of this rapidity of redemption and the difficulty of retiring circulation on account of the impossibility of finding a ready market for the 2 per cent bonds, which, as the Senator from Minnesota [Mr. NELSON] has said, would not be worth par, or anything like par, on their merits if it were not for the circulation privilege which goes with them; they probably would sell for about 75 cents on the dollar on their merits as an investment pure and simple.

Mr. BRADY. Mr. President——

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Idaho?

Mr. NELSON. I do.

Mr. BRADY. The statement which the Senator from Massachusetts [Mr. WEEKS] has just made causes me to ask a question relative to the purchase of these bonds by the Federal reserve banks. I hope that the Senator from Minnesota [Mr. NELSON] will understand that I am not discussing the merits of the bill, but that I am discussing a pure and simple business transaction as I see it as a business man. If I am mistaken, I want to be advised of that fact.

We will assume that there is a local national bank at this time doing business in some specific locality. After this bill is passed, if the board of directors of that bank decide that the bank does not want to go into this system, that it desires to surrender its charter, to either quit business or to take out a charter under some State law, section 18 of the bill provides that—

> Any member bank desiring to retire the whole or any part of its circulating notes may file with the Treasurer of the United States an application to sell for its account, at par and interest, United States bonds securing circulation to be retired.

If I understand the statement of the Senator, the bonds used for circulation are not worth more than from 75 to 80 per cent of par; they are certainly not selling on the market to-day at to exceed 97 and some odd fractions of a cent of par. If the banks filed their application with the Federal reserve board, and the Federal reserve board should say, "You are a large and strong banking institution; we think you ought to go into this new association; if you will not do it we will refuse to take your bonds and we will not sell them to a Federal reserve bank." Now, this provision says:

> The Treasurer shall, at the end of each quarterly period, furnish the Federal reserve board with a list of such applications, and the Federal reserve board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least 10 days before the end of any quarterly period at which the Federal reserve board may direct the purchase to be made.

What condition would that bank be in if the Federal reserve board should make that statement to them? The law says that they may do it. What is going to happen to the bank in case they do not require the purchase of those bonds? In order to retire from the national banking business or to change to a State bank, will they have to sell all those bonds at the present discount of 4 per cent, or will they have to lose the 20 or 25 per cent, which, as has been stated here, is the probable amount of depreciation of the bonds, or will there be some way which will compel the Federal reserve board to require the Federal reserve bank to purchase the bonds? It is a simple business proposition, and I am interested to learn just what would be the condition of the bank which had those bonds and refused to come in if section 18 becomes a part of this banking and currency bill.

Mr. WEEKS. Mr. President, the Senator from Idaho [Mr. BRADY] has put his finger on one of the one hundred or more propositions in which the Hitchcock proposal excels the Owen proposal. In the case of the Hitchcock amendment—I will refer to it as an amendment—it is provided that the Federal reserve banks shall buy $50,000,000 worth of 2 per cent bonds held now presumably by the national banks, and presumably that would retire $50,000,000 of the bond-secured circulation. If that took place in the spring months or in the summer months, in my judgment we never would know that the circulation had been retired, because I believe that there is a redundancy of currency most of the time; but if it took place in the fall months, we might feel at once the need of additional currency. Then we would have to take it out under the provisions of this bill. Let us suppose that the Federal reserve banks buy this $50,000,000 of bonds, and we provide that they shall be purchased at par and interest, and that one year after the Federal reserve banks shall buy $50,000,000 more bonds at par and interest. That at once establishes the price of the 2 per cent bonds; so that the banks or other holders may know that every year there is going to be a market for some portion of their bonds at the price the Government should pay for those bonds, and that is par and interest. When the Federal reserve banks have bought these $50,000,000 of bonds, under the Hitchcock proposition they have the privilege of going to the Treasury and taking 3 per cent one-year bonds in their place.

Our reason for providing for refunding in that way not only was that we would gradually retire the 2 per cent bonds which are now outstanding and the bond-secured circulation, but at the same time we would furnish the reserve banks with an investment which would enable them to use without delay their accumulations of loanable funds deposited with them. In ad-

dition to that, however, it would give them a security which they could sell at home or abroad whenever they needed to replenish their gold supply. There is nothing better as a marketable security than a public bond of a nation like the United States which has less than one year to run, and these bonds at the longest would not have over one year to run; in other words, the reserve banks would have a security which they could sell not only to American investors—because there are always large funds which must be used at some time lying in the banks ready for investment—they could not only sell these short-time bonds to American investors, but they could sell them abroad as well and obtain gold in either case, and in that way control the gold supply of the country.

The purpose of the Hitchcock plan is that, first, it does take care of the 2 per cent bonds at par and interest. It relieves the banks of the possibility of a serious loss in case that is not done. It does provide the reserve banks with a profitable investment at once, which comes within the provisions of the bill, and it will enable the reserve banks in case of need to replenish their gold supply by selling these bonds either at home or abroad.

Now, take the other alternative which the Senator—and I beg his pardon for taking so much of his time—has brought to the attention of the Senate; which is, that in case a bank does not desire to go in under any of these plans, does not believe in any of them, and wants to get out of the system and take out a State charter, in what position is that bank? It must indicate within a stipulated time what its purpose is to be. If it does not within that time announce that it is going to remain in the system, it forfeits its charter. We will say it has on hand some 2 per cent Government bonds. If there were any considerable number of such banks and they tried to market their bonds at one and the same time, we can easily see that, notwithstanding the fact that possibly something is going to be done with those bonds eventually, they would sell down to 90 and perhaps to 85 per cent of their par value. Just suppose for a minute that the holders of $200,000,000 of 2 per cent bonds wished to market their holdings within 30 or even within 60 days, what would be the result? We would see the 2 per cent bonds selling at 90 and, as I say, at possibly 85 per cent of par, and the only buyers would be speculators, who would think that sooner or later they would be taken care of at a relatively high price. These bonds have been selling above par ever since they were issued until within a few months, and yet on the sales of less than $20,000,000 they depreciated from above par to 94. That was in the ordinary course of the market.

I took occasion to investigate the selling of those bonds when the Secretary of the Treasury charged that the New York banks or somebody else were maliciously depressing them for malign and ulterior purposes. My judgment is that there was nothing whatever in the charge, and yet, as I have said, on the sale of less than $20,000,000 of bonds they were depressed from above par to 94. Suppose the holders of $200,000,000 of those bonds wished to dispose of them, what would be the result? An enormous depression of Government bonds and the creating of a condition which would affect business throughout this country. Therefore I say that the provision which has been made in the Owen bill is a decidedly bad one and it is not only going to perpetuate a bond-secured circulation, but it does not make proper provision for the bonds, even if they were to be retired.

Mr. WILLIAMS. Mr. President——

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Mississippi?

Mr. NELSON. Yes; I yield.

Mr. WILLIAMS. With the permission of the Senator from Minnesota [Mr. NELSON], I will say that the Senator from Massachusetts [Mr. WEEKS] and the Senator from Idaho [Mr. BRADY] have alike forgotten that there are two alternatives in this proposition, or, at any rate, they failed to mention them in this connection.

In order to maintain these 2 per cent bonds at par and not to violate the contract between the Government and the present holders of the bonds—the implied contract—which was, that they were the basis of circulation, section 18 of the Owen bill provides, first, that the banks shall have the option. The banks can, if they will, come up and pay in and get the bonds, and those bonds can be converted into Federal reserve notes, or the banks can elect to take 3 per cent exchequer bills—one-year notes—which everybody admits will be above par. Then there is an option also——

Mr. NELSON. Mr. President——

Mr. WILLIAMS. One moment. The bank has that double option to start with. Now, the Senator from Idaho [Mr. BRADY] has instanced a case where a bank might want to have them converted into reserve bank notes and the reserve board should refuse to do so. The bill provides that in that case, for all of those 2 per cent bonds outstanding against which there is no outstanding circulation, they shall be converted into 3 per cent certificates. So that there is an option with the banks, and there is also—as there ought to be—substantially an option with the Government, for the reserve board in this respect represents the Government.

The object of section 18 was to prevent the 2 per cent bonds from going below par by virtue of the fact that they are to be deprived of a privilege which they have enjoyed all the time, to wit, the privilege of being the basis of circulation.

If the Senator will read the provision still further he will find that in the original Owen bill it was provided that not over $36,000,000, I believe, per annum——

Mr. NELSON. That is right.

Mr. WILLIAMS. Should be so converted; but the Democratic conference struck out that limitation for fear that even that limitation might act psychologically so as to bring the bonds below par. There is no possibility of these bonds going below par.

Now, as to inflating and perpetuating the present national bank-note system. There is something in the argument which has been made on that question. This does work a substitution of Federal reserve bank notes for the present national-bank notes upon the same basis, to the extent that it is within the discretion of the Federal reserve board if it is thought wise to do so; but it also leaves it in the discretion of the Federal reserve board to force them virtually to take 3 per cent certificates or exchequer bills in lieu of the 2 per cent bonds.

Mr. WEEKS. Mr. President, I think the Senator from Mississippi has correctly stated what may happen, provided the banks remain in the system, but what the Senator from Idaho asked was what is a bank to do that wants to go out of the system? What is it going to do then with its bonds? Where is it going to find a market for its bonds?

Mr. WILLIAMS. That is just what this provides for. Suppose a bank wants to go out of the system, then that bank gives notice and makes application to the Treasury Department for the sale of its bonds and for interest. When that takes place, that bank may pursue that course or it may pursue the other course of carrying those 2 per cent bonds to the Treasury and getting, in lieu of them, 3 per cent certificates; or, if it demands circulation and wants to redeem it in that way and does not want the 3 per cent certificates, it goes through the process described in section 18; and in that way it gets out. It can get out in either one of the two ways.

Mr. NELSON. Will the Senator from Mississippi allow me to interrupt him, for I know he wants to be correct?

Mr. WILLIAMS. Oh, yes; of course I do.

Mr. NELSON. I want to read this part of the bill, and the Senator will then see that he is in error. It is only the bonds on which there is no outstanding circulation that can be converted.

Mr. WILLIAMS. I thought I said that.

Mr. NELSON. Commencing with line 15, it is provided:

> United States bonds bought by a Federal reserve bank against which there are no outstanding national-bank notes may be exchanged at the Treasury for one-year gold notes bearing 3 per cent interest.

It is only bonds of that kind that can be exchanged for the 3 per cent gold notes, not those that are the basis of outstanding circulation.

Mr. WILLIAMS. The Senator is right about that.

Mr. BRANDEGEE. And it is only the reserve banks that can do it. The member banks have not that option. Under the bill a member bank can not go to the Treasury and get gold notes in exchange for its bonds, as the Senator from Mississippi has said. It is the reserve bank which has bought the bonds from a member bank which may go to the Treasury and get the gold notes.

Mr. NELSON. With the permission of the Senator from Mississippi, I should like to proceed, but I do not want to take him off his feet.

Mr. WILLIAMS. I am through. I was merely trying to get this matter cleared up.

Mr. NELSON. I want to call the attention of the Senator from Idaho to a very brief answer to his question, which is found in the first three words of this section. If a bank does not want to go into this system, it does not have to enter it at all. The section begins with the words "Any member bank." A member bank is a bank that takes stock and becomes a part of the institution. If the bank in Idaho does not go into the system, it is left in the air; it can not come in under this provision.

Mr. BRADY. That is just the point that I was going to make. I wanted to ascertain what would happen to a bank if it

decided it did not want to enter the system. Such a bank would not receive any of the benefits of this legislation.

Mr. NELSON. None of the provisions of this section would inure to the benefit of that bank. If that bank would not come into the system, it would have to be extinguished as a national bank; it would have to forfeit its charter; its assets would be liquidated in the hands of a receiver, and its bonds would have to be disposed of like the other assets of the bank.

Mr. BRANDEGEE. Mr. President, I will not interrupt the Senator if he wants to proceed.

Mr. NELSON. Oh, no; I am quite willing to be interrupted.

Mr. BRANDEGEE. Well, I wanted to call the Senator's attention to page 61 of the print of December 1, from which we have been reading. Beginning in line 15, it is provided:

United States bonds bought by a Federal reserve bank against which there are no outstanding national-bank notes may be exchanged at the Treasury for one-year gold notes bearing 3 per cent interest. In case of such exchange for one-year notes the reserve bank shall be bound to pay such notes and to receive in payment thereof new 3 per cent one-year Treasury gold notes year by year for the period of 20 years.

Not being a member of the committee and not having heard the evidence upon which this provision is based, it is somewhat blind to me, as I read it, as I have done, in this respect. It says:

In case of such exchange for one-year notes the reserve bank shall be bound to pay such notes and to receive in payment thereof new 3 per cent one-year Treasury gold notes year by year for the period of 20 years.

What does it mean when it provides that the bank "shall be bound to pay such notes and to receive in payment thereof"?

Mr. NELSON. I will explain that to the Senator.

Mr. BRANDEGEE. Does it mean that they are to receive in lieu thereof——

Mr. NELSON. I think, with all due respect to my friend from Mississippi, or whoever had a hand in framing the provision——

Mr. WILLIAMS. I did not draw it.

Mr. NELSON. What I want to say to the Senator is that in principle it is the same as the Hitchcock bill, only it is not so clearly expressed, to my mind, as it is in the Hitchcock bill. Let me read the provision of the Hitchcock bill on this point:

The bonds so purchased may be held by such reserve bank and used for deposit with its reserve agent as security for the Federal reserve notes issued—

This is the language to which I call especial attention—

or they may be exchanged at the Treasury for one-year Treasury gold notes bearing 3 per cent interest. In case of such exchange the reserve bank shall be bound at the option of the United States to renew year by year for 20 years the 3 per cent gold notes so issued.

That is the provision of the Hitchcock bill. The meaning of the language which the Senator from Connecticut has read is practically the same, only I do not think it is expressed so clearly.

The provision in section 18 of the Owen bill reads:

In case of such exchange for one-year notes the reserve bank shall be bound to pay such notes and to receive in payment thereof new 3 per cent one-year Treasury gold notes year by year for the period of 20 years.

It is in legal effect the same as the provision of the Hitchcock bill.

Mr. WILLIAMS. It is just the difference between the renewal of an old note and the issuance of a new note in its stead.

Mr. NELSON. Yes; in its legal effect it is the same, but I can only say that I prefer the language of the Hitchcock bill.

Mr. WILLIAMS. They do not accomplish the same purpose. One is the renewal of an old note, carrying it over, and the other is the substitution of a new one in payment of the old one.

Mr. NELSON. In the case of Government notes they would not indorse on the one-year note, "This note is a renewal." The Government would probably issue a new note.

Mr. WILLIAMS. It would just continue in existence; but in this case they are bound to accept in payment of this year's note a new note of next year.

Mr. NELSON. Yes; in effect the burden upon the banks is the same.

Mr. WILLIAMS. It is the same.

Mr. NELSON. There is no distinction in that respect.

Mr. BRANDEGEE. Now, just one more word——

Mr. NELSON. But here is the distinction: This provision of the Hitchcock bill applies to all bonds, both bonds that are the basis of circulation and those that are not; while in the Owen bill it is limited to the bonds on which there is no circulation. That is the distinction.

Mr. BRANDEGEE. And such bonds as have been bought by a Federal reserve bank.

Mr. NELSON. Yes; but you must consider the sentence above, which reads:

United States bonds bought by a Federal reserve board against which there are no outstanding national-bank notes.

Mr. BRANDEGEE. I agree with the Senator entirely. Now, Mr. President——

Mr. NELSON. There is a radical difference between the two bills. The Owen bill limits the convertibility into one-year notes to bonds of the United States for which there is no outstanding circulation, while the Hitchcock bill makes it apply to all bonds each year to the extent of 50 per cent of the capital of the reserve banks.

I do not intend to take the Senator off his feet, but I want to say in this connection that there are $730,000,000 of 2 per cent bonds outstanding. I believe that there are bonds deposited for circulation amounting to $760,000,000 in round numbers; in other words, there are bonds to the extent of $30,000,000 outside the amount of the 2 per cent bonds that are a basis of circulation; so that in round numbers out of the bonded debt of the United States $760,000,000, or somewhere near that figure—I can not be exact to a few thousand dollars—are now in the Treasury as the basis of national-bank note circulation, and of that amount $730,000,000 are 2 per cent bonds. Now I yield to the Senator from Connecticut.

Mr. BRANDEGEE. Mr. President, I read the following provision from the bill:

In case of such exchange for one-year notes the reserve bank shall be bound to pay such notes and to receive in payment thereof new 3 per cent one-year Treasury gold notes year by year for the period of 20 years.

At the end of the 20 years, then, these Treasury notes will all have become due—that is, year by year, they being one-year notes—and will be redeemed by the Treasury in gold.

Mr. NELSON. They are redeemed by the Government.

Mr. WILLIAMS. They are finally payable.

Mr. BRANDEGEE. Finally payable, and that ends that situation.

Mr. NELSON. The time is the same as in the Hitchcock bill.

Mr. BRANDEGEE. Yes; the time is the same.

Mr. NELSON. I will read the provision of the Hitchcock bill:

In case of such exchange the reserve bank shall be bound, at the option of the United States, to renew year by year for 20 years the 3 per cent gold notes so issued.

Mr. WILLIAMS. And the hope is that a great many of them will finally be liquidated and will cease to be the basis of circulation.

Mr. NELSON. I ask the attention of my friend from Massachusetts [Mr. WEEKS] to what I am about to state, for I am not entirely sure that I am correct about it. I suppose the 20-year period was put in the bill on the theory that the 2 per cent bonds are due in 20 years. Is not that correct?

Mr. WEEKS. It is on the theory that they are due in 20 years; yes.

Mr. NELSON. That is, the Government can pay them at the end of 20 years. Then the 20-year limitation is put in in both cases. I want to say, incidentally, that this discussion here is to me most interesting. It shows the great difference between a man who has had experience as a banker and a man who is a farmer and country lawyer like myself. I have to grope my way as best I can, while the Senator from Massachusetts [Mr. WEEKS], with his great experience and ability as a banker, can clear up these details much better than I could possibly do, so I am very glad to have him interpose and give us the benefit of his views.

Mr. WEEKS. Mr. President, I want to say that the Senator from Minnesota greatly depreciates his own capacity as a clear expounder of any question which he is discussing.

Mr. GALLINGER. Mr. President, I will venture to suggest that I have listened to this debate from the beginning to the present time, and I think the Senator from Minnesota [Mr. NELSON] has not "groped" in vain. He certainly has given me a great deal of valuable information. However, I am constantly reminded of the old maxim, "When doctors disagree, who shall decide?" And I find a great deal of difficulty in my mind, even up to the present time, in determining which side is right in this controversy.

Mr. NELSON. Mr. President, I am afraid that in all I have said here I am like the prophet of old calling in the wilderness—the Democratic wilderness——

Mr. WILLIAMS. There is no Democratic wilderness; there is a Democratic highway.

Mr. NELSON. I do not mean this in any disrespectful sense, as the Senator from Mississippi will understand.

I will not take up the time of the Senate further on the questions I have been discussing. I now invite your attention to the question of bank reserves. I shall go into it in detail, and it may not be very interesting, but it may give you information if you will take the trouble to read it in cold type.

I have already explained the present reserve system of the national banks. All the pending bills propose to change this

system and to substitute therefor a system fundamentally safer and better. The Hitchcock bill, section 20, provides for a reserve of 12 per cent on deposits of country banks and 15 per cent for banks in reserve and central reserve cities. Under the new system there is no occasion for maintaining in the future, when the plan is consummated, a distinction between banks in reserve and central reserve cities, for the banks in central reserve cities will no longer act as reserve agents for banks in reserve cities. Taking the statement of the Comptroller of the Currency for September 10, 1913, as a basis, it appears that the amount of the net deposits of all country banks was at that time $3,595,707,487; that the required reserve of 15 per cent amounted to $539,356,423. Two-fifths of this amount, or $215,742,449, is retained in the vaults of the country banks, and three-fifths, or $323,613,613, may be and usually is retained in the banks of the central reserve or reserve cities.

The deposits in banks in reserve cities amounted at the date aforesaid to $1,881,647,300. Twenty-five per cent of this amount is $470,411,825, and one-half of this, which may be deposited in banks in central reserve cities, amounts to $235,205,912. The deposits in banks in central reserve cities at the same time were $1,619,335,280. Twenty-five per cent of this amounts to $404,833,822. The aggregate amount of reserves required of banks in central reserve and reserve cities under existing law is $875,245,645. Under the Hitchcock bill the aggregate amount required will be $525,147,389. It thus appears that banks in reserve and central reserve cities will under the new system be relieved of $350,098,256 of reserve requirement. The total reserve requirement of country banks under the existing system is $539,356,123, and the total amount of reserve requirement under the Hitchcock bill will be $431,484,898, thus relieving the country banks of the reserve requirement of $107,871,225. Under the Hitchcock bill country banks will be required to maintain in their own vaults 4 per cent of their deposits instead of 6 per cent under the old system, and with the reserve banks 4 per cent of their deposits instead of 9 per cent under the old system, and of this 4 per cent they may deposit 1 per cent within the first 6 months, 1 per cent within the next 6 months, 1 per cent within the next 6 months, and 1 per cent within the next 6 months, thus allowing the transfer to be made in installments every 6 months until the whole 4 per cent has been deposited, making 24 months in all; and 4 per cent is optional with the country banks. They may keep that part either in their own vaults or with the reserve bank. Banks in reserve cities under the new system will be required to keep in their own vaults 5 per cent of their deposits instead of 12½ per cent under the old system, and they will be required to deposit with the reserve banks 6 per cent under the new system instead of 12½ under the old system.

This 6 per cent may be paid in as follows: One per cent within the first 6 months, 1 per cent within the next 6 months, 1 per cent within the next 6 months, 1 per cent within the next 6 months, and 1 per cent within the next 6 months, thus allowing the transfer to be made in installments every 6 months until the whole 6 per cent has been deposited, making 36 months in all; and the other 4 per cent of the required reserve may be, at their option, kept in their own vaults or with the reserve bank. Banks in central reserve cities are required to keep in their own vaults under the new system 5 per cent of their deposits, instead of 25 per cent under the old system, and they are required to keep with the reserve bank a reserve of 6 per cent, payable in installments, as in the case of banks in reserve cities; and the residue of the required reserve, namely, 4 per cent, they may, at their option, keep in their own vaults or with the reserve bank. By giving such time to the member banks to make their deposits in the reserve bank it makes the transfer of funds comparatively easy and will lead to little or no friction or financial disturbance. The system of reserves proposed in the Hitchcock bill removes in the aggregate $457,961,476 of the reserves under the existing system from the embargo of that system and makes the same available to the member banks for banking and discount purposes, while of the $353,887,253 of the reserves required to be deposited with the reserve banks about two-thirds of it, or $235,918,168, is available for discount purposes. It thus appears that in the aggregate $693,879,644 of the reserves required under the existing system will be available for discount purposes to member banks and reserve banks under the new system.

These figures that I am using are obtained by applying the rules under the old system and under the Hitchcock bill to the figures given by the Comptroller of the Currency in his report of September 10, 1913. The Glass bill requires a country bank to maintain a reserve of 12 per cent, 5 per cent to be kept in its own vault and and 5 per cent ultimately in the reserve bank and 2 per cent optional with the member bank. The bill further requires banks in the reserve cities to maintain a permanent reserve equal to 18 per cent, one-half of it to be kept in their own vaults, 5 per cent in the reserve bank, and 4 per cent optional. As to banks in central reserve cities the bill requires practically the same reserve as for banks in reserve cities, with the same option. Under the last edition of the Owen bill country banks are required to maintain a reserve of 12 per cent upon their demand liabilities and 5 per cent upon their time deposits, and of these reserves four-twelfths are to be kept in their own vaults and five-twelfths, payable in installments of one-twelfth every six months, in the reserve banks, and the residue of the required reserve is optional with the member bank. The bill further requires that banks in reserve cities shall maintain a reserve equal to 15 per cent of the amount of their demand liabilities and 5 per cent of their time deposits, and of these reserves six-fifteenths are to be kept in their own vaults, and six-fifteenths, payable in installments, in the reserve bank, and the balance of the required reserve optional with the banks. I think I am stating it correctly. In respect to banks in central reserve cities the bill requires that such banks maintain a reserve equal to 18 per cent of their demand liabilities and 5 per cent of their time deposits, of which six-eighteenths are to be kept in their own vaults and six-eighteenths, payable in installments, with the reserve bank, and the residue of the required reserves, at the option of the member banks, to be kept in their own vaults or with the reserve banks.

I call your attention to this:

The bill further provides that in lieu of cash the Federal reserve bank may accept from the member banks one-half of the required reserves in commercial paper eligible for discount.

This I regard as a very dangerous innovation. Instead of depositing the required reserve in cash with the reserve banks, these different banks are allowed to deposit half of the reserves required in commercial paper.

Mr. POMERENE. Mr. President——

The PRESIDING OFFICER. Does the Senator from Minnesota yield to the Senator from Ohio?

Mr. NELSON. Certainly.

Mr. POMERENE. This provision grew out of the feeling that in making this change it should be as gradual and with as little disturbance of business as possible. The branch of the committee of which I have the honor to be a member felt that if all of the reserves were to be transferred in cash necessarily the member banks making the deposits would have to make some arrangement to get cash, and it might be that they would have to call some of their loans in order to meet the cash requirements.

In order to avoid the necessity of calling their loans to any greater degree than we thought advisable, it was provided that 50 per cent of the reserves might be transferred in the form of eligible commercial paper which could be indorsed and rediscounted. From the standpoint of the regional banks, we could see no difference between taking on the one hand 50 per cent of prime commercial paper, indorsed and passed upon by the reserve banks, and the other 50 per cent in cash; and taking, on the other hand, 100 per cent in cash and perhaps on the next day rediscounting the paper and turning the cash back to the banks.

We believed this would avoid any undue disturbance which might be incident to the collection of the cash by the member bank in the first instance, taking it to the reserve bank, then rediscounting the paper, and giving it back into the marts of trade.

Mr. NELSON. The reply I have to make to that is, in the first place, that we have allowed such a length of time to elapse before the reserves are required to be transferred that it really will be no burden. In the case of country banks we give 24 months, and in the case of other banks 36 months. The mobilization of these reserves will not, as the Senator thinks, lead to a contraction of loans. In my opinion, it will lead to this: The banks will withdraw the reserves from the places where they now are, but they will withdraw them very gradually. Therefore, if you allow that length of time, it seems to me it will be no burden. Some of the banks may put in commercial paper; most of them, I think, will not in this instance; so instead of loading up the reserve banks—instead of furnishing them an ample reserve of cash with which to operate—you tie them up with a certain amount of reserve paper.

You must bear in mind in this connection that under the bills here—under both your bill and the bill we have reported—the reserve banks must keep a reserve of these reserves of 33⅓ per cent, and they must keep that reserve in cash. Now,

assuming that the banks could put in 50 per cent in commercial paper, the only cash reserve they would have would be a limited amount. If you should apply the 33 per cent to the commercial paper and the 33 per cent to the cash, it would be equivalent to applying 66 per cent to the cash. It would be cutting down the cash ability of the reserve banks to the amount of 66 per cent, and to that extent it would cripple them.

Mr. POMERENE. Mr. President——

The PRESIDING OFFICER. Does the Senator from Minnesota further yield to the Senator from Ohio?

Mr. NELSON. I do.

Mr. POMERENE. It must be borne in mind that it is the purpose of these banks to pay some dividends, to have some earnings, and this is simply a privilege which is granted to the member banks to furnish 50 per cent in commercial paper. They are not obliged to do it, and this applies only to the payments during the transition period. For the life of me I am not able to see how it is going to be dangerous to say to a member bank, "You can bring $100,000 in cash and deposit it in the reserve banks to-day and to-morrow rediscount your paper in the amount of, say, $50,000, or you can bring, in the first instance, $50,000 in rediscounted paper and $50,000 in cash."

If you should require all of it to be in cash, it might be that the member bank which is seeking to comply with this law would be compelled to call loans to the extent of $50,000 in order to meet the cash requirement.

Mr. NELSON. In the nature of the case I do not think that would be so, but just imagine this case: Suppose all the member banks availed themselves of this privilege. You would have the reserve bank starting out with half of its reserves that are supposed to be for the protection of all the banks, represented by commercial paper instead of by cash. If our present reserve system were in that condition—that half of the reserves were in commercial paper instead of cash—you may imagine what would be the result.

The bank is required, if it issues reserve notes, to keep under your bill a reserve of 33⅓ per cent; under our bill a reserve of 45 per cent. In this way you cripple it; you load it up with commercial paper, which will not enable it to maintain its proper reserves.

The bank can not loan out more than two-thirds of its reserves. It has to keep one-third of its reserves. If half of its reserves were loaned out, there would be little more to loan of the reserves; it would be equivalent to 66 per cent of the balance of the reserves; in other words, two-thirds of the cash reserves.

Suppose one-half of the cash reserves deposited in the regional banks consisted of commercial paper; the other half of the reserves, 66 per cent of it—two-thirds of the other half in cash—would have to remain; and the result would be that you would have only one-third of 50 per cent that would be available. In that way you would seriously cripple a bank.

Mr. POMERENE. Mr. President, it does seem to me, with all due respect, that the Senator from Minnesota overlooks this fact: If there is a need for a given amount of currency in the country, we must get it either from the member banks or from the regional banks. If all of the banks should avail themselves of this privilege, and furnish 50 per cent in rediscounted paper, there would be very little necessity for these banks to go to the regional banks in order to get accommodation.

Mr. NELSON. But suppose they wanted more money?

Mr. POMERENE. Pardon me just a moment. If, however, there is a need for the cash at the time, and they bring in all of the reserve requirements in cash, it must be immediately loaned out by the reserve bank. It seems to me it makes no difference, except that the member banks in the first instance must take their money out of the commerce of the country in order to place it in the regional reserve banks, and when they do that to that extent they are disturbing trade conditions, unless there is a plethora of money in the country.

Mr. NELSON. The Senator is mistaken in one thing. They are not taking the money out of the commerce and trade of the country; they are taking it out of the reserves of the country which are tied up, and they are simply transferring the reserves from one set of banks to these reserve banks.

More than that, the Senator assumes in his statement that every time application is made to a reserve bank by a member bank for accommodation the reserve bank must issue currency. That is not the theory at all. The theory of this bill is that when applications are made by a member bank to have its paper discounted it is the duty of the reserve bank, if it has the cash on hand, to discount it; and it is only when the member bank is short of cash and needs currency that it must apply for leave to issue reserve notes.

What would the reserve banks have to loan out if you should cripple them in the first instance? May not the banks want a great deal more accommodation? May not some banks want immediately to apply to the reserve bank for accommodation? May they not bring up paper and say, "We want to discount this paper; we want to secure so much cash or so much bank credit"? You cripple the reserve banks for the time being; you cut them off from loanable funds.

Mr. POMERENE. There will be less demand for the cash that is in the vaults of the regional reserve banks if they can bring the rediscounted paper. In the statement I made I did not mean to indicate that currency would be issued every time a member bank might make an application for money. Of course, the new currency, Federal reserve notes, would be issued only in the event that the reserve bank did not have the necessary cash on hand.

Mr. NELSON. Here you have in one case 24 months and in the other case 36 months in which to put in these reserves. If during all that period half of these reserves can consist of commercial paper of one kind or another—I mean eligible paper, of course—during all that period you will have the bank crippled to that extent in doing the business for which it was intended.

Mr. POMERENE. If half the reserves are received by the Federal reserve bank, it will not be compelled to furnish so much cash to the member banks.

Mr. NELSON. The Senator is assuming that all the applications for loans and all the applications for help during that period would be limited to supplying these reserves. If that were the case, what he has stated might occur; but, as a matter of fact, applications undoubtedly will be made during the seasonal demands for currency. In the fall of every year applications will be made, or every time the crop-moving season comes around, varying with the condition of the country. You cripple the bank to that extent, and drive it to seeking the issue of currency when it ought not to be driven to it.

The Hitchcock bill provides—and I call the attention of the Senator from Vermont [Mr. PAGE] to this—that if a State bank or trust company is required by the laws of its State to keep its reserves either in its own vaults or with another State bank or trust company such reserve deposits so kept in such State bank or trust company shall be construed as though they were reserve deposits in a national bank. The new Owen bill is substantially the same with some slight modifications, but it contains an additional provision which seems to me to be of a very questionable character, namely, in permitting a member bank to reduce its reserves in the reserve bank by checking against the same under certain circumstances. That is, it can cut down its reserves by drawing checks against them.

This may lead to undue expansion on the part of a member bank and unduly diminish the resources of the reserve bank. Section 22 of the Hitchcock bill requires a Federal reserve bank to have at all times in its vaults, in gold certificates or lawful money, a sum equal to not less than 35 per cent of its net deposits in addition to the reserves required for Federal reserve notes. This reserve, however, may be, in cases of emergency, reduced to 25 per cent, but no lower; but in case of a reduction from 35 per cent to 25 per cent, a graduated tax as a deterrent is provided for. In these respects there is a difference between this bill and the Glass and Owen bills.

The Glass bill authorizes loans on improved farms, but not for a longer term than one year, which is of no practical value, as farm loans are not made for such a short period. In the West and Northwest, all through the farming country, I know of no cases of farm loans, mortgages on farms, that are made for less than five years. If a farmer is obliged to borrow a small sum of money for a short time, he goes to the bank and gives his note. If they are not satisfied with his signature they have him get a signer, as they call it; or, if not that, they require him to give a chattel mortgage. Loans on farms are invariably for five years or over.

Both the Hitchcock and Owen bills authorize loans on improved farms to the extent of 50 per cent of their value, and for a term of five years. Under the Hitchcock bill the aggregate of such loans on the part of any bank must not exceed one-third of its time deposits, while under the Owen bill they must not exceed 25 per cent of the capital and surplus of a bank.

It seems to me that the provision of the Hitchcock bill in this respect is much more elastic and favorable than the Owen bill. The capital of the small country banks is not usually very large and their surplus is as a rule quite small, while their time deposits are always considerable, and inasmuch as they usually draw interest they are of a permanent and reliable character and make them a safe basis for the limit prescribed for farm loans.

In this connection I call attention to one provision in this section relating to farm loans. That was inserted at my instance. We all know out West that national banks have been for years accustomed to receive time deposits, practically doing a savings-bank business. They receive deposits from farmers and pay interest on them, usually in the form of certificates. Some are in the form of bank books, but generally they are time certificates. I know in the little town in which I live where we have three banks, which are comparatively small compared with the big city banks, while the deposits of those three banks run from $1,000,000 up to $1,200,000, on an average, more than two-thirds of them—I might almost say three-fourths of them—are the deposits of farmers, and they are time deposits. The banks issue certificates. Usually they do not pay any interest unless the money is left for six months. It is customary if it is left for six months to pay 3 per cent, and if left for one year 4 per cent. The great portion of their deposits are of that permanent character.

Some question has arisen from time to time, but it has never been directly ruled upon so far as I know, or in a mandatory way, as to whether the national banks have the right to accept time loans or pay interest on deposits. To cover that question and make it safe, I had this language inserted in this provision, and I call the attention of the Senator from Ohio [Mr. POMERENE] to it, who does me the honor of listening to me.

That deposits in national banks, payable more than 30 days after they are made, shall be known as time deposits, and—

I call the Senator's attention to this language—

such banks may continue hereafter, as heretofore, to receive time deposits and to pay interest on the same.

I think that it is very important to save all questions that might be raised, and inasmuch as gentlemen on the side of the Senator from Ohio are in control of the situation, I would suggest to him that he incorporate that provision in the paragraph.

Mr. POMERENE. It is practically placing in a mandatory form what has been the practice.

Mr. NELSON. Exactly; it is legalizing it. I trust the Senator will see to it that the change is made.

The Hitchcock and new Owen bill both provide that national banks may establish foreign branches. The Hitchcock bill requires that the capital of a foreign branch shall be $5,000,000, while the Owen bill requires only $1,000,000. In the opinion of our section of the committee, a branch bank in a foreign country, where most of their banks have large capitals and surpluses, would cut a sorry figure and accomplish little with so small a capital as $1,000,000; that in order that such a branch bank may be of any service to our banks in this country it ought to be of sufficient size and capitalization to be able to compete, at least for our own business, with the big banks of the foreign countries on equal terms.

Now, Mr. President, I have gone over in detail the very important paragraphs of the bill for the purpose of showing what the Glass bill is, what the Owen bill is, and what the Hitchcock bill is, and I have pointed out what I consider to be the virtue and good qualities of the Hitchcock bill over and above the Owen bill and the Glass bill.

To summarize briefly what I have thus described in some detail, it will appear that in the following particulars the Hitchcock bill is more efficient and more effective in accomplishing what ought to be the ultimate purpose and object of such legislation, namely:

First. In the number of reserve banks and the capital required for such banks.

Second. In the matter of stock subscription and its payment.

Third. In the matter of the appointment of the board of directors of the reserve banks and the Government control through the same.

Fourth. In regard to the distribution of the earnings of the reserve banks.

Fifth. In regard to the make-up, number, term of office, salary, and powers of the reserve board.

Sixth. In regard to the deposit of Government funds.

Seventh. In regard to the system of bank reserves; and

Eighth. Finally, in the most important matter of all, the issue, the circulation, and the prompt redemption of the reserve notes to be issued under the new system.

One of the chief ends sought is to gather up, to concentrate, and to utilize where most needed the mandatory and other reserves of the member banks. As these banks gather up, concentrate, and utilize the funds and credits of their depositors, so the reserve banks must build up a volume of available credits from the resources—the reserves—of the member banks. And the greater the concentration of such reserves, the less they are dissipated and scattered, the more valuable and effective the system will prove to be, especially in great emergencies. We are in effect establishing a central bank here at Washington under the domination of the reserve board, with 4, 8, or 12 branches, with the capital and reserves in these branches, to be ultimately handled and marshaled by the central authority that has no funds under its keeping or direct disposal, but must in case of emergency order one branch to help another branch. It is like a general fighting a big battle with 8 or 12 corps on the fighting line without a single central reserve to draw from in case of undue and dangerous pressure on any part of his line of battle. In such a case he must constantly feed the most threatened part of his line from those parts of the line that he deems for the time being to be less threatened, thus weakening one part of his line for the purpose of strengthening another part of his line.

A general relying on such a system of reserves is not a first-class general and runs a great risk in the hour of combat. And so while in normal times one reserve bank may well rely for help on another bank, through the order of the reserve board, yet in the midst of acute money stringency, or in the face of an impending panic or run, when the conflagration is likely to break out and spread with the force and speed of a great prairie fire, the hasty transfer of funds from one reserve bank to another will be most difficult and hazardous in the extreme, for the bank drawn upon may at any moment be exposed to the conflagration and need all of its resources at home. It is moreover to be noted that each reserve bank will naturally be governed as to the volume of credits it grants by the volume of its own resources, and that it will not, except remotely, be governed in its operations by the operations of the other reserve banks. The presumption is that each reserve bank will ordinarily grant all the credit it can, all that its own resources can well carry. It is also to be further noted that there is lurking in the system a temptation to the negligent management of a reserve bank to unduly expand its own credits for the reason that in case of stress it can look for help to other banks of the system. But I will not dwell any further on these and other drawbacks of the system. It is sufficient for me to say at this moment that all these drawbacks and all other risks incident to a scattered system of reserve banks can be obviated and eliminated only by the establishment of a strong Government-controlled central bank, which because of party platforms and purely political considerations is not to be vouchsafed to us at this time.

I hope the Senator from Mississippi [Mr. WILLIAMS] will take this to heart.

No less important than husbanding and utilizing the reserves is the securing of a paper currency responsive to the commercial and industrial needs of our country and as good as gold in the hands of the holder. A currency based upon and measured by first-class short-time commercial paper, growing out of the daily transactions of trade and commerce, and not out of speculative and promoting ventures, is the determining factor of the desired elasticity. The volume of such currency will in the nature of the case be governed by the ebb and flow of trade and commerce, the only self-regulating factor; and the requirement of a gold reserve of 45 per cent, as proposed by the Hitchcock bill, will not only make such currency safe, but it will also act as a deterrent to undue expansion, for the gold reserve must be secured as well as the commercial paper before the reserve notes can issue. A reserve bank can give book credit and note credit. I refer to our bill. Its book credit is backed by a reserve of 35 per cent, while its note credit is backed by a gold reserve of 45 per cent. And this ample gold reserve, as the experience of the other great countries of the world teaches us, will at all times check undue expansion of note credit. And this lesson comes to us not only from abroad, but our own experience, under the obsolete State bank systems, affords us ample evidence of the danger that flows from the issue of paper currency without ample gold reserve. It is also to be observed that a strong central bank is much better equipped for securing and maintaining an ample gold reserve by its control of discounts than a system of scattered reserve banks; but while this is so, we can, however, congratulate ourselves that the reserve notes that are to be issued under the proposed system will undoubtedly be as safe in the hands of the holders as our existing national-bank notes, so that while we have sought for and, in a measure, secured elasticity we have not sacrificed soundness and safety.

The PRESIDING OFFICER (Mr. THORNTON in the chair). The question is on the amendment of the Senator from Oklahoma [Mr. OWEN].

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

The PRESIDING OFFICER. The Senator from Kansas suggests the absence of a quorum, and the Secretary will call the roll.

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

Bacon	Goff	Overman	Smoot
Borah	Gore	Page	Stephenson
Brady	Hitchcock	Perkins	Stone
Brandegee	Hollis	Pittman	Sutherland
Bristow	Hughes	Poindexter	Thompson
Bryan	James	Pomerene	Thornton
Burton	Johnson	Reed	Tillman
Chilton	Kern	Robinson	Townsend
Clapp	Lane	Saulsbury	Vardaman
Clark, Wyo.	Lea	Shafroth	Walsh
Clarke, Ark.	Lewis	Sheppard	Warren
Crawford	Lippitt	Sherman	Weeks
Cummins	McLean	Shields	Williams
Dillingham	Martine, N. J.	Shively	Works
du Pont	Nelson	Simmons	
Fletcher	Norris	Smith, Md.	
Gallinger	O'Gorman	Smith, S. C.	

The PRESIDING OFFICER. Sixty-four Senators have answered to their names. A quorum of the Senate is present.

Mr. OWEN. I observe that, although I was in the Senate Chamber, I neglected to answer to my name on the call.

The PRESIDING OFFICER. Does the Senator from Oklahoma ask permission that his name be added?

Mr. OWEN. No; I do not.

Mr. BURTON. Mr. President, I desire to give notice that tomorrow at the close of the routine morning business I shall seek to address the Senate on the question of regional banks versus a central institution.

Mr. CRAWFORD. Mr. President, last night at the close of the evening session I was making some observations on the pending bill. I wish to occupy the attention of the Senate a short time only in continuing the line of discussion in which I was engaged when the Senate adjourned.

I was discussing the question of the ownership of the stock in these reserve banks and the provision in the bill which coerces national banks into taking the stock or suffering the penalty of giving up their charter and going out of business. I challenged Senators to point to a single provision anywhere in the existing banking systems of the world as a parallel for this coercive feature of the pending bill, and I insist that no such precedent can be cited.

Mr. President, if it appeared that the principal and essential purpose for which this law is to be enacted would fail in the absence of this drastic coercive feature, there might be some justification for it; but it does not seem to me that there is anything in the situation which sustains the contention that the purposes sought to be attained by this legislation would fail if the matter of subscribing and owning the shares in these banks was made optional so far as the national banks of the country are concerned, just as it is optional so far as State banks and trust companies are concerned, and if the public were to have the privilege of subscribing for this stock as well as the banks.

I have here a statement by one of the experts who came before the committee, a very competent gentleman, disinterested, as I understand it, not himself engaged in the banking business, and therefore not speaking from the standpoint of self-interest at all. Mr. Conant came before the committee several times and placed his valuable services at the disposal of each of the factions of the committee which have made reports here, and his opinions were highly respected. In his testimony, discussing the particular feature to which I am addressing myself, he said:

I am opposed to the present draft of the bill in compelling national banks to enter the system or dissolving their charters within one year. I think it is not in accordance with the conservatism of Anglo-Saxon laws. I understand it is legal—that the Government has reserved the right to modify or revoke charters. But in Massachusetts, of which State I am a native, and of which State I am prouder at the moment than that in which I now live, the law which authorizes the legislature to modify or annul charters is supposed to be invoked only in case of gross laches on the part of a corporation, or to make some trifling amendment. The proposition that a corporation which has a charter for 20 years, and in which shareholders have invested their capital, believing it would be a good investment, within one year should be compelled to accept provisions which it appears are objectionable to many of them, or be dissolved, I think is drastic and un-American. That does not necessarily imply that the bill can not be carried out with some modifications.

Mr. Conant expresses confidence that this enforced subscription of stock is not necessary to the successful operation of the law, and that it can be put into operation just as well through subscription extended to the public as by confining that subscription and ownership to the banks themselves. He says:

This whole bill is largely an experiment. There is nobody who can predict how it is going to work. We can not predict whether the present banks are going to tumble over each other to get into the system or stay out. It would be a very unfortunate experience if three-fourths of them should stay out. Perhaps you can do it, provided that your big institutions in the reserve cities and the central reserve cities shall be brought in by persuasion or perhaps by a certain amount of compulsion, although I do not believe much in compulsion in financial matters. If you have a means of providing banking capital in your reserve centers, the system will go along just as well without the smaller banks. If you can sell your capital to private shareholders, with a 5 per cent interest, with a reasonable expectation of making 5 per cent on the investment, I think you would have no difficulty in selling it. Then you would be able to start the system on a sound going footing, and the question whether other banks should come in would be left to subsequent developments.

Now, Mr. President, just look at this proposition squarely for a moment and see if the statement of Mr. Conant does not meet your own view of fairness and justice in harmonizing this legislation with the common rights of the average citizen of these United States and with the rights of stockholders who hold stock in a small national bank of only $25,000 capital or $50,000 capital; and, as I recall it, over one-half of the seven thousand and odd national banks in the United States are banks with a capital of $50,000 and $25,000.

Those are the small banks, serving country constituencies, not engaged in the large financial operations of the country, but serving effectively and well small communities in small towns and in country villages. The stockholders of those banks as individuals have nothing to say about whether or not they shall take this stock. They have the same standing and no more as other individuals in those communities who have no stock in those banks.

My friend from Missouri [Mr. REED] last night intimated, when he interrupted me, that because these banks are scattered all over the country and their stockholders are men engaged in the ordinary vocations in those various communities, to require the banks in which they have shares to come into this system and to take this stock is, in effect, requiring the public to take this stock. That is far-fetched. It is not a correct statement at all.

This bill is not dealing with those stockholders, it is not recognizing those stockholders, it is not recognizing any right on their part to ownership of the banks we are creating, but it is dealing with the corporate entity which we call a national bank or national banking association; it is dealing with it in its essence as an incorporated bank. It is not recognizing in any sense the stockholders who may have a share in it. It is saying to that corporate entity called a national banking association, "You, and you alone, are required to subscribe for this stock, and you refuse to subscribe to it at the risk of giving up your existence." In principle it is the same as if this law, instead of saying it to this corporate entity which you are recognizing here as a national bank, were to say to the stockholder engaged in his ordinary pursuits, "We require you to subscribe stock to this enterprise, or we prohibit you from continuing to carry on your business." That is not literally a correct statement of the situation, I admit, because this is a bank with a charter received from the Government, granted to it by an act of Congress, while the individual stockholder, as an individual, is engaged in the prosecution of his individual and private pursuits. I do not mean that it is parallel and identical, but I say that the consequences, the penalty visited upon this bank because it refuses to take this stock, is a penalty which, in effect, puts that bank out of business, just as the Government might put the individual out of business.

Mr. REED. Mr President——

The PRESIDING OFFICER. Does the Senator from South Dakota yield to the Senator from Missouri?

Mr. CRAWFORD. I do.

Mr. REED. I undertook to interrogate the Senator from South Dakota last evening, but he was too busy to permit me to conclude what I wanted to ask him.

Mr. CRAWFORD. But the Senator will remember that it was pretty late.

Mr. REED. Yes; I recall that it was late, and, of course, the Senator is not obliged to break in on his discourse. I should like, if the Senator now has a disposition to yield to me for that purpose, to ask him one or two questions in order to elicit his views.

The Senator speaks of a distinction between requiring the stockholder of a national bank or permitting the stockholder of a national bank to take the stock in the regional bank and requiring the bank as a corporate entity to make such subscription. Does the Senator think that that is a substantial difference as a practical question?

I mean that if a thousand men own the stock of a bank, they own the bank; they own the corporation. If it would be fair and proper to require the stockholders, as such, to subscribe for an additional share of stock each, would there be any difference in the practical effect worked out under that kind of requirement and requiring the corporate entity itself to subscribe for an equal amount of stock?

Mr. CRAWFORD. I do not see that there would, and I should be opposed to a law which would undertake to coerce the

individual stockholder against his will into subscribing for an additional share of stock, holding before him the penalty that unless he did so he could no longer transact business, as un-American and against the spirit of Anglo-Saxon civilization, just as strenuously; and more so, indeed, than I would urge it against the entity you call the national banking corporation.

Mr. REED. I may have misunderstood the Senator, but I understood him to be making that very distinction.

Mr. CRAWFORD. Not in that way; far from it.

Mr. REED. And if he was making that distinction, I wanted to ascertain whether he thought there was any real difference between the two plans. That brings us to this——

Mr. CRAWFORD. Let me make myself clear there.

Mr. REED. Certainly.

Mr. CRAWFORD. It would add to the repugnance and the revulsion I have for the enforcement of such a principle if it were applied to the individual stockholders beyond what I now hold against it as applied to a banking corporation.

Mr. REED. Now, may I not be permitted to ask one or two further questions? Does the Senator think that a bank should so manage its business affairs that it can not pay to its depositors on demand the money they have turned over to it?

Mr. CRAWFORD. I entirely justify the purposes of the bill, which are to make the banks more efficient and more able to meet such demands as the Senator refers to; and my contention is that those features of the bill can remain operative and in full force and effect and be executed with free ownership and the right of public subscription to the stock as well as if it is confined, as proposed here, to coercive subscription by the banks.

Mr. REED. Of course, Mr. President, I am trespassing on the Senator's time, and——

Mr. CRAWFORD. I am perfectly willing to yield.

Mr. REED. And I have no right to indicate to him the character of answer he ought to make, but the question I asked was merely preliminary.

Mr. CRAWFORD. My answer is affirmative, if the Senator prefers to have it that way for the purpose of asking another question.

Mr. REED. If it be true that it is the duty of a bank to always hold itself in a position to respond to the legal demands of its depositors, then I ask the Senator if it is not the duty of the lawmaking power to prescribe regulations which will, so far as possible, compel a bank to maintain itself in a position to respond to the demands which the Senator says it ought to respond to?

Mr. CRAWFORD. I cordially agree with that statement.

Mr. REED. The Senator, then, will agree with me that Congress has the right to require the banks to keep in their vaults enough reserves to be able to respond to every demand, will he not?

Mr. CRAWFORD. That is making it pretty broad, because that might be construed as requiring them to keep in their vaults practically all the money they have.

Mr. REED. I am talking about the right of Congress as a legal proposition, not as a question of accommodating the banks. The Senator has already said that the banks ought to maintain themselves in a position where they can respond to every demand. If they ought to so maintain themselves, then Congress ought to command them to so maintain themselves, should it not?

Mr. CRAWFORD. Well, I do not want to make a statement so broad that it would imply that the Government could create a bank, induce and encourage men to subscribe to its stock and to invest their capital in the stock for the purpose of carrying on business, and then turn around and practically paralyze it; for instance, with the declared purpose of making it safe, going so far in that direction that it would prevent it from doing business at all. I think the exercise of power to so great an extent would be an abuse. I do not know how far the Senator from Missouri means to go.

Mr. REED. I am not talking about the Government going to the extent of doing anything which would be merely destructive; I am talking about the duty of the Government to compel banks to maintain themselves in a position where they can respond to just demands, which the Senator has already said they should always be prepared to respond to.

Mr. CRAWFORD. All reasonable regulations of the law with that object in view are certainly within the scope of congressional authority and are sound in principle.

Mr. REED. Now, Mr. President, if that is true, the Government clearly has the right to require the banks to maintain larger reserves than they now maintain. That is true, is it not?

Mr. CRAWFORD. To maintain larger reserves, or they can change the method of managing and holding the reserves so that they will be more efficient; for instance, by mobilizing them, by having a common reservoir for them, and perhaps by reducing the amounts required, because rendering the reserves more effective, more mobile, would make it possible to reduce the aggregate amount held by each bank.

Mr. REED. But the Senator is doing more than answering my question. He does concede that the Government has the right, in the interest of the safety of depositors and in order that the banks may be compelled to always stand able to meet just demands, to increase the amount of reserves or to require the reserves to be held in a certain place other than they are now held, which, of course, concedes that feature of the bill which requires the reserves to be placed in regional banks.

Mr. CRAWFORD. Very well; I am not finding fault with that.

Mr. REED. Very well. Then the complaint of the Senator is reduced down to the question of a contribution to the capital stock of the institution which is created for the benefit of the banks in order to enable the banks to mobilize their reserves and to use their reserves for their own benefit; in other words, the Senator's complaint is that, in endeavoring to relieve the banks, in endeavoring to create a greater efficiency for the banks, in endeavoring to furnish them facilities by which they can utilize reserves which now must lie dead or dormant, the Government proposes to be guilty of the heinous offense of asking the banks to contribute 6 per cent of their capital and their surplus to the creation of a reservoir that is built for their benefit and the benefit of nobody else. Does the Senator think there is any outrage or wrong in that?

Mr. CRAWFORD. Mr. President, the Senator with his usual strength and power and, I must confess, with the ingenuity with which he is gifted, makes a statement from his viewpoint, but I decline to adopt it—I am addressing myself now to his last sentences—as a correct statement of this particular proposition.

Mr. President, the question of requiring banks to keep reserves and hold them, either in their own vaults at all times as a protection to their own groups of depositors or giving them the option either to hold reserves in their own banks or carry a portion of them in certain other banks in reserve cities or in central reserve cities or in reserve banks, is not a question in which the banks alone have an interest.

Mr. REED. No.

Mr. CRAWFORD. It is a question in which the entire country has an interest; it is a question in which every person who may have business in any of the banks has a very lively interest; it is a question in which the entire fabric of business throughout the United States stands in a relation of very great dependence; and it is upon the broadest grounds of public policy, and to promote public welfare, that legislation of this sort is proposed. It is not a question of simply levying a tax or an assessment upon a particular line of business in order to capitalize the reserve banks, and it is not fair to undertake to confine it to a limit of that kind. The bill which I am criticizing in that respect does not propose to do that, because it undertakes to guarantee that, if the business will justify, it will pay to the banks subscribing to the stock of the reserve banks dividends at 5 per cent.

Mr. REED. Mr. President, the public is interested in the banks not going down. Nobody said they were not. Of course, all business depends upon the banks remaining stable, because we do business through them. Nobody has denied that. What I have said is that the primary obligation is upon the banks, and that this bill is primarily intended to make the banking system more capable of performing its functions, to protect it from disasters that now threaten it, to enable the bankers to use reserves they can not now properly use; and that, therefore, the direct benefit, the immediate benefit, comes to the banks.

Now, Mr. President, if the Senator will pardon me, does he think that the banks are taking any chances of losing the capital they put into the regional banks?

Mr. CRAWFORD. I am not discussing the question from that standpoint at all. The Senator is anticipating. He is asking questions along a certain line before I have developed my thought. I refuse to place the proposed organization of the reserve banks and the mobilization of reserves, the establishment of these reservoirs, upon the narrow ground that we are simply providing for the creation of a bank for banks. We have heard it over and over again here that the new system is simply to provide a bank for banks. It ought to be something more than a bank for banks, and that is why I am criticizing it.

Mr. REED. That hardly answers my question, which was, whether the Senator thought that the bankers and the banks were taking any great chance of losing the amount of money which they may contribute to the stock of the reserve banks?

Mr. CRAWFORD. I have made no such statement and I make no such contention. I do not contend that this is an unsafe investment for the banks. I think it is very probable that it will be a good investment; that it will earn money; and, therefore, I maintain that it should not be an exclusive privilege enjoyed only by the banks.

Mr. REED. Mr. President, if it is almost certain to make money, if it is so fine an investment that the banks ought not to be permitted to have it exclusively, then what becomes of the Senator's argument that we are perpetrating an outrage upon the banks when we compel them to make an investment which is so good that it is an outrage to refuse to the general public a chance to participate in it?

Mr. CRAWFORD. Mr. President, my objection to the principle underlying this feature of the bill is not weakened one particle, whether you take the view that it is going to be a losing investment or whether you take the view that it is going to be a profitable investment. The principle is just the same in each case. If the Government of the United States comes to me and undertakes to say that I must invest my money in the stock of the Chicago & North Western Railway Co., and that if I do not do so within a period of one year the strong arm of the Government will compel me to abandon the prosecution of the business in which I am engaged, it does not change the dangerous character of that principle, whether they can convince me that upon my investment in the stock of the Chicago & North Western Railway Co. I would receive a dividend of 50 per cent per annum or whether I could convince them that I should lose every dollar that I put into it. The principle is the same in either case.

Mr. REED. But, Mr. President, the Senator entirely misses the point. Nobody proposes to say to a private citizen, "You shall make an investment"; nobody proposes to say to a bank, "You shall make an investment." What it is proposed to do is to say to the banks, "You shall make yourselves safe; this is the means provided; and if you do not take it and thus place yourselves in a position to respond to your legal liabilities, then you must go out of business." I now want to apply the Senator's own illustration——

Mr. CRAWFORD. Mr. President, if the Senator will permit me——

Mr. REED. If the Milwaukee road——

Mr. CRAWFORD. Mr. President——

Mr. REED. Let me finish.

Mr. CRAWFORD. I want to——

Mr. REED. Let me finish this statement.

Mr. CRAWFORD. The Senator knows that I have the kindliest feelings toward him, and all that, but does the Senator think it is quite fair to my argument, before I have fairly started, to put in all this time, going from one question to another and from that to another, until I have practically been carried far afield and broken the continuity of my argument? I say that now, so that the Senator will have some consideration for my desire to present my thoughts in a somewhat connected manner.

Mr. REED. I want merely to finish this statement, and I will not further interrupt the Senator, because I think he has been very patient and very gracious.

I want to apply his Milwaukee railroad illustration as it ought to be applied. The Government has no right to say to the Senator, or to any other citizen, "You must buy the stock of the Chicago, Milwaukee & St. Paul Railroad. If it were to undertake to do so, it would violate the fundamentals of our Constitution; but the Government has the right to say to the Chicago, Milwaukee & St. Paul Railroad, "It is your duty to provide reasonably safe appliances and reasonably safe tracks over which to carry the citizens of the country; if you have a bridge over a stream in a dangerous condition, you shall repair that bridge or you shall quit business."

That is a parallel to this thing. The Government has no right to say to the private citizen: "You shall subscribe to the stock of a bank." The Government has no right to say to a bank: "You shall subscribe to the stock of another bank." The Government has, however, the right to say to a bank: "You are in a dangerous position, and here is a remedy we propose. You must accept that remedy and put yourself in a safe position, or we will no longer permit you to exist, because you are not capable of fulfilling the functions you undertook to fulfill and for which we chartered you."

That is all there is of this cry of "outrage" and "wrong." Instead of the banks complaining because they are required to contribute to this system, they ought rather to regard it as a legislative beneficence which is proposed; for we intend, under this bill, to make their reserves liquid, to permit them to reborrow those reserves, and thus have the benefit of them. On top of that, we propose——

Mr. CRAWFORD. Mr. President——

Mr. REED. We propose under this system to issue the money of the Government, and give it to these banks——

Mr. CRAWFORD. Mr. President——

Mr. REED. Just a moment.

Mr. CRAWFORD. I yielded to the Senator to ask me a question, not to make a long argument.

Mr. REED. When banks, under that sort of proposition, complain because they are required to put up 3 per cent of their capital and surplus, upon which they get practically 7½ per cent return, it is a poor position for banks to take, and it is a poor position for their special pleaders to occupy.

Mr. CRAWFORD. Is the Senator asking me a question? I failed to get it, if he was asking a question in that speech.

Mr. REED. I said I would not say anything more, so I shall have to sit down.

Mr. CRAWFORD. Mr. President, it becomes a habit, in undertaking to meet arguments upon the floor of the Senate, by some sort of innuendo to attempt to put the person presenting the argument into the attitude of being a special pleader, interested in a special way, for the purpose of weakening in advance the things he desires to say.

My opposition to the coercive feature of the bill does not rest upon any concern for the banks. They probably will take care of themselves. It is a protest against the application of a principle which I believe to be unjust; unjust if it related to a stockholder, unjust if it related to an individual citizen anywhere, and in the same way, no more and no less, unjust to this entity you call a banking corporation.

I maintain that the capital it is sought to create in these reserve banks to enable them to hold reserves, to receive deposits, and to issue reserve notes, can be secured, and that this system can be erected and made successful without this coercive feature in the law. It is equally vicious whether the investment in the stock by these banks results in great gain and profit to them or whether the investment results in material loss to them, and to their disadvantage. It makes no difference which result follows. If the investment is a profitable one, if it is one upon which they are to reap great advantage and the ownership of the stock is confined to them, then you are conferring upon them a special privilege, and you are denying that privilege to all the rest of the universal society under this Government. Is that right?

Suppose I have $5,000 which I am anxious to invest, and I think this stock in a Federal reserve bank is a good investment; that I am perfectly willing to take 5 per cent dividends on my investment; that I am anxious to take that stock. Is it fair or just to say to me, "You are not recognized; you have no rights; we refuse to take your money; we refuse to permit you to invest in it; this privilege is to be conferred only upon banks"?

Why should it be confined to and conferred only upon banks, if it is a profitable investment? The people of the United States who have their funds husbanded are anxious to invest them. They are glad to get securities that are backed by the Government of the United States. They want municipal bonds or State bonds or Government bonds—securities of that kind—because they believe in them, because they think they are safe, because they are good investments.

I believe this stock will be a good investment for those who are satisfied with 5 per cent dividends. Why should the law be so framed as to exclude Smith, Brown, Jones, and Robinson from subscribing to the stock, and confer that right only upon banks?

If you take the other view of the matter, if it is to be a losing investment, it is just as vicious and just as bad. Suppose we assume that it will not pay the 5 per cent dividends; that the dividends may be passed one year after another; that the reserve banks will be a disappointment. Suppose we assume that they have not found avenues in which to invest the vast deposits they are holding. They are confined to dealing with banks, and can not deal with the public. They have not been able to earn the dividends; the investment has lain idle, and brought back nothing, and the certificates issued for the stock have depreciated until they can not be sold at par. Suppose we assume that they have gone down to 75 per cent or 50 per cent. Then you have coerced the little bank out in the country, with $25,000 capital, into making an investment against its will, against its judgment, and you have put upon it that loss.

The rule is just as vicious in one case as it is in the other. I am insisting that whether the Government, as a matter of law,

has the arbitrary power to compel this thing or not, it ought not to do it; that it is un-American to do it; that it is against the spirit of freedom in investing one's own means and is not called for here. That is not necessary. There is no precedent found for it anywhere.

I desire now to call attention to the situation with reference to the matter of ownership of the great European banks. I call attention to a statement made by the very able and competent gentleman who was employed by the committee of the House of Representatives when it made its investigation of the Money Trust—a gentleman who enjoyed the complete confidence of the committee, so that its members never asked witnesses a question. This gentleman asked all of the questions. He assumed control of the entire course of the examination from beginning to the end, and it was extended over many months. His wide experience in the city of New York, his familiar acquaintance with all of these abuses in banking circles and in the great combinations of the country, especially fitted him for the service he was employed to render and did render. I am speaking of Mr. Untermyer.

I wish to call attention to what he says in an article contributed to a magazine after these hearings were all concluded and the report made, which I have no doubt in a large measure was prepared by him. It is an article which he contributed to the public for the information of the American people after the Glass bill had been introduced in the House, after the distinguished chairman of the Committee on Banking and Currency of the Senate had offered his bill here, and when the merits of the two bills were being discussed in the other branch of Congress and by the public generally.

Mr. Untermyer, in this article in the North American Review, published in October last, says:

> As I read the bill, the reserve banks are not allowed to take private deposits nor to buy, sell, discount, or rediscount domestic bills or notes in the open market or by any means except for or through the member banks. In that way all healthy competition in the discount market is strangled, and the only effective way of keeping down the rate is prevented. If we ever hope to establish a discount market, the bill must be amended in the latter particular.

He goes on and discusses these foreign banks and the ownership of their stock. He says:

> In England, France, Germany, and other countries the central or Government banks take private deposits and buy paper directly in the open market in competition with the private banks, bankers, and individuals who are their customers and for whom they rediscount. In this way the private discount rate is regulated.
>
> In 1906 the Reichsbank had 70,000 depositors, of which only 2,500 were banks. There were 26,000 merchants, 9,500 farmers, 22,000 industrial companies. The first deposit must amount to not less than 150 marks ($37), and the account is not allowed to go below 50 marks ($12.25), but the smallest deposit entry allowed is 2½ cents.

That is the kind of bank this great German Imperial Bank is. He goes on and says:

> In the same way the banks of France, England, and other countries have vast numbers of depositors, of which only a small proportion are banks. All the European Government and quasi-Government banks compete with the private institutions both in the taking of deposits and in the purchase and discount of commercial paper, except that they allow no interest on deposits.

He goes on further in regard to the ownership of these banks:

> The Bank of England has 145,530 shares scattered among 11,986 individual shareholders, or an average holding of less than 12¼ shares each. Each owner of 500 shares or over has but one vote regardless of the amount held.
>
> The Bank of France has 182,500 shares held by 32,867 holders, averaging 5½ shares for each holder—11,592 holders have 1 share each; 6,889 have 2 shares each; 1,742 have 10 to 20 shares each; 1,088 have 21 to 50 shares each; 246 have 51 to 100 shares each. Only 108 holders have 100 shares or over.
>
> The Reichsbank has a capital of 100,000 shares. There are two classes of stock—40,000 shares of 3,000 marks ($750) each and 60,000 shares of 1,000 marks ($250) each. On January 1, 1912, there were 18,757 holders, with an average of 5⅓ shares each; 16,537 domestic owners held 29,810 shares of the first class and 58,540 shares of the second class.

These are the great imperial banks of France and of Germany that we have had pointed out to us over and over again during the years we have been investigating the question of improving our banking and currency system. Those great banks, which are held up to us as the guiding lights for us to imitate and follow, are banks whose stock belongs to the people, individual owners extending throughout the Empire, running up into thousands of holders, and are open to business transactions with them and with the public.

What have you here? While, as I said last night, I expect to vote for the Hitchcock bill, and if it is defeated to vote for the Owen bill, because I heartily and fully believe in the provisions for an elastic currency and the mobilization of bank reserves, and I think the provisions in each of the bills with regard to those two points are excellent, I am bound to say that in other respects—and this question of ownership is one of them—the bill as it came to us from the House, and as it is presented by the Senator from Oklahoma, has some very vicious things in it.

In the first place, you are interlocking all the national banks together. You are practically, by operation of law, making a joint ownership and trust combination among them and excluding the public from any ownership or any interest in them. You are compelling the little banks to come in, and it is done with the knowledge that they will be overshadowed, dominated, and controlled and overwhelmed by the big banks.

Who felt the keenest need for the relief this bill is to furnish? The big banks. It was the big banks that failed in discharging their duty to the country banks, namely, to give them their money when they were entitled to it in 1907. The big banks wanted this relief, asked for it, organized, and pushed a propaganda all over the country for a number of years to secure it. Of course they wanted a privately owned central bank, for which the American people would not stand, but they took the initiative. They gathered together the literature. They went out and made the speeches. They built up the sentiment because they felt the need of having these provisions for mobilization of reserves and for additional currency in times of distress.

In that respect their desire was sound. I have no criticism of that. They wanted, however, to throw out a net and compel all the little banks everywhere throughout the country to come in. They sought to shape the first bill so that they would have to come in, while apparently making it optional. In this bill you cut across lots, upon the theory that the shortest distance between two points is a straight line, and say to these little banks: "You shall come in or quit business." When they ask: "What are we to receive as justification for our coming in?" you point out to them the provisions for rediscount. You say to them: "You can bring your portfolio to a reserve bank, and you can get a book credit there, or you can put in your prime bills of exchange and notes and get currency, and go back home and loan out the currency to your people." "Yes; but what kind of prime commercial paper do you require?" "Well, it is commercial paper maturing in 30 days, 60 days, or not to exceed 90 days." The little banker out in a village of 1,500 people says: "We have no such paper. We loan to the live-stock grower and dealer. We loan to the country merchant. We loan to the farmer. These borrowers come in and pay their interest and get a renewal from year to year, or from one six-months' period to another six-months' period. We have no 90-day maturing paper, except so small an amount that we could not get any particular benefit from your bank. Besides that we have our correspondents in St. Paul and in Sioux City and in Minneapolis and in Omaha with whom we are carrying accounts. They accommodate us, and we have no trouble. We feel no need for anything of this kind. We feel no necessity to take stock in this bank. You have so hedged about your provisions for rediscounting paper and your classification of the kind of paper that will be received that they are of no benefit to us. We would like to get our money from the big banks down in New York when they owe it to us and we need it, and they refuse to pay it. We would like to have you build up a new system by which we shall not have a repetition of the experience of 1907, but so far as this reserve bank being of direct benefit to us in the way of rediscounting paper, it is of no benefit at all." Your answer to this small country bank is, "You have got to come in or give up your business." You say to John Smith, who would be glad to take 100 shares of this stock and get his 5 per cent dividend and who stands ready to subscribe for it, "No; this goes to the banks. You can not have it."

I protest against that as an unsound principle. I do not believe tying up the banks through coercion into this kind of a close corporation, excluding the public, is a good thing. So far as that feature of the bill is concerned, I believe it is a bad thing. I do not believe you will find, as I said last night, a parallel for it anywhere on earth.

The private bank, the State bank, is not required to come in. There are, as I recall, about 17,000 of them in the country. They will continue to send their reserves down to New York and get 2 per cent on daily balances. The 2 per cent which they will get will go into their coffers, and the reserves which they keep there will continue to be invested in call loans as heretofore, because they are not in this system. You are not reaching these 17,000 State banks and trust companies. You are leaving it optional with them whether they shall come in or not. They may continue doing business in the old way, getting interest on daily balances as they did before, keeping accounts in New York and elsewhere as they did before, and they are competing in the various communities with the small national banks, which you are compelling to come in.

How are you going to get in all the banks? There is no way on earth to get the State banks in except as they come in voluntarily. You will not have one-third of the banks in when you force the national banks in. You will have more than two-thirds of the banks of the country still outside of the reserve system.

Why is it not better to have the capital stock of this bank furnished voluntarily by investors from the rank and file of the citizenship of the country? Why is it not better to open the books and let them come forward and take it, giving preference to small subscribers, and protecting the holding of this stock so that it will be impossible for it to be gobbled up and monopolized by a few? Why will not that be better? By doing so you will increase the banking capital of this country, from individual investments, $105,000,000.

We were told by Mr. Forgan and other bankers when they appeared before the committee that it is legitimate banking to loan out $12 to the public for every dollar held by the bank as capital, and under pressure the banks go farther than that. It is admitted that there is not sufficient banking capital when compared with the expansion of credits throughout the country.

Now, if you can bring $105,000,000 additional banking capital to the service of the American people from the pockets of individuals by opening the subscription books and letting them take this stock, why is that not better than by force of law to coerce every country bank into a great organization, which when created is a banking trust greater than any we have yet seen?

I believe it is better to get the money from the pockets of individuals for the capital of these reserve banks and require national banks to place their reserves in them, as this bill provides. The Senator from Missouri [Mr. REED] was correct in stating that it is a function which the Government has a right to exercise, for the purpose of protecting the public business and depositors, to require these banks created under Federal law to keep reserves and prescribe the manner in which they shall carry them and where they shall be kept. There is no doubtful exercise of authority in that. When this capital is offered to private citizens of the country they will come forward and take it, and they will take it because it is a good investment, because they have faith in the Government, and for the 5 per cent dividends. Make the national banks carry their reserves in these new Government banks and you will have accomplished the purposes of mobilizing reserves that you seek without compelling the country banks to take money out of their loanable assets and deprive the patrons of their communities of the use of that money.

By such public ownership you would, in addition to this increase in banking capital, secure an extended, diversified ownership among the people of the country in these new banks. You would create a reservoir in which the reserves will be kept for the purpose of relieving any weak spot in time of stress and danger, just the same as you have it under the House bill and in the bill presented by the distinguished Senator from Oklahoma. I contend that such a provision for public ownership is better and that it relieves this bill from that coercive feature which is repugnant and repulsive to the average American citizen.

As to the attempt to create an impression that those who hold this view of the ownership urge it because they are in some way not in sympathy with proposed legislation, and have a special interest in the banking community, let us look at that for a moment. You have created in this bill, if it becomes a law, eight great banks. You have required those banks to do business for banks and the Government and nobody else. You have denied the privilege of investing a penny in the ownership in the stock of these banks to the individual citizen and you have provided for a board of directors to manage them, in which you allow the banks to have the selection of six and the Government to have the selection of three. The banks select three who are directly interested in the proprietary banks and three others—of course, from their customers—engaged in agricultural, commercial, and manufacturing pursuits; but the member banks select them, and you need not doubt that they will know who those three other men are when they select them; they select these three, and the other three who are directly interested in the stock-holding banks; that makes six; while then the Government selects but three.

You have formed a great banking trust when you create these banks and exclude private individuals from any ownership in them or any voice in their management. You have confined the ownership to banks, and you have given them power to elect the controlling members on their boards of directors; but because we suggest something better the insinuation is made that we are special pleaders, in some way interested in behalf of these banks.

Our proposition is that the Government, having created these banks, shall, through the Federal reserve board, appoint five of their managing directors and let the banks select four, thereby placing the absolute control of the board under an agency appointed by the Government itself.

You limit the ownership to banks. You limit the direct control, through the boards of directors, to banks. You exclude the individual citizens of this country from owning a dollar of the capital stock. The board of directors of each reserve bank will be the immediate, potent, controlling power in the conduct and management of its business. All must admit that. The board of directors managing and directing a reserve bank in Chicago, or San Francisco, or Denver, or New Orleans, or Boston, or New York will be in close touch with the rapidly moving commercial current every day and every hour, and theirs will be the potential control. The actual control will be vested in the board of directors and not in a supervisory tribunal here at Washington. You have given this supervisory tribunal of seven or nine the power of review and recall, and I am glad that has been done. I am glad they are removed from direct interest in the banks. I heartily approve of all that. But, having created that long-distance tribunal to sit in power here as a supervising tribunal, a board of review, you allow these banks to choose the actual and immediate agencies which will direct, guide, and control the business of each bank as its board of directors, giving a secondary and more remote supervisory power to a long-distance tribunal.

Mr. HITCHCOCK. Mr. President——

The VICE PRESIDENT. Does the Senator from South Dakota yield to the Senator from Nebraska?

Mr. CRAWFORD. Yet, because we suggest changes of this kind, the attempt is made to put us in the attitude of being special leaders representing special interests, with a sinister desire to defeat this legislation. I yield to the Senator from Nebraska.

Mr. HITCHCOCK. Mr. President, along the line of the argument now being made by the Senator, I want to ask him to go back a little in history, to 1907, and to direct his attention particularly to the city of New York as the processes of that panic gradually came on. I wish to ask him what, in his judgment, would have been the situation if at that time there had been in the city of New York a reserve bank to which the banks and trust companies of the city could have gone with their paper and procured discounts for the purpose of meeting the demands of their depositors in cash or the needs of their borrowers? Suppose that reserve bank in New York City was controlled by nine directors, and suppose the great banking interests of New York had elected six of those directors and the Government only three of those directors, and then suppose the great Knickerbocker Trust Co. had come to that reserve bank and asked it for cash with which to meet the demands of its depositors, and had offered commercial paper of borrowers interested in the Tennessee Coal & Iron Co.; I ask the Senator whether it is his opinion that a reserve bank in New York City, controlled by the great banking interests which crushed a number of those trust companies, would have discounted the paper of men interested in the Tennessee Coal & Iron Co.?

Is it not a fact that if there had been a reserve bank in New York City at that time controlled by the great banking interests which dominated the situation there and then, and which dominate it now, they would simply have refused to discount the Tennessee Coal & Iron Co. paper, just as the big banks refused to do it, because they desired the Tennessee Coal & Iron Co. to get into such straits that it would be forced to sell out to the Steel Trust? Would not the situation have been exactly the same in New York with the reserve bank controlled by the banking interests that it was without a reserve bank?

Mr. CRAWFORD. Mr. President, I do not know. It would depend on the character of men and what sort of patriotic spirit prompted them and whether their motives were high or low, but there certainly would be serious danger that in that atmosphere men selected by the banks themselves and placed in control of this board would fail to measure up to the standard of unselfish patriotism that a situation like that requires.

Mr. HITCHCOCK. But, on the other hand, if the reserve board in New York had been then in existence and had had upon its board five directors chosen by the Federal reserve board here in Washington, is it not likely that that reserve bank in New York City would have come to the relief of any bank having eligible and legitimate paper and prevented the ruin of a number of banks which then took place, and would this have

prevented the absorption of the Tennessee Coal & Iron Co. by the Steel Trust?

Mr. CRAWFORD. I think that is probable.

Mr. HITCHCOCK. Is not that a fair example of what may result in a reserve under the control of banking interests, and is it not a strong argument in favor of having a reserve bank, which is a public utility, under the control of directors, a majority of whom are selected by the Federal reserve board?

Mr. CRAWFORD. That is why I favor the proposition to have the Government appoint a majority of the board of directors.

Mr. President, I am not in sympathy and would not be in sympathy with the creation of Government banks, and giving them a tremendous advantage through Government deposits and Government patronage, and so favoring them that they could overshadow privately owned banks, and then turn them loose to compete with private bankers. But in committee I reserved the right to express my view here that both these bills come short of what they ought to provide in allowing the banks created under this law to exercise the power that is necessary to make them potent and effective in regulating discounts and preventing abuses in that the banks we are creating here are confined entirely in their transactions to accommodations extended to member banks and transactions with the Government itself, with the sole exception, under this open-market provision, of dealing in foreign bills and bank acceptances indorsed by the banks themselves.

Instead of being a special pleader for these banks, I believe that in order to make this system complete and potent, the banks created under this law should have the power under regulations of the Federal reserve board to deal with individuals, not for the purpose of going into general competition with the banks of the country, but for the purpose of making effective a control over discount rates which we seek in the bill, to give to the Federal reserve banks.

In the House they apparently thought that they had given such power in the Glass bill, but I fail to find it there, and I fail to find it in either draft that is reported here. In the report made by Mr. GLASS, chairman, on page 52, the following observation appears in regard to section 15 of the bill:

It will have been observed that the transactions authorized in section 14 were entirely of a nature originating with member banks and involving a rediscount operation. It is clearly necessary to extend the permitted transactions of the Federal reserve banks beyond this very narrow scope for two reasons:

1. The desirability of enabling Federal reserve banks to make their rate of discount effective in the general market at those times and under those conditions when rediscounts were slack and when therefore there might have been accumulation of funds in the reserve banks without any motive on the part of member banks to apply for rediscounts or perhaps with a strong motive on their part not to do so.

2. The desirability of opening an outlet through which the funds of Federal reserve banks might be profitably used at times when it was sought to facilitate transactions in foreign exchange or to regulate gold movements.

Then he goes on to say:

In order to attain these ends it is deemed wise to allow a reserve bank, first of all, to buy and sell from anyone whom it chooses the classes of bills which it is authorized to rediscount. The reserve bank evidently would not do this unless it should be in a position which, as already stated, furnished a strong motive for so doing. Outright purchases in the open market would, of course, require the payment of the face of the paper less discount, whereas rediscount operations would require simply the holding of a reserve of 33⅓ per cent behind the notes issued or deposit accounts created in the course of the rediscount operation. Apart from this fundamental permission, it was deemed wise to allow the banks to buy coin and bullion and borrow or loan thereon and to deal in Government bonds.

Section 15, under "open market," does not give the power, in my judgment, that will make this law effective in enabling those reserve banks to exercise that effective control over the rate of discount to which he refers, because it provides—

SEC. 15. That any Federal reserve bank may, under rules and regulations prescribed by the Federal reserve board, purchase and sell in the open market, at home or abroad, either from or to domestic or foreign banks, firms, corporations, or individuals—

What?

cable transfers and bankers' acceptances and bills of exchange of the kinds and maturities by this act made eligible for rediscount with or without the indorsement of a member bank.

In the United States, so far as acceptances are concerned, they are all in the future; we have none. We do not use acceptances. We may use them sometime in the future; possibly they may come in vogue under this bill; but these are bank acceptances, and the buying and selling of them in dealing with individuals is dealing in the paper of banks. These reserve banks can not buy and sell bills of exchange and promissory notes, which make up the great volume of credit transactions in this country, except as they get them from other banks.

What did your guide and counsel of the committee in the Pujo hearings, Mr. Untermyer, say about this? He criticized the bill in this respect more severely than do I. He says:

As I read the bill, the reserve banks are not allowed to take private deposits nor to buy, sell, discount, or rediscount domestic bills or notes in the open market, or by any means except for or through the member banks. In that way all healthy competition in the discount market is strangled, and the only effective way of keeping down the rate is prevented. If we ever hope to establish a discount market the bill must be amended in the latter particular.

What have we, then? Along with the most excellent provisions here for the mobilization of the reserves and the elasticity of the currency we have a close corporation in which the banks, and the banks alone, are to share. We have the transactions conducted by the banks we are creating confined to member banks, and to member banks alone. We withhold from these new instrumentalities the power to prevent abuses in the way of extortion in discount rates; we withhold from them the power to reach over the head of this trust which we are creating, when it is guilty of abuse, when it has abused the power that is given to it by the chaining of these banks together into one and confining the capitalization of the banks created to their contributions, and placing the boards of directors under their control; we prevent the Federal reserve board which we are creating here from going over the head of this organization, in a great emergency, and dealing with individuals. Mr. Untermeyer says that healthy competition in the discount market is strangled by these limitations and restrictions.

It seems to me that his accusation is justified. In that respect I think both these drafts are incomplete. Some say the giving of power to these banks to deal with individuals is going too far. As I said, I would not give this power to the reserve banks, except under the rules and regulations prescribed by the Federal reserve board, this tribunal created as a supreme court of finance, governed only by the highest and most unselfish and patriotic motives, and in the mind of which the uppermost purpose is to promote the public welfare. I would give the reserve banks this power, to be exercised only under rules and regulations prescribed by the reserve board. Does anyone fear that they would launch these banks into the general business of competing with all the other banks of the country in ordinary banking business? Not for a moment would they do it; but to withhold from them the power to prevent extortion and abuse by the vast combination that you create here in chaining these banks together, by withholding from them the power to pass over the head of these member banks when emergency requires it, and to deal with individuals, is to deprive this plan of a power which makes the Bank of England so dominant in the financial world, and enables it to draw gold to London from the four corners of the globe, and to check dangerous speculation and ward off danger. The great banks in Germany and in France control the discount rate effectively, because they can deal in the open market and establish the discount rate; but we withhold that power here. I think the bill is seriously weak in that respect.

Mr. President, I have failed to hear any argument that justifies the exclusion of the common public from ownership in the stock of the regional reserve banks. I have failed to hear any satisfactory justification of the invocation of a governmental power to coerce existing banking associations against their will to invest money in the stock of new banks organized by the Government; and, from the standpoint of having full and effective governmental control, I think the bill fails in that it does not come up to what the public has a right to expect of it in placing the great reserve banks under the control of the banks themselves.

One other feature and I am through. I confess that I was not only startled but amazed at some of the situations which were uncovered as a result of the revelations of the Pujo investigating committee. One of the fundamental recommendations made by that committee after the investigation was a declaration against interlocking directorates. I am not so radical that I think it is wrong for a bank to have control of little feeding banks, smaller in size and located in a country that is tributary, and which are not competing banks. I think they are avenues for the convenience of the public, and connected with them there is no abuse; but the combination of the great banks of the country for the purpose of controlling credit is recognized everywhere as a positive menace. Yet, although this bill is dealing with banking and currency, and although three or four lines added to one of its sections would remove from the management of the banks that come into the new system the vices of interlocking directorates, not one line is found in the bill to remedy that evil. When we are dealing with a subject relating to banks and can deal effectively with

the evil to which I have referred by attaching a few sentences to one of the sections of the bill, I do not see why it is necessary to delay on the ground that it is to be hereafter mixed into some general legislation for the country. I am disappointed because it is not in here, and I think it can and should be put into this bill.

Mr. BRISTOW. Mr. President——

The VICE PRESIDENT. Does the Senator from South Dakota yield to the Senator from Kansas?

Mr. CRAWFORD. Certainly.

Mr. BRISTOW. I wish to inquire of the Senator from South Dakota if the evils developed in the Pujo committee report have not been assigned as among the great reasons making legislation necessary?

Mr. CRAWFORD. Certainly.

Mr. BRISTOW. Then we have the spectacle of having the causes which make the legislation necessary, and the legislation itself not providing a remedy.

Mr. CRAWFORD. I have a slip here that was sent around over the country very extensively after the conclusion of the Pujo hearings. I do not know who is the author of it, but it apparently was circulated as a direct result of the revelations of that committee. One of the recommendations is to prevent anyone being a director in more than one bank in the same city. I am not satisfied with simply saying "in the same city"; I think the same person ought to be prohibited from being a director of a competing bank, whether it be in the same city or not.

I think both bills which have been presented to the Senate have improved very greatly many of the features of the House bill. In this connection I am reminded somewhat of an incident that happened in one of the counties in my State, where they wanted to build a new courthouse. In order to do so, the law required the commissioners to submit the matter of issuing bonds to a vote of the electors of the county. The county seat happened to be located down in one corner of the county, and it was feared that, if they submitted the proposal to issue bonds to build a new courthouse, it would be voted down. The courthouse was an old ramshackle building, and it seemed necessary to erect a new one.

So the commissioners conceived the plan of repairing the old courthouse, which they could do under the law without issuing bonds. They passed a resolution under which they built one-half of a new courthouse on the back part of the old one, finished it up, and installed the county officers in the new rooms in that half. When they had done that they passed another resolution authorizing the making of further repairs, and under that they built the other half. I think the chairman of this committee and his associates have made a new bill out of the House bill, and that the Senator from Nebraska and those associated with him have greatly improved the Owen bill. The bills reported by the Senate committee are, in my opinion, much better than the bill as it passed the House.

I am very glad that the provision for the protection of depositors in the bank is in both bills.

Mr. BRISTOW. Mr. President, if the Senator will yield——

Mr. CRAWFORD. Certainly.

Mr. BRISTOW. I should like to invite his attention to the fact that the provision for the insurance of deposits in the Owen draft was incorporated in the Democratic caucus after the number of regional banks had been increased and the rate of interest on the stock of the regional banks had been fixed at 6 per cent. In the case of a number of the proposed regional banks there may not be any profit, and in others there may be profit; so that we may have the insurance of depositors in New York and New England, and in the West none whatever.

Mr. CRAWFORD. I discovered that, and was going to comment on the fact that, while I am glad a step has been taken in the Democratic conference recognizing that principle, it falls far short of furnishing the relief which I think is provided for in the Hitchcock draft.

When I visited my State, after this bill had been introduced in the House and was under discussion, I took copies of it with me and talked to all classes of business people—bankers and others—about it. They were not satisfied with the provision relating to the loaning of money by the banks upon farm mortgages nor with the classification of commercial paper which could be rediscounted by the reserve banks, because they did not deal in their business with that class of commercial paper sufficiently to get any benefit under this law. The provision of the Hitchcock draft which allows national banks to make loans upon farm mortgages out of their time deposits—50 per cent upon farm mortgages for periods of five years—is an improvement, and provides for making such loans and fixes the percentage upon time deposits. This is much more effective and will give a relief not found in the limitation to an amount equal to one-half of the capital stock of the bank, as provided in the Owen bill.

A bank in an agricultural community is usually a bank of about $25,000 or $50,000 capital. If its loans upon farm mortgages are limited to half its capital stock, they will amount only to $12,500 or $25,000, which is practically of no consequence. So in that respect the provisions of the Hitchcock bill will afford a relief to country banks and their patrons that can not come from the Owen bill.

In the draft reported by the Senator from Nebraska [Mr. HITCHCOCK] and his colleagues here is a provision that will permit the rediscount of commercial paper maturing in 180 days, provided that no one bank shall be accommodated to the extent of more than $200,000. That provision will make the bill of some substantial benefit to the national banks in agricultural communities, because if they can get accommodation on six-months paper they can make use of the rediscount provisions of the bill in times of stress. The universal verdict of banks such as we have in the State that I in part represent is that if the maturity of this paper is limited to 90 days it will be of little or no benefit to them.

I do not think it is fair to limit the maturity of this paper to 90 days. In case of foreign acceptances, the House bill allows a maturity of six months, but when it comes to paper held by one of the small country banks—and no paper is of better quality (although it extends over a longer period of time) than the paper that is in the portfolios of these country banks—it is limited to 90 days, while foreign acceptances and bills of exchange of that kind are made eligible which mature in six months or four months.

I think that is an unjust, unfair discrimination, all the more grievous in its character when you compel the country banks to come in here and subscribe to the stock against their judgment and against their will and then so specify and define the class of paper that can be recognized in the banks created by this bill that they are barred from the benefit of its use.

Mr. BRISTOW. Mr. President——

The VICE PRESIDENT. Does the Senator from South Dakota yield to the Senator from Kansas?

Mr. CRAWFORD. I do.

Mr. BRISTOW. I should like to invite the Senator's attention to what seems to me to be a fact, and that is that the six-months paper which we include in the Hitchcock amendment is just as good and just as liquid as the mercantile paper in the cities that runs for 30 days.

Mr. CRAWFORD. It is just as good. There is no doubt about that.

Mr. BRISTOW. It is based upon wheat and cattle paper, as we call it, which is a food product that ultimately will bring money in the market.

Mr. CRAWFORD. In that respect it is absolutely of the same quality as the commercial paper which we have been told over and over again is paid out of consumption. This is paid out of consumption, but the processes consume a little longer time than the short-time paper of commercial cities.

Mr. BRISTOW. I should like to ask the Senator if he has heard any reason assigned why the paper of the farmer, which runs for six months, and which is just as good as any paper that can be made, should not be treated with as favorable consideration as the paper of the merchants or the business men?

Mr. CRAWFORD. I certainly have not.

Mr. BRISTOW. Has there been any effort to explain why this discrimination is made against the notes of the farmers of the country?

Mr. CRAWFORD. The only explanation I have ever heard was a complaint that the paper is not liquid; but paper that matures in 120 days or 180 days, and which is attached to a bill of lading, and expresses a transaction between an importer and some foreign merchant, may run for four months or six months, and is no more liquid than this class of paper.

Mr. BRISTOW. Let me direct the Senator's attention to another fact. If this six-month paper relates to the agricultural products of a foreign country the banks can handle it.

Mr. CRAWFORD. Oh, yes.

Mr. BRISTOW. If it relates to the agricultural products of our own country they can not. Is not that one of the most palpable and unjustifiable discriminations against the paper of the American farmer that ever was incorporated into any law?

Mr. CRAWFORD. I have protested against it ever since I read the bill the first time.

I wish to say, in closing, that I believe I am expressing the feeling of the constituency I represent with relation to this bill

when I say that they do not want any unnecessary delay in its consideration and in final action upon it. I believe it is the sentiment of the people in my home State, and I believe in the country generally, that as soon as it can be done, after giving the bill the serious, careful consideration and discussion that a bill of this gravity and importance ought to have, it should be enacted into law in some form or other. I shall be pleased if, within a brief time, without sacrificing the serious discussion the bill should have, the Senate can come to a vote upon it.

It has been no desire of mine in the part I have taken in the discussion and as a member of the committee to delay the consideration of the bill, and it is not out of any spirit of partisan hostility that I have expressed these views. As I said frankly at the start, I believe the good features of the bill outweigh its faults, serious as some of them are. I have simply given voice to my opinion upon these particular propositions.

I have not undertaken to go into a scientific discussion of the bill in any exhaustive way. Upon the question of stock ownership, upon the question of control by the boards of directors, upon the question of interlocking directorates, and upon the power to go over the heads of member banks and deal with individuals for the purpose of controlling the discount rate my convictions are clear, and I have attempted to give expression to them here.

I believe the bill would be stronger, and I do not believe it would be unjust, if it contained a provision, under rules and regulations prescribed by the Federal reserve board, authorizing the reserve banks in serious emergencies to deal with individuals. I believe such a provision would make it more powerful and effective in reaching a sore spot than it will be in its present form. We come to the place where powerful organizations of banks are entrenched, we build up a system very good, as far as it goes, but when we reach the point where we may, if we will, give these Government banks the power to leap over oppressive organizations and deal directly with people, and thus compel them to relax their grip where it is a menace, we stop short and withhold the power necessary to protect the people of the country from oppression.

Mr. HITCHCOCK. Mr. President——

The VICE PRESIDENT. Does the Senator from South Dakota yield to the Senator from Nebraska?

Mr. CRAWFORD. I do.

Mr. HITCHCOCK. The Senator's views on that point are quite well known; but I wish to follow out for a moment a line of questioning on that subject, and see if he will not admit that a necessity or propriety of having the reserve banks of Europe deal with the people which does not apply to the United States.

For example, take the Senator's own State. Can he conceive the possibility, in any town of South Dakota, of a borrower who has a legitimate right to credit being compelled to go to a reserve bank to get his loans?

Mr. CRAWFORD. No.

Mr. HITCHCOCK. I can not in Nebraska. I do not believe I could conceive of such a thing in Iowa, nor in Illinois, nor, in fact, in any State of the Union, for the reason that in all of these States, and in every city and in every town of each State, there exists a real, active competition among the thousands of banks to do the business of the community in which they exist.

Mr. CRAWFORD. I agree with the Senator upon that point so far as nine-tenths of the banks are concerned, or even more. The statement was made here last night that there is free competition among them; but while that is true when you apply it geographically to the greater part of the United States, is it true universally? If it is, why do we have complaints here against the "Money Trust" and great combinations of banks that absorb the funds of the insurance companies and use the money of the people in stock gambling, and all that, discriminating against those whom they wish to crush and building up those whom they wish to favor? Is this outcry a sham or is there not something to it?

Mr. HITCHCOCK. Wherever such a condition exists—and we will take, for instance, New York, without intending to cast any aspersions on that town above any others—can not the Senator from South Dakota clearly see how a reserve bank, owned by the people and under Government control, would naturally rectify such a condition?

Mr. CRAWFORD. I ask the Senator, How can it do it if its transactions are all confined to the very banks that are guilty, and if you have not provided against interlocking directorates, and have simply bound all the banks in the country together in one legal combination?

Mr. HITCHCOCK. I think I can explain that. The banks are not all guilty. Take the case of the city of New York: The testimony before the Pujo committee did not show that all the banks were interlocked by this interlocking-director system. It did not show that all of the banks were in a conspiracy. It did show, however, that a large number of the banks were practically in fear of their big neighbors. They were afraid to make loans to certain interests for fear the more powerful banks in the community, controlling the clearing house, would punish them. If, however, under this new system we establish a reserve bank under the control of the Government, having the authority at any time to come to the relief of any bank, the power of the banking interests heretofore exerted in the form of a conspiracy will be necessarily done away with and any man or any institution having a legitimate demand for credit will find some bank not only willing to lend him money, but not afraid to do so, because the bank will know that it can go to the reserve bank in case the others start a war upon it.

So it seems to me that if you provide a reserve bank controlled by the Government and owned by the people, you do away with any argument in favor of having the reserve bank go into the active banking business itself. It will not be compelled to go into the competitive business of banking, because by its uniform treatment of all banks it will put all banks in a position where they can compete. None of them need be afraid of any dominating control or any conspiracy to force it to do as a dominating influence may dictate.

Mr. CRAWFORD. I do not want to be misunderstood there. I have no desire to put, and I doubt entirely the wisdom and fairness of putting, these banks, with the great advantages we are giving them, into competition in the sense that they would become active competitors in ordinary banking transactions with the banks of the country. I would not advocate that; but I say that if we give them the reserve power, under the rules and regulations prescribed by the Federal reserve board, in cases of emergency to go over the heads of banks and deal with individuals, while it is a latent power which they might never use, I think it would be a wholesome check. I think it would be a very valuable asset to the people of the United States to have that reserve power, under rules and regulations prescribed by the Federal reserve board, given to these banks. So far, and no farther, would I go.

Mr. HITCHCOCK. Of course, there is an objection to that, as the Senator will recognize, in that if you confine the business of a reserve bank strictly to the function of buying paper from its member banks it not only gets commercial paper which is supposedly good, but it has upon all that commercial paper the indorsement of a solvent bank; so that it is dealing with something absolutely a good investment, and practically without any possibility of failure. If, on the other hand, you permit a bank organized for the purpose of caring for the reserves of the American banks to go directly into the market and lend money to the individual borrower, it will be subject to the same losses to which individual banks are subject, because it will not have the protection of the indorsement of its member banks upon the paper which represents its direct loans to the people.

Mr. CRAWFORD. I say to the Senator that the Bank of England has had that power and has exercised it repeatedly for a good, long period of time, extending for a hundred years. Of course, for a shorter time, but in a very effective way, the Imperial Bank of Germany and the Bank of France have exercised and do exercise that power. They have not met with disaster and shipwreck by doing it. As I said before, I should want to give that power with a view to its being exercised only when necessary to control discount rates when the public welfare requires it.

Mr. TOWNSEND. Mr. President, in view of the fact that for something like an hour now there have been fewer than 20 Senators in the Chamber, I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

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

Ashurst	Jackson	Page	Smith, S. C.
Bacon	James	Poindexter	Smoot
Borah	Kenyon	Pomerene	Sterling
Bradley	Kern	Ransdell	Stone
Brandegee	La Follette	Reed	Sutherland
Bristow	Lane	Robinson	Swanson
Bryan	Lea	Saulsbury	Thompson
Chilton	Lewis	Shafroth	Thornton
Clapp	Lippitt	Sheppard	Tillman
Crawford	Martin, Va.	Sherman	Townsend
Dillingham	Martine, N. J.	Shively	Vardaman
Gore	Nelson	Simmons	Walsh
Hitchcock	O'Gorman	Smith, Ga.	Warren
Hollis	Overman	Smith, Md.	Weeks
Hughes	Owen	Smith, Mich.	Williams

Mr. SHAFROTH. I wish to announce that my colleage [Mr. THOMAS] is confined to his room this afternoon on account of a severe sore throat.

Mr. TOWNSEND. The senior Senator from Washington [Mr. JONES] has been called from the Chamber on official business.

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

TENTH INTERNATIONAL VETERINARY CONGRESS (H. DOC. NO. 462).

The VICE PRESIDENT laid before the Senate the following message from the President of the United States, which was read and, with the accompanying papers, referred to the Committee on Agriculture and Forestry and ordered to be printed:

To the Senate and House of Representatives:

In view of the provision contained in the deficiency act approved March 4, 1913, that—

Hereafter the Executive shall not extend or accept any invitation to participate in any international congress, conference, or like event without first having specific authority of law to do so,

I transmit herewith, for the consideration of the Congress, and for its determination whether it will authorize the acceptance of the invitation, a report from the Secretary of State, with accompanying papers, being an invitation from the Government of Great Britain to that of the United States to send delegates to the Tenth International Veterinary Congress, to be held at London from the 3d to the 8th of August, 1914, and letters from the Department of Agriculture showing the favor with which that department views the proposed gathering.

It will be observed that the acceptance of the invitation will involve no special appropriation of money by this Government.

WOODROW WILSON.

THE WHITE HOUSE, *December 10, 1913.*

COMMISSION OF FINE ARTS (H. DOC. NO. 461).

The VICE PRESIDENT laid before the Senate the following message from the President of the United States, which was read:

To the Senate and House of Representatives:

I transmit herewith for the information of the Congress the report of the Commission of Fine Arts for the fiscal year ended June 30, 1913, with accompanying illustrations.

WOODROW WILSON.

THE WHITE HOUSE, *December 10, 1913.*

The VICE PRESIDENT. Accompanying the communication are illustrations. The whole matter will be referred to the Committee on Printing.

PROHIBITION OF LIQUOR TRAFFIC.

Mr. SHEPPARD. Mr. President, in my recent campaign for election to this body I announced from more than 150 platforms before the people of Texas that I favored state-wide, nation-wide, world-wide prohibition. I was, therefore, especially gratified when a few hours ago committees numbering more than 2,000 men and women from every section of the Union, representing the Anti-Saloon League of America, the Woman's Christian Temperance Union, other temperance bodies, and the principal churches of the country, summoned Representative HOBSON, of Alabama, and myself to the steps of the Capitol and requested us to introduce in the House and Senate, respectively, an amendment to the Federal Constitution prohibiting the sale, the manufacture for sale, the importation for sale, the transportation for sale, and the exportation for sale of intoxicating liquors for beverage purposes. I intend during my service in the Senate to exert every effort at my command to establish every principle and every measure to which I gave allegiance in my addresses to the people during my candidacy for the Senate.

I now introduce a joint resolution proposing an amendment to the Constitution, and ask to have it read at length.

The joint resolution (S. J. Res. 88) proposing an amendment to the Constitution of the United States was read the first time by its title, and the second time at length, as follows:

Joint resolution (S. J. Res. 88) proposing an amendment to the Constitution of the United States.

Whereas exact scientific research has demonstrated that alcohol is a narcotic poison, destructive and degenerating to the human organism, and that its distribution as a beverage or contained in foods lays a staggering economic burden upon the shoulders of the people, lowers to an appalling degree the average standard of character of our citizenship, thereby undermining the public morals and the foundation of free institutions, produces widespread crime, pauperism, and insanity, inflicts disease and untimely death upon hundreds of thousands of citizens, and blights with degeneracy their children unborn, threatening the future integrity and the very life of the Nation: Therefore be it

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following amendment of the Constitution be, and hereby is, proposed to the States, to become valid as a part of the Constitution when ratified by the legislatures of the several States as provided by the Constitution:

"ARTICLE —.

"SECTION 1. The sale, manufacture for sale, transportation for sale, importation for sale, and exportation for sale of intoxicating liquors for beverage purposes in the United States and all territory subject to the jurisdiction thereof are forever prohibited.

"SEC. 2. Congress shall have power to provide for the manufacture, sale, importation, and transportation of intoxicating liquors for sacramental, medicinal, mechanical, pharmaceutical, or scientific purposes, or for use in the arts, and shall have power to enforce this article by all needful legislation."

Mr. SHEPPARD. Mr. President, one of the fundamental duties of the American people is the extermination of the traffic in intoxicating liquors for beverage purposes. Experience has demonstrated that the only safe way to handle this traffic is to destroy it. In the United States it has reached such proportions that the Nation must join in the struggle against it. It is a menace to the integrity and the progress of this Republic. The fact that alcohol undermines the brain and paralyzes the will of man, planting in him and his posterity the seeds of physical and moral degeneracy, the seeds of disease, the seeds of poverty, the seeds of crime, makes it a peril to the very existence of free government. Let the people of this Nation insert in the National Constitution, the source of the Nation's life, a clause prohibiting an evil that will prove to be the source of the Nation's death.

National prohibition conflicts in no way with the spirit of the Federal Constitution. The organic structure of this Republic rests on a logical division of functions between the Union and the States. The States have retained control of all matters of local concern, while the Federal authority embraces every purpose of general or national scope. The liquor traffic imperils both the Nation and the State, and every unit of sovereignty must cooperate against it. It must be fought by the county; it must be fought by the State; it must be fought by the Nation.

Already the Federal Government has entered the fight by decreeing that liquors shipped from one State to another for the purpose of violating the laws of the State of destination shall be deprived of the character and the protection of interstate commerce. This is but the first step in the battle for the Nation's life. It is a valuable step, but so powerful is the liquor traffic that every weapon must be brought into use. Indeed, it is not sufficient that we should have this Nation enter the contest. We must unite with all the other peoples of the earth in attacking an evil that menaces society everywhere.

Let us never forget the pioneers in the world movement against alcohol. Let us here pay tribute to the courage and the devotion of the men and women who nearly 70 years ago organized at London in 1846 perhaps the first international temperance congress. In the many international congresses that have met since then this world movement has found an enthusiastic development, culminating for the present in the fourteenth International Congress on Alcoholism which assembled at Milan in September of this year. Nor should we forget the various societies of international membership that have been founded for the purpose of resisting this enemy of the human race.

It is gratifying beyond estimation to note the fact that the world is waking as never before to an acute sense of the danger of alcohol. In every country the same terrible indictment stands against it. From every land ascend the cries of the multitudes it has damned. Among almost every people it is the chief source of the murders, the suicides, the thefts, the debaucheries of body and of mind. Before the popular judgment of almost every country the dealers in this frightful drug must answer the following arraignment: Your traffic crushes every moment some home, some heart. The poison you distribute is an ever-spreading pestilence. It impedes the physical and mental growth of children, distorting the moral sense, promoting disobedience of parents and disregard for law. It curses the future generations of its victims—the crazed, the maimed, the palsied, and the blind—into whose blood the fatal taint is inevitably transmitted. It wrecks domestic happiness and betrays the most sacred vows. It contains no nourishment; it gives no strength. It impairs the vital processes, the vital tissues of the human organism. It destroys moderation and self-control, releasing every low and savage impulse. Instead of satisfying thirst, it leaves a greater thirst, suggesting the agonies of hell. It is the cause of practically half the accidents in industrial occupations. It lowers the efficiency of labor and weakens the foundations of industrial progress. It increases the liability to disease, particularly to infectious maladies like tuberculosis. It diverts the earnings of mankind into channels of economic waste, causing a loss that far exceeds the revenue it provides for governmental use. It is an obstacle to human advancement that should be no longer tolerated.

As the facts become impressed on all mankind, the conviction grows that temporizing policies must be discontinued. The world is coming to understand that humanity must destroy the liquor traffic or welcome moral degradation and economic ruin. The overwhelming issue is whether men shall conquer the liquor traffic or the liquor traffic conquer men.

Let us examine some of the more important phases of the world struggle with alcohol. Great Britain has been wrestling with the liquor traffic for nearly 600 years. The English Parliament passed a law in 1327 limiting the number of liquor shops, and in 1495 gave the justices power to prohibit them in certain localities. On various occasions Parliament actually prohibited the distillation of spirits throughout the Kingdom for a given period, and it is the observation of a high authority that the totally prohibitive acts against the liquor trade have been the most successful. Parliament has adopted altogether about 400 acts in relation to the liquor traffic without any permanently satisfactory result. It is apparent that the one solution of this problem in Great Britain, as in all other countries, lies in the prohibition of the manufacture, sale, or importation of intoxicating liquors for beverage uses. Well may we here recall the statement in 1834 of Charles Buxton, the noted English brewer, to the effect that the struggle of the school, the library, and the church, all united against the beer house and the gin palace, was but the development of the war between heaven and hell.

In Denmark prohibition is making rapid advancement. The King of that country is reported to have said in 1909 on signing an act for State-wide prohibition in Iceland, a dependency of Denmark, that few, if any, of his actions since he became King had given him more satisfaction than that of signing this law, and that if the Parliament of Denmark would pass a similar law for Denmark he would be still more willing to approve. In the Faroe Islands, another dependency of Denmark, prohibition is in unrestricted and satisfactory operation.

In Norway and Sweden public opinion is rapidly moving toward national prohibition. Never was there sounder or more prophetic utterance than that of the Crown Prince of Sweden in 1911 at Hessleholm:

I do not hesitate to say that the people which first frees itself from the influence of alcohol will in this way acquire a distinct advantage over other nations in the peaceful, yet intense, struggle. I hope it will be our own people who will be first to win this start over the others.

In Russia the sale of intoxicating liquors is monopolized by the Government and the establishment of state vodka shops throughout the country, causing a general increase in drunkenness, has resulted in a distinct movement against the use of alcohol. A commission was appointed by the Duma in 1912 to investigate the liquor question, and one of its recommendations was that the following sentence should be labeled on every bottle of vodka:

Man! Although thou hast bought this spirit, yet know that thou drinkest poison which destroys thee. Before it is too late never buy another bottle. (Signed) Minister of Finance.

The Duma, composed of men elected by the people of Russia, adopted this recommendation and sent it to a body of higher power for approval. The higher body rejected this recommendation, but approved another requiring instruction in abstinence from alcoholic liquors to be given in all the public schools of Russia. Let me quote here the words of an eminent Russian scholar, at St. Petersburg, in 1910:

The struggle against the liquor traffic is not simply a national question, it is a world's question. All social problems group round the question of alcoholism, while the evils of drunkenness, on such an authority as Gladstone, outweigh the evils of war, pestilence, and famine put together.

Twice within the last six years the Parliament of Finland has voted overwhelmingly for total prohibition, but the veto of the Czar of Russia has prevented these measures from becoming laws. The sentiment in Finland is almost universal for complete, country-wide prohibition.

In Germany the present Emperor said in 1910, in a speech before the naval cadets at Muerwick, that the renunciation of alcoholic drinks would raise the people morally, and that in the next naval war victory would belong to that nation which would show the smallest consumption of alcohol. The National Industrial Congress at Hamburg in 1909 declared that it was one of the most important objects of the industrial movement to oppose the devastation of alcoholism, and that it was to the interest of German industry to restrict the sale of alcoholic liquors either entirely or as much as possible. The members of this congress assessed themselves 1 mark a year each to carry on the war against alcohol among the workers of Germany. The report of the Prussian Government trades inspector for 1911 contains this statement:

The effort of the labor organizations to limit the use of alcoholic liquors among their number is even more noticeable. The Woodworkers' Union, of Bielefeld, seems especially successful in this respect. The use of spirits among them has practically ceased; beer drinking, especially during pauses in work, is growing less and less. Milk is taking the place of beer.

The building trades, the railway systems, the chemical industry, the national insurance societies, and certain departments of the Government have begun an active campaign against alcohol in Germany. There is no braver and no more earnest body of men and women in the world than the German prohibitionists.

The various temperance organizations in Germany are enjoying a steady and a large increase in membership. In March of this year was held, in Berlin, the first German congress for the rearing of children as total abstainers. A resolution was adopted expressing the hope that "the mothers of Germany would recognize the fact that the first step German women must take toward combating drunkenness was to bring up their own children in complete abstinence from the use of alcoholic liquors," and the belief that this would form the best means for insuring the acceptance of laws against alcohol by the coming generation.

In Austria the various temperance societies have united in a national antialcoholic congress, which is making notable progress in exposing the terrors of drink. In Hungary temperance organizations and temperance principles are steadily spreading. In 1912 a small but distinguished group of Hungarian women issued an appeal to their sisters throughout Hungary to join in the fight against alcoholism, an appeal that should be published in every language and in every country on the globe; an appeal that constitutes one of the most effective indictments of the liquor traffic that has yet been uttered. As an additional evidence of the world feeling on this subject I want to quote a few sentences from this appeal. They are as follows:

Come to our help, Hungarian women. Come from all parts of the land—poor and rich, happy and unhappy, women of station and of humble position, you whom alcohol has made to weep, you who know and feel your obligations to religion, to God, to your country, and to humanity yet unborn. We wish to uplift the coming generations which, not knowing alcohol, will belong to a morally purer and more warm-hearted world. We seek the aid of all for this task. We trust that there may not be a single Hungarian woman who will not hearken to us. None shall be so humble in our eyes that we will not be grateful to see them join us; none too high to have a right to look down on the work to which we invite you. We affectionately beg you to suggest everywhere the idea of fighting alcohol. Make sentiment for it in high and low circles, for the odor of alcohol is found in both—in drawing room and in cottage. Our social organism is sick. Our physical, moral, and economic forces are on the way to destruction.

Oh, may this cry from the women of Hungary reach the women of every other land, and may the mothers of the world unite to destroy a traffic that has become the chief enemy of woman's happiness, the chief cause of woman's tears.

In the Netherlands the sentiment against alcohol is constantly growing, and an unofficial test poll of 75,000 voters has shown 62 per cent for entire prohibition. The annual meetings of the Netherlands Association for the Abolition of Alcoholic Liquors are helping wonderfully to advance this sentiment. In Belgium, where there is said to be one drinking place for every eight men, where probably more alcohol is consumed per capita than in any other European country, there are signs at last of a revolt. The great strike in April of this year, in which 500,000 men and women quit their employment for more than a week and, on account of abstinence from drink during that time, preserved perfect order, although great disturbances had been expected and the troops were under orders, gave a distinct impetus to the prohibitive movement not only in Belgium but throughout Europe and the world.

In France, where the Government is in the clutches of the liquor traffic on account of the electoral power of the distillers, wine growers, and saloon keepers, where the number of suicides has nearly trebled in 50 years, where lunacy has nearly doubled in 30 years, where the resisting capacity of the citizen has become so weakened that tuberculosis takes off 150,000 victims every year, where statistics prepared by the ministry of justice show an enormous increase in crime on account of drink, the French Academy of Medicine has demanded the suppression of alcoholic liquors and a national league against alcoholism has been formed whose membership now exceeds 100,000.

In Spain an antialcoholic league has been recently founded and is already obtaining good results. Switzerland abolished all traffic in absinthe by popular vote in 1909, and the prohibitive idea is gaining large headway among the people as to all other forms of alcohol.

In Italy, where, until four or five years ago, wine drinking was practically a universal custom, representatives of the Government have been collecting statistics as to the effect of alcoholism in that country, and it is now generally recognized as a national menace. In 1908 an Italian temperance federation was organized at Milan. It embraces all the temperance societies

of Italy, and it is giving unity and effectiveness to the work against alcoholism in Italy.

In the Balkan States and in Greece the temperance spirit has found permanent lodgment among large and increasing numbers of the people.

In Arabia, Palestine, Persia, Syria, and Turkey the ancient habit of total abstinence is still observed by most of the inhabitants. Commercial intercourse with Europe and America has led to the importation of intoxicating liquors, and these countries are beginning to suffer from the evils that follow in the path of alcohol. Already movements have been started within these lands to prohibit the importation of alcoholic liquors. No sadder commentary on certain phases of European and American civilization may be found than the effort of these Asian peoples to prevent their degradation by the foul products of the distilleries and the breweries of Europe and America. I can think of nothing more humiliating than the fact that in many foreign trade centers American commerce often finds its sole embodiment in the liquor traffic. What must these foreign peoples think of our sincerity or our consistency when they see on the same ship that brings the missionaries of Christ the missionaries of the devil in the shape of barrels of whisky and kegs of beer?

In China the long struggle of Government and people against the production, the importation, and the use of opium is soon to succeed. At present alcohol is almost unknown to the more than 400,000,000 in China, and there could be no sounder argument for the destruction of the liquor industry where it now flourishes than the preservation from its terrible influence of our brethren in the distant East, who are but beginning to enjoy the blessings of liberty.

In India the feeling of the native population against the liquor traffic has become so strong that recently one of India's foremost statesmen, Hon. G. K. Gokhale, asserted in an appeal to the British secretary of state for India, Lord Crewe, that total prohibition was the sentiment of the Indian people.

In Japan, where the traffic in intoxicating liquors received an impetus from the admission of foreigners in 1868, numerous temperance societies are developing and a national temperance league has been formed. At a recent meeting of this league the president, Taro Ando, declared the curse of alcohol would have to be suppressed by law. The Japanese soldiers were prohibited from using any kind of alcoholic liquor in the field during the great war with Russia in 1904 and 1905, and the result is an eloquent tribute to the army that abstained.

In 1911 the question of national prohibition was submitted to the people of New Zealand and resulted in 259,945 votes in the affirmative, 205,661 in the negative, or a majority of 54,282 against the liquor industry. As the law required a three-fifths vote for the abolition of the traffic, the poll had no other practical effect than to show the feeling of the people. In Australia the temperance forces are becoming stronger and more determined every year.

In Africa the liquor traffic has been prohibited in large sections and restricted in others by an agreement among 18 of the leading nations, including the United States, known as the Brussels general act of 1890. The importation of alcoholic liquors into the territory under this agreement is also prohibited. An international federation has been formed for the protection of the native races of Africa from the liquor traffic, one of its main objects being the enforcement of the agreement embodied in the act of 1890. It should be stated here that Menelik, ruler of Abyssinia, has issued an edict prohibiting the importation of intoxicating liquors into that country. He is using every measure at his command to prevent the introduction into his kingdom of wine, beer, whisky, and other intoxicants, all of which he calls European poison.

When Khama, King of Bechuanaland, issued an order some 20 years ago prohibiting the manufacture or sale of intoxicating beverages within his domain, the order was disregarded by the white traders. Khama and other native chiefs who were following his example appealed to Queen Victoria for assistance, and she replied:

> I approve the provision excluding strong drink from your country. I feel strongly in the matter, and am glad to see the chiefs have determined to keep so great a curse from their people.

It was this native ruler, Khama, who said on another occasion:

> To fight against drink is to fight against demons and not against men. I dread the white man's drink more than the Assegais of the Matabele, which kill men's bodies and it is quickly over; but drink puts devils into men and destroys both their souls and their bodies forever. Its wounds never heal.

And thus it comes to pass that this native African chief has uttered a truth that the highest civilizations of the world may well take seriously to heart.

In various parts of Latin America movements are under way against alcohol. Laws against it have been introduced or are pending before the National Legislature of Argentina and other Latin-American countries.

Especially notable is the progress of prohibition in Canada. In the Province of Prince Edward Island complete prohibition has been adopted and crime has practically disappeared. The entire Province of Nova Scotia, with the exception of the city of Halifax, has been placed under prohibition. The liquor traffic has been outlawed in 700 of the 1,000 municipalities in Quebec. A majority of 5,000 in favor of prohibition has been registered in British Columbia. In over half the municipalities of Ontario the traffic has been discontinued. In nearly all of Newfoundland and Labrador prohibition has been established.

Turning to our own country, the United States, what pride may be felt in the fact that an area equal to nearly three-fourths of our territory containing half our population has been voted dry. Complete State-wide prohibition has been adopted in Georgia, Kansas, Maine, Mississippi, North Carolina, North Dakota, Oklahoma, Tennessee, and West Virginia. The States having prohibitory law for half or more than half of their populations are Alabama, Arkansas, Colorado, Florida, Idaho, Indiana, Iowa, Kentucky, Louisiana, Minnesota, Nebraska, New Hampshire, South Carolina, South Dakota, Texas, Utah, Vermont, and Virginia. Those having prohibition for one-fourth or more but less than half of their populations are California, Delaware, Illinois, Maryland, Massachusetts, Michigan, Missouri, Ohio, Oregon, Washington, Wisconsin, and Wyoming. The remaining nine States—Arizona, Connecticut, Montana, Nevada, New Jersey, New Mexico, New York, Pennsylvania, and Rhode Island—have prohibitory law for less than one-fourth of their respective populations.

The movement against the liquor traffic has obtained such headway in the United States that nothing can prevent its ultimate nation-wide success. [Applause in the galleries.] The people of the United States understand that the National Government must be summoned to the contest, and at a great prohibition gathering at Columbus, Ohio, last month the campaign for nation-wide prohibition was definitely and enthusiastically begun. It is a crusade that deserves to rank with the outpourings in the Middle Ages from Christendom toward Jerusalem.

This is no new question in the United States. The agitation against the liquor traffic dates from Revolutionary and Colonial times. The sale of slaves to American colonists found a permanent basis in the fact that African negroes could be exchanged for American rum. The liquor traffic gave great impetus to African slavery in the United States. Slavery has been destroyed, and now its partner—the liquor traffic—must follow it to a common grave. [Applause in the galleries.]

The resolutions that have been introduced in the American Congress for a prohibition amendment to the Federal Constitution mark a distinct stage in the war against alcohol, but they are by no means the first suggestion of general prohibition. In 1777, 12 years before the present Constitution came into being, the Continental Congress at Philadelphia passed the following resolution:

> *Resolved*, That it be recommended to the several legislatures in the United States immediately to pass laws the most effectual for putting an immediate stop to the pernicious practice of distilling grain, by which the most extensive evils are likely to be derived if not quickly prevented.

Mr. President, responsibility for the miseries and the crimes of men rests far more largely with society than may be generally supposed. People who keep their own lives blameless have by no means entirely met their duty to humanity or to God. We who permit a traffic to continue that fills the penitentiaries, the jails, the asylums, the hospitals, the poorhouses, and the potter's fields are guilty of serious dereliction. We who permit a traffic to continue that will make chaos of governments and beasts of men are culprits before the bar of truth. And until we begin an affirmative movement against evils that threaten to engulf mankind, until we terminate the terrible partnership between the Government of this country and the liquor trade, a partnership whereby the revenues that sustain the Republic—yea, our very salaries as Senators of the United States represent men's broken bodies, men's wasted lives, the widow's and the orphan's cry, the white slave's bartered shame—we shall invite and we shall deserve any disaster that may overwhelm the Nation or the race. [Applause in the galleries.]

Mr. THOMPSON. Mr. President, as this is a question in which Kansas has had longer and better experience than any other State in the Union, I desire to say a few words in support of the resolution.

We have had State-wide prohibition as a part of the Kansas State constitution longer than has existed in any other State in the Union. The Kansas Legislature in 1879 voted by joint resolution to submit to a vote of the people an amendment to the State constitution forever prohibiting the manufacture and sale of intoxicating liquors, except for medicinal and scientific purposes. This amendment was adopted by the people at the general election in 1880. During the 33 years since that time the law has not been repealed, nor has the constitutional amendment on which it is based been resubmitted to the people for their affirmation or rejection. If there is any one question which is permanently settled in the minds of the people of Kansas, it is the prohibition question. In my judgment, the question will never again be submitted to the people or seriously attempted to be resubmitted by any organization, political or otherwise. If it should be resubmitted, prohibition would carry by a larger vote than any other proposition that could be presented to the people of Kansas. It has been entirely eliminated from politics, and the people are practically a unit on the question of retaining it as the fundamental law of the State. After this long trial and experience with the law fully 90 per cent of the people would vote for its continuance and are favorable to its extension throughout the Nation. Our firm stand for the law is proof of the strength of character of our citizens and a constant example in practical reform to all the States of the Nation.

The closing of the saloons and joints in the State has had a most excellent effect upon the morals as well as the material interests of the people of the State, so much so that no one with the best interests of the people and the State at heart desires to go back to the old order of things under the saloon. Among the most beneficial results of the operation of the law are better homes, happier and wealthier families, higher standards of education and intelligence, and a large reduction in crime. These are the natural and inevitable results of prohibition wherever effectively enforced. But the best result of all is in the fact that of the half million boys and girls in Kansas only a very small proportion have ever seen an open saloon. Children are growing to manhood and womanhood without the temptation or evil influence of the saloon.

During the 33 years of prohibition the illiteracy of our people has been reduced from 49 per cent to 2 per cent, and this trifling amount is almost entirely among the foreign element in the mining section of the southeast. With 105 counties in the State 87 of them have no insane, 54 have no feebleminded, 96 have no inebriates, and what few there are come from the cities which defied the law until recent years. There is only 1 pauper to every 3,000 population, and there are 38 county poor farms which have no inmates. In July, 1911, 53 county jails were empty and 65 counties had no prisoners serving sentence. Since the establishment of prohibition the population of Kansas has increased more than any of the surrounding States, and her wealth has increased until it has become the richest State in the Union per capita. Although we suffered one of the worst droughts in the history of the State last summer, recent statements from the banks show that in the 930 State banks there is on deposit belonging to the people of Kansas about $120,000,000, and on deposit in the 213 national banks about $90,000,000, making a total of $210,000,000, or about $123 for every man, woman, and child in the State.

Until 1909 Kansas permitted drug stores to sell whisky and other intoxicating liquors for medicinal purposes. This privilege was grossly abused, and the State legislature, in 1909, passed a law prohibiting the sale of intoxicating liquor for any purpose whatever. The State bank deposits of the State which had theretofore been gaining gradually only about a million dollars a year made a sudden increase of $14,000,000, or from $83,000,000 to $97,000,000 at that time. In addition to this the increase in wealth within the past 10 years has been at the rate of $120,000,000 per year. The assessed valuation of property for taxation is sufficient to give every man, woman, and child in the State $1,700, while the average wealth in the Nation is only about $1,200. Is it not reasonable to believe and fair to say that 33 years of prohibition has had something to do with this grand result?

About three years ago when I was judge of the thirty-second judicial district of Kansas, I was asked to give my opinion of the effects of the law in that particular locality, and I wrote a letter setting forth my views at that time, which have not materially changed, and I desire to read it now as a part of my remarks on this occasion.

It is a pleasure to say that convictions are less difficult in my district for violations of the prohibitory law than for the violation of any other criminal laws of the State. By a rigid enforcement of the law for many years, the former prejudice of the people against the law has completely changed to an extreme bias in its favor. When a jury is now impaneled to try one charged with the violation of this law, instead of a juror disqualifying, as he formerly did, because of his prejudice against the law, he now often disqualifies on account of his frank admission of extreme bias in its favor; and frequently care has to be taken on the part of the court in protecting the rights of a defendant to prevent a conviction without sufficient evidence to sustain it. A man could no more start a joint in Garden City, or any other southwestern Kansas town, than he could willfully apply a torch to one of our best buildings. No good citizen would stand for it, no matter what his views on the liquor question.

The result is, instead of being what was formerly considered the most lawless section of the State, we have become the most law-abiding people on the face of the earth. This judicial district, consisting of the nine southwestern counties, embraces a territory equal in size to the entire State of Connecticut with little old Rhode Island thrown in, yet in most of the counties there has not been a criminal case on the dockets for over 15 years, and in some of the counties there has not been a civil difficulty of sufficient importance to justify the calling of a jury for the same length of time. One or two days is sufficient time to transact the entire court business of a regular term in each of the five southwestern counties. The old argument that no one will settle in a prohibition community is answered by the fact that our population has more than doubled in the last four years, and instead of property decreasing in value it has enhanced in value from 100 to 1,000 per cent. I know of no one in the poorhouse or in jail in any of these nine counties, and our people are as healthy, happy, and prosperous as can be found anywhere in the world, and may rightfully challenge comparison with any other similar territory with joints or open saloons.

What I said at that time as to conditions in my judicial district could have been said of most of the other judicial districts of the State, and remain about the same to-day.

Kansas welcomes this resolution, and I shall gladly render every service possible to secure its passage, and thereby aid in securing for the Nation the beneficent effects which have already been realized in Kansas.

Mr. OWEN. Mr. President, I feel it my duty as a Member of this body to express my profound satisfaction and my cordial acquiescence in the proposal offered to this body by the splendid young Senator from Texas [Mr. SHEPPARD]. I approve of this constitutional amendment. I am glad to see it introduced.

The eastern part of my own State, consisting of the Five Civilized Tribes of Indians, has had prohibition under the Indian treaties for a long period of time, due to the recognition by the Indian people of the baneful effects of this traffic. In admitting Oklahoma into the Union, the Senate of the United States imposed upon Oklahoma a condition which the best people of Oklahoma sought and desired—that the State should be introduced into the Union with prohibition at least for the eastern part of Oklahoma, where the treaty obligations of the United States were transferred from the United States to the proposed Commonwealth about to enter the Union, and then I campaigned Oklahoma in favor of State-wide prohibition, which was adopted after a fight with the liquor interests.

I should feel derelict in my duty to human beings if I did not now, at the first opportunity, express myself emphatically in favor of this proposal.

The only value a seat upon the floor of the Senate has that is worthy of a man is the opportunity it affords to serve other men. I hope the Senate may honor itself by passing this proposal as promptly as it can be done under the order of business in this body. [Applause in the galleries.]

The VICE PRESIDENT. The Chair is compelled to state to the occupants of the galleries, who are evidently strangers in the city, that it must be perfectly apparent that business can not be conducted on the floor of the Senate if the galleries are to control the business. There is a great deal of objection by Senators to manifestations, either of pleasure or of displeasure, on the part of the galleries. There is now pending a rule, not yet adopted, to prohibit it absolutely. It is a source of regret to a presiding officer to be compelled to call attention to what manifestly might lead to a very serious breach of decorum if long continued.

BANKING AND CURRENCY.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 7837) 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.

Mr. WEEKS. Mr. President——

Mr. OWEN. I do not wish to interrupt the Senator from Massachusetts. I thought if there was no one prepared to speak upon the measure we might read those sections which are unobjected to and dispose of them. But if there is desire for delay until a further time, I will not press it.

Mr. WEEKS. There are two or three Senators on this side waiting to speak, and I think we ought to defer the commencement of the reading of the bill for the present.

Mr. BRISTOW. May I inquire the plan that is to be followed? My understanding has been that the bill would be taken up section by section, and that the amendments which

have been suggested would be voted upon as the sections were reached.

Mr. OWEN. Mr. President, as I understand the parliamentary rules, there are two ways in which this may be done. We can either take up the bill as it passed the House and propose amendments to the House text, which finally, when that process has been concluded, would then be before the Senate as a competitive measure, with the amendment moved as a substitute by the chairman of the committee; or, on the other hand, as the substitute proposed, section by section, comes up, an amendment may be proposed to it section by section.

Mr. BRISTOW. I understand the Senator from Oklahoma has moved the bill which he has reported to the Senate as a substitute for the House bill, which was reported back by the committee. Section 1 of the substitute proposed by the Senator from Oklahoma is practically the same as section 1 of the amendments proposed by the Senator from Nebraska [Mr. HITCHCOCK].

Mr. OWEN. Yes; that is true.

Mr. BRISTOW. So there will be no controversy in regard to section 1, I understand.

Mr. OWEN. No.

Mr. BRISTOW. Then when we come to section 2, as I understand—I may be mistaken in this—the Senator from Nebraska proposes to offer a substitute for section 2 as an amendment to the House bill. That would be perfecting the text of the House bill before the substitute of the Senator from Oklahoma is voted upon; or, if the Senator from Nebraska desired, he could offer section 2 as a substitute for that section of the substitute, which would be an amendment to the amendment.

Mr. OWEN. Yes; that can be done.

Mr. BRISTOW. In either event, the vote will come first on the amendment to the amendment or upon the perfection of the House text before the amendment of the Senator from Oklahoma is voted upon.

Mr. OWEN. Yes.

Mr. BRISTOW. Would it not be better for us to proceed in that way than to take up the sections of the bill where there is no controversy and pass over those where there is controversy?

Mr. OWEN. That is what I propose. I thought that would be the most orderly way and the most convenient way.

Mr. BRISTOW. Then, when there is no one to speak, section 1 will be taken up and disposed of.

Mr. OWEN. Yes.

Mr. BRISTOW. And then section 2 will be taken up and the amendment offered.

Mr. OWEN. The amendment offered.

Mr. BRISTOW. That is entirely satisfactory to me.

Mr. OWEN. As an amendment to the amendment.

Mr. BRISTOW. Yes.

Mr. SMOOT. Did I understand the Senator to say that there were two ways of proceeding to the consideration of this measure?

Mr. OWEN. That is what I understand.

Mr. SMOOT. First to take the House bill and amend that or, secondly, to take the substitute and amend the substitute?

Mr. OWEN. Yes.

Mr. SMOOT. I know of no rule of this body that would allow the substitute to be taken up and voted upon in the way of an amendment to a substitute. The only bill that is before the Senate is the House bill. The only way we can proceed with it is to amend the bill either by an amendment offered by the Senator from Oklahoma or an amendment offered by any other Senator, but we can not amend a substitute——

Mr. OWEN. It is an amendment.

Mr. SMOOT. Then it will have to be offered as an amendment to the House bill. The Senator from Nebraska can not offer an amendment to your substitute or any section of your substitute. All he can do is to offer an amendment to any of the paragraphs of the House bill. The Senator from Oklahoma has a perfect right to offer his substitute, but it can be offered only as a whole in place of the House bill. That can be done, of course.

Mr. OWEN. The Senator makes the observation that it is a substitute. It is offered in the form of an amendment, and being an amendment proposed, an amendment to the amendment can be offered under the parliamentary rule.

Mr. SMOOT. Yes; but in order that an amendment can be offered to an amendment, it must first be offered to the bill itself, and that is the House bill.

Mr. CLARKE of Arkansas. Mr. President, the situation presented ought not to cause any difficulty. Whilst the report presented to the Senate by the chairman of the Committee on Banking and Currency is popularly referred to as a substitute, it is simply an amendment in the form of a proposition to strike out all of the House bill after the enacting clause and to insert new matter. Our rules provide for that situation very definitely and very satisfactorily:

> Pending a motion to strike out and insert, the part to be stricken out and the part to be inserted shall each be regarded for the purpose of amendment as a question; and motions to amend the part to be stricken out shall have precedence.

It will be entirely competent for the Senator from Oklahoma to move to strike out all of the House bill after the enacting clause and insert the matter he presented. Then it would be open to other Senators who desired to perfect the House bill by offering amendments to that; and when the Senate has disposed of such proposed amendments the question will come in competition between the substitute offered by the Senator from Oklahoma and the original House bill. But until the House bill has been perfected, as we might say, the vote on the substitute could not take place. Under our rule there does not seem to be any way by which that result can be obviated. Calling it a substitute does not give it any additional rights or deprive it of the lawful character of an amendment, but it is a comprehensive amendment, in its legal effect, to strike out the House bill and insert the new matter proposed by the chairman of the committee.

Mr. SMOOT. Mr. President, I fully agree with the Senator from Arkansas that the Senator from Oklahoma can offer his amendment by moving to strike out all after the enacting clause and inserting. There is no question about that. But that is not what the Senator from Oklahoma said. The Senator from Oklahoma said there were two ways to proceed with it; that is, to consider the House bill and offer the amendment to the House bill, or take his amendment and perfect that without offering it as an amendment to the House bill.

Mr. BACON. Mr. President, the principle is correctly recognized, I think, as stated by the Senator from Arkansas. At the same time I will suggest that there is possibly a simpler method of procedure which would recognize the principle the Senator now has stated.

The familiar rule and the ordinary method of procedure is that where there is a substantive proposition, such as an original bill, and another substantive proposition is proposed to be substituted for it, as is this case, by striking out all after the enacting clause and inserting a substitute in lieu of it, the parliamentary body deals with each of those separate propositions separately, the friends of each having the opportunity to perfect each particular measure separately. Then one is put against the other, and the body chooses between the two. The simple method of procedure is this: It matters not, in taking that course, whether the body permits the friends of the original measure first to perfect it and lay it aside and then let the friends of the proposed substitute perfect that, and after each has had the action of the body in bringing it to the shape where those who advocate the one or the other prefer to have it, then the substitute, of course, is the first proposition voted upon by the body, and if it is carried, then the original proposition is displaced, and the substitute stands in lieu of it, and the body enacts it into law. But the important thing is that each proposition is dealt with separately, and the rights of amendment are all the rights which belong to an original proposition and not rights which are limited to the cases of amendments.

For illustration, here is the original bill. Under the rule recognized—and it is the universal parliamentary rule—only two amendments are permitted to be pending at a time. If the substitute were treated simply as an amendment, of course there could be only one amendment offered to the substitute, because an amendment can not pass the second stage. But if, for purposes of amendment, the substitute is treated as an original proposition, there can be two amendments offered to any provision of that substitute. That is the way in which it is done.

Of course the more usual plan is that the substitute shall first be taken up and, treating it as a substantive original proposition, proceed to act upon it by amendments which may be proposed to it, and in that way perfecting it. When that is done it is laid aside and the original proposition is then taken up as another original substantive proposition, and all the rights of amendment apply to that.

I will state, Mr. President, that there is a book in which that matter is clearly set forth, in a simpler way than in any other work on parliamentary law I have ever read. It is a little book which can be found in the Library, known as Mell's Parliamentary Practice, in which this particular subject is dealt with and stated with very much more clearness and conciseness than I have been able to state it. It is the easy, simple way in which a parliamentary body proceeds to deal with a question

when there is an original proposition containing many provisions and to which there would naturally be many amendments proposed, and another substantive proposition which it is intended to substitute for it, which, of course, must also go through the complicated processes of amendment. In other words, the two must be treated separately in order to avoid the difficulty of having to deal with the general rule of parliamentary law that only two amendments can be pending at a time. The substitute, when it is being perfected, is treated as an original proposition. The original bill, when being perfected, is also treated as an original proposition. So in each case the two amendments can be pending at the same time for any particular provision in them.

I am quite sure that that is not only the correct rule, but that it is the only practicable one under which the body can proceed without confusion and without difficulty in dealing with a bill where there is a substitute proposed for the whole of it, especially where there are many sections to it, as in this bill.

Mr. CLARKE of Arkansas. Mr. President, I am not very familiar with the little book to which the Senator from Georgia referred, but I am familiar with Rule XVIII of the Senate. The only difference between the doctrine laid down in the little book referred to by the Senator and our rule is that the order cited by him is directly in conflict with the express provision of this rule. The rule says:

And motions to amend the part to be stricken out shall have precedence.

Instead of amending the substitute and laying it aside, the specific language of the rule is that the original proposition shall be amended by its friends, so that when the vote comes that involves its life it will be perfected in its best form.

It is not the rule of the Senate and it can not become the rule of the Senate as long as the last clause of Rule 18 is in existence, that a substitute shall be considered first. The proposition to amend the House bill will be the first motion in order, and in this particular case it obviously works out the most expeditious result. If it is a fact that the majority of the Senate first intend to dispose of the matter in that way, and are perfectly willing to stand by the comprehensive amendment or substitute, or whatever name you choose to apply to it, presented by the chairman of the committee, it is a very easy matter to dispose of an amendment offered by those who believe that the text of the House bill should be amended. It may be laid on the table or otherwise disposed of in some regular parliamentary way. So when we reach the substitute, if no amendments are adopted to that, we then take the House bill as it came to us and the substitute as presented by the Senator from Oklahoma on behalf of the Committee on Banking and Currency. Our first business under this rule will be to deal with such amendments as are offered to the House bill, because the proposition then will be made to strike out all after the enacting clause and insert in solido the proposition contained in the report made by the chairman of the Committee on Banking and Currency.

The observations of the Senator from Georgia are very generally correct, and I differ from him with much hesitancy, but I think the text of the rule is so plain that I am warranted in doing it in this case. He is exactly right about the fact that the text to be stricken out and the provision to be inserted in lieu of it constitute two parliamentary questions, and they are to be disposed of in order. Under our rule precedence is given to an amendment offered to the original text before it is competent for the Senate to consider the adoption of the substitute or its amendment. Really there is no room for serious dispute about it. The text of the rule is so plain that I think there will be no difficulty about it when we come to deal with it practically.

Mr. HITCHCOCK. Mr. President——

Mr. BACON. If the Senator will pardon me a moment, the vital consideration in my mind is that the two shall be considered as substantive propositions in order that all rights of amendment which would apply to an original measure may be enjoyed by each. That is the vital thing about it.

The question as to whether the substitute shall be taken up first and perfected or whether the original bill shall be taken up and perfected is not vital, and it is entirely agreeable to me that the bill shall be considered first for amendment.

Of course I do not know that the substitute which is to be offered by the Senator from Oklahoma will or will not be amended. I believe there are some amendments that he himself wishes to offer to it, and if so, he ought to be permitted to perfect his substitute before he offers the measure which he proposes by striking out all after the enacting clause and inserting it. He must perfect that before he makes his motion to strike out.

Mr. OWEN. That is right.

Mr. BACON. That is the whole point in regard to that. So far as the question as to whether the original proposition is first considered for amendment or whether the substitute is considered for amendment, it is in practice not a matter of vital importance. It is, however, a matter of vital importance that the two measures shall be each considered as an original measure for the purpose of amendment. That is all I contend for. I do not think there is any possible doubt about it.

The VICE PRESIDENT. The Chair will state what seems to be the state of the record. The bill was reported back from the committee. The only amendment now pending is the amendment offered by the Senator from Oklahoma. But the ruling of the Chair will be that amendments may be proposed to the original House bill and after the original House bill has been perfected, then the amendment of the Senator from Oklahoma comes up, and the amendment of the Senator from Oklahoma is amendable. As many amendments may be presented to it as Senators see fit to offer.

Mr. HITCHCOCK. Mr. President, in order to make some progress and to clear up the parliamentary situation, I offer as an amendment to the House bill, the amendment to section 1, which appears upon the print authorized by the committee which, as I understand, has been practically accepted by the chairman of the committee. Am I correct in that?

Mr. OWEN. I understand that that is the case.

Mr. HITCHCOCK. As a matter of form, I first offer the amendment that appears in section 1.

The VICE PRESIDENT. The amendment proposed by the Senator from Nebraska will be stated.

The SECRETARY. On page 1, after line 4, it is proposed to insert:

The terms "national bank" and "national banking association" used in this act shall be held to be synonymous and interchangeable. The term "member bank" shall be held to mean any national bank, State bank, or trust company which has become a member of one of the reserve banks created by this act. The term "board" shall be held to mean Federal reserve board; the term "district" shall be held to mean Federal reserve district; the term "reserve bank" shall be held to mean Federal reserve bank.

Mr. HITCHCOCK. Mr. President, as this amendment is substantially concurred in by both wings of the committee and has the approval of the Democratic conference, I presume that it may be adopted without any further discussion.

Mr. OWEN. I have no objection to the adoption of that amendment.

The VICE PRESIDENT. The question is on agreeing to the amendment proposed by the Senator from Nebraska [Mr. HITCHCOCK].

The amendment was agreed to.

Mr. WEEKS. Mr. President, I want to call the attention of the Senate to one phase of this legislation which I think has not been completely discussed and because I have some information which, it seems to me, will be of interest to the Senate.

One of the contentions which developed when the bill was originally proposed in the House was as to the character of the reserve board—whether the board should be made up of bank men or should be composed of men who are not in any sense bank men, or should have some bank men and others who have had no banking experience but who have been engaged in general business pursuits. The changing sentiment was reflected in the different bills which came into the House. The first bill provided that three of the members of the reserve board should be bank men; the next bill provided that one should be a bank man; and the next bill provided that none of the members of the reserve board should be bankers. It was contended that there was a reason for this last solution of the question, in that the directors of European central banks were in no case bankers.

There is a material difference between the banker as we understand him to be in this country and the banker as he is understood abroad. Many men engaged in mercantile pursuits in Europe, especially in England, are classed as merchants, but they are really merchant bankers, especially those engaged in foreign trade. Therefore when it is said in England that the director of a bank is a merchant he may be a banker as well as a merchant. So the statement is not in any sense true that the great European banks have not on their boards of directors men who have been actively engaged in banking pursuits. It is true that, generally speaking, they are not actively interested in joint-stock banks, but there are banks of issue, there are banks of discount, and there are other classes of banks in Europe, which are represented on these boards. In order to indicate that this contention is sound and to have it in the record, I want to call to the attention of the Senate the character of the membership of the different boards of directors of the three great European central reserve banks.

I want especially to call attention to the fact that these directors of the Bank of England are either private bankers or are directors sometimes in one and sometimes in many other active business pursuits.

The bank directorate or board of the Bank of England is composed of the governor of the bank, W. Cunliffe, of Cunliffe Bros., merchants, a director of the North Eastern Railway.

DEPUTY GOVERNOR.

Cecil Lubbock, director Withbread & Co. and Northern Insurance Co.

DIRECTORS.

C. G. Arbuthnot, of Arbuthnot, Latham & Co., merchants; a director of London Assurance Corporation.

H. C. O. Bonsor, chairman South Eastern Railway Co.; chairman Watney, Coombe, Reid & Co. (Ltd.); and a director of Northern Assurance Co. and London & Greenwich Railway.

Herbert Brooks, of R. Brooks & Co., merchants; chairman of Atlas Assurance Co., British Australasian Trust & Loan Co., United Planters' Co. of Ceylon; and a director of Colombo Electric Tramways & Lighting Co., Indemnity Mutual Marine Assurance Co., and the Peninsular & Oriental Steam Navigation Co.

W. M. Campbell, of Curtis, Campbell & Co., West India merchants; a director of the Commercial Union Insurance Co. and the Merchants Trust Co.

Brien Cokayne, of Antony Gibbs & Sons, merchants and bankers; a director of the Fortuna Nitrate Co. and Pan de Azucar Nitrate Co.

A. C. Cole, a director of the London Assurance Corporation.

C. H. Goschen, of Frohling & Goschen, foreign bankers.

E. C. Grenfel, of Morgan, Grenfel & Co., bankers; vice president International Mercantile Marine; director of Indemnity Mutual Marine, Sun Insurance Office, and Sun Life Assurance Society.

Sir E. A. Hambro, of C. J. Hambro & Sons, bankers.

L. H. Hanbury, of Wood, Field & Hanbury, hop merchants; director in Crompton & Co. and Guardian Assurance Co.

G. W. Henderson, of R. & J. Henderson, East India merchants; chairman of Borneo Co.

W. D. Hoare, of Hoare, Miller & Co., merchants; chairman Belize Estate & Produce Co., Brazilian Trust & Loan Corporation, and London Trust Co.; director Alliance Assurance Co. and London & Brazilian Bank.

Lord Hollenden, of I. & R. Morley, warehousemen.

Right Hon. F. H. Jackson, of Frederick Huth & Co., merchants; chairman Indemnity Mutual Marine Insurance Co.; director in Acorn Trust Co., Eastern Telegraph Co., and Northern Assurance Co.

R. E. Johnston, of Edward Johnston, Son & Co., merchants; vice chairman of Guardian Assurance Co.; director in Sao Paulo Brazilian Railway Co. and the Thames & Mersey Marine Insurance Co.

R. L. Newman, of Newman, Hunt & Co., merchants; director North British & Mercantile Insurance Co.

M. C. Norman, D. S. C., of Brown, Shipley & Co., bankers.

Sir Augustus Prevost, Bart., of Morris, Prevost & Co., merchants; director in Guardian Assurance Co.

Lord Revelstoke, G. C. V. O., of Baring Bros., bankers and financial agents; director in Arthur Guinness, Son & Co.

A. G. Sandeman, chairman of George G. Sandeman & Sons; member of council of the Corporation of Foreign Bondholders.

F. C. Tiarks, of J. H. Schroder & Co., merchants; chairman of Sao Paulo Coffee Estates.

H. A. Trotter, of Thomson, Hankey & Co., merchants; director Alliance Assurance Co., Cordova Light, Power & Traction Co., and United Electric Tramways of Montevideo.

V. C. Vickers, of Vickers (Ltd.), shipbuilders; director of London Assurance Corporation.

A. F. Wallace, of Wallace Bros. & Co., merchants.

It is true that, generally speaking, those directors are not immediately connected with the management of joint-stock banks; but, as indicated from the reading, they are, in several instances, directors of trust companies, and to say that Mr. E. C. Grenfel, of Morgan, Grenfel & Co.; C. H. Goshen, of Frohling & Goshen; Sir E. A. Hambro; F. H. Jackson, of Frederick Hugh & Co.; Cecil Lubbock; and Lord Revelstoke, of Baring Bros., are not bankers is simply to beg the question, because there are few as competent bankers in the United States as are those men. The assertion, therefore, that bankers should not be appointed on the Federal reserve board because bankers are not members of the board of directors of the Bank of England is, in my judgment, entirely unwarranted.

Now, let us turn to the German bank and the French bank and in the same way demonstrate that their boards of directors are composed of material similar to that making up the board of directors of the Bank of England.

The Reichsbank has three organs, which compose the administration. The first is the Reichsbank Kuratorium, of which the president is the chancellor of the German Empire, at present Bethmann Hollweg; the vice president is the secretary of state of Prussia, at present Dr. Delbrueck. The other members of the board are Dr. Lentze, the Prussian finance minister; Dr. Wolff, of the Bavarian ministry of finance; Dr. Hallbauer, privy councillor of Saxony; Dr. Predoehl, the mayor of Hamburg.

From this it will be seen that this is a body representing some of the States that comprise the German Federation, who are appointed to and stay in office for an indefinite time, quite independent of any party policy. It should also be remembered in this connection that the chancellor of the German Empire remains in office even though he may not be supported by a majority of the parties in power, so that the whole body of this portion of the directorate of the Reichsbank is strictly nonpartisan.

The second branch is the Reichsbank Direktorium; president, Mr. Havenstein; vice president; Dr. Glasenapp; and six additional members.

The third branch is the Zentral Ausschuss, composed of Dr. Kaempf, president of the municipal council of Berlin; Mr. Hardt, a prominent business man; Mr. von Mendelssohn, member of the most important private banking firm of Berlin; Mr. Woermann, a prominent merchant of Hamburg; Dr. Salomonsohn, manager of the Disconto-Gesellschaft, one of the largest banks of Berlin; Mr. Hecker, a banker; Dr. von Schwabach, leading partner of the second largest private banking firm of Berlin; Mr. Delbrueck, partner of the third largest private banking firm of Berlin; Count von Doenhoff-Friedrichstein, apparently representing agrarian interests; Prof. Dr. Helfferich, one of the leading directors of the Deutsche Bank, the largest bank of Germany; Mr. Hugo Oppenheim, a Berlin private banker; Mr. Otto Braunfels, a Frankfurt private banker; Mr. Carl Fuerstenberg, manager of the Berliner Handelsgesellschaft, one of the four most prominent banks of Berlin; Dr. James Simon, a prominent Berlin merchant; Dr. von Oppenheim, a prominent private banker of Cologne. There are three deputies of this group and their substitutes, who are acting as constant consultants with the Direktorium when the Zentral Ausschuss does not meet. These are all bank presidents and two most important private bankers of Berlin, except Dr. Kaempf, who is now a retired banker and, as stated above, president of the municipal council of Berlin. They are Kaempf, Schwabach, Fuerstenberg, von Mendelssohn, Prof. Helfferich, and Dr. Salomonsohn, the six private bankers referred to in the reading.

There are local committees, composed of men of similar character, in Bremen, Breslau, Cologne, Danzig, Dortmund, Dresden, Frankfurt, Hamburg, Hannover, Kiel, Konigsberg, Leipzig, Magdeburg, Mannheim, Munich, Nuremberg, Posen, Stettin, Strassburg, and Stuttgart.

In those cities are branch banks, which may be compared with the branches which will be established through our regional banks under the provisions of the pending bill.

The Kuratorium, the government board, meets only four times a year. The Zentral Ausschuss is being called together once a month at least and every time when there is a question of changing discount rates. The deputies of the Zentral Ausschuss assist at the weekly meetings of the Direktorium. The actual management of the Reichsbank is in the hands of the Direktorium, which is recruited from members of the staff, all trained in business, and who remain in office irrespective of party policy and irrespective of political questions as long as they render good service, appointed for life.

I want to submit now the character of the directorate of the Bank of France. There is the governor, Mr. G. Pallain; the deputy governors, Messrs. Lem and Sergent; the regents, Baron Hottinger, Messrs. Aynard, Richemond, Loreau, Baron de Neuflize, Baron Davilier, Mallet, Baron E. de Rothschild, Derville, Bénard, Colomb, Cousin, Lariviere, René Laederich, F. de Wendel. Of these Baron Hottinger, Mr. Mallet, and Baron Rothschild, and Baron de Neuflize, all to be heads of important private banking firms of Paris, where, of course, the Rothschilds are the leaders. Mallet, Hottinger, and De Neuflize are also very important private firms. There are three censeurs, Messrs. Derode, Guillain, and Victor Legrand. The branches are in charge of local boards.

Senators should be, and probably are, aware of the fact that the regents are elected by the 200 largest stockholders.

The regents have a vote on the board, but they can not outvote the governor, who has to be in accord with them, in order to constitute a resolution.

It is important to state the fact that the bankers on the board of the Bank of France are, jointly with the governor,

running the business, because it has been publicly stated, not only referring to the directorship of the Bank of England and the Bank of Germany, but especially to the Bank of France, that no bankers were on those boards, and that was the reason why bankers should not be placed on the Federal reserve board.

As I have said before, it concerns me very little whether the President appoints the members of the reserve board or whether they are elected by the banks or provided for in some other way, if they are thoroughly competent men for those places; and in order to secure thoroughly competent men I submit to the Senate that we are likely to get better results if men are appointed who have had banking experience, but who have at the time of their appointment no entangling alliance with any private banking concern of any character, and preferably no business connections whatever.

I have put this in the RECORD, Mr. President, in order that there may be no misrepresentation or misinformation about this important question. The best banking men in Europe, other than those connected with the joint stock banks, are directors in the national banks of the respective countries, and I hope that when the places on our reserve board are filled it will be found that they have been filled largely by men who have had broad mercantile experience who understand and comprehend our foreign trade and its requirements and who have had actual banking experience, so that they may fill those offices to the satisfaction of all the people of the United States.

Mr. SHAFROTH. Mr. President, in answer to the Senator from Massachusetts, I wish to say that the writer, upon the Bank of England, at least, expressly says that no banker is upon the court of directors of the Bank of England; and he defines a banker as being one connected with a check-paying bank. Mr. Hartley Withers has written a book on the Bank of England, *in which he* expressly states that while there are upon it men interested in financial institutions, no person is upon the court of directors of the Bank of England who is connected with a check-paying bank.

The National Monetary Commission examined the governor of the Bank of England, and in his testimony he stated that no banker connected with a check-paying bank was upon the court of directors of the Bank of England. He further said that while there was no law which prohibited it, it was the universal custom and it never had been departed from.

Mr. Bagehot, in his book entitled "Lombard Street," which treats of the Bank of England, expressly stated that there was no banker, in the sense of a person connected with a check-paying bank, upon the court of directors of the Bank of England. Whether the list which has been cited by the Senator from Massachusetts defines the banks with which these persons are connected, whether they are check-paying banks or not, I do not know. Under the definition which has been given by these three writers upon the Bank of England itself, however, it seems to me to be clear, at least in the absence of a showing as to the character of the banks that have been described in the speech of the Senator from Massachusetts, that the word of these gentlemen who know so much about the subject should be taken as true.

Mr. WEEKS. I should like to ask the Senator from Colorado a question. Would he consider Mr. Schiff, of Kuhn, Loeb & Co., of New York, a banker?

Mr. SHAFROTH. I do not know enough about their business to state as to that.

Mr. WEEKS. Would the Senator consider Mr. Morgan, of J. P. Morgan & Co., a banker?

Mr. SHAFROTH. I do not know his connections. We generally speak of them as bankers, and yet they might come within the very definition which has been described by the writers upon the Bank of England.

As I understand, a director of the Bank of England must have, as a qualification, stock in the Bank of England to the extent of £500, and must own a mercantile business to the extent of £20,000. That seems to have been laid down as the general qualification of a member of the court of directors. As to check-paying banks, the writers on the subject expressly say that they are not and never have been members of the court of directors of the Bank of England.

Mr. WEEKS. I think the Senator from Colorado is begging the question. There is no doubt about Mr. Morgan, or Mr. Schiff, or a long list of similar names in this country, being bankers. They are the leading private bankers of the United States. They are in exactly the same class as Lord Revelstoke, of Baring Bros., who is a member of the board of directors of the Bank of England.

If there is going to be a differentiation between a joint-stock bank and a private bank, I am not going to discuss that thin, narrow, restricted point of view; but it does not admit of any question whatever that men who are acquainted with all the banking business of the country, who are familiar with every form of banking, foreign as well as domestic, are members of those boards, because I have read the names of men who to-day are actually members of the boards of directors of the three great banks of Europe.

Mr. SHAFROTH. I want the Senator from Massachusetts, then, to differentiate this language which is used by Mr. Walter Bagehot in his book on Lombard Street:

> In London no banker has a chance of being bank (of England) director, or would ever think of attempting to be one. I am here speaking of bankers in an English sense (of those who accept deposits subject to check). * * * Not only no private banker is a director of the Bank of England, but no director of any joint-stock bank would be allowed to become such. The two situations would be taken to be incompatible. * * * The mass of the bank directors are merchants of experience, employing a considerable capital in trade in which they have been brought up and with which they are well acquainted. * * * The direction of the Bank of England has for many generations been composed of such men.

There is also a statement here from Mr. Hartley Withers, in which he comments upon this very matter, and says:

> When we come to consider the bank's organization, its most striking features are the constitution of its court of directors and its system of government by rotation, and these are points on which the bank's critics have fastened with the keenest energy and determination.
>
> The bank court is a committee recruited chiefly from the ranks of the accepting houses and merchant firms, and its members are nominated by itself, subject to the purely formal confirmation of the shareholders; and it is an unwritten law that no banker in the ordinary sense of the word—that is, no one connected with what we call the check-paying banks—can be a member of it.
>
> At first sight, this is one of those anomalous absurdities so common in England, and so puzzling to the intelligent foreigner, who can not understand why we suffer them. A court of directors ruling the Bank of England, and so performing most important banking functions, and yet disqualifying for membership anyone with an expert knowledge of banking, is a tempting subject for an epigrammatically minded satirist. But, in fact, this anomally, like many of our others, not only works excellently well in practice, but is, when calmly considered, clearly based on sound common sense. For in the first place it would obviously be undesirable that a member of one of the outer ring of banks should have the insight into the position of his rivals which membership of the Bank of England court could give him, unless all the others were similarly privileged. But if all the outer banks were represented on the bank court, it would become a committee of unwieldly dimensions, perhaps reproducing or reflecting in the bank parlor the rivalries and jealousies that stimulate the outer banks to work against one another, but are not conducive to their working together.
>
> And the question of proportionate representation would be difficult to settle. As it is, the bank court, being free from connection with the outer banks except by keeping their balances, is able to watch their proceedings with a wholly impartial eye, and, on occasion, to make suggestions with salutary effect.

The governor of the Bank of England, who was examined by the National Monetary Commission, testified as follows:

> Q. Is there any custom restricting the class from which the directors may be selected?—A. There is no legal restriction as to the class from which directors may be selected, except that they must be "natural-born subjects of England or naturalized," but in actual practice the selection is confined to those who are or have been members of mercantile or financial houses, excluding bankers, brokers, bill discounters, or directors of other banks operating in the United Kingdom.

It seems to me that when these three authors, and the governor of the Bank of England himself, say that no banker is upon the court of directors of that bank in the sense of a man connected with a deposit and check paying bank, it ought to be conclusive of the question.

Mr. WEEKS. I stated that there were banks in England having different functions, such as banks of deposit, banks of discount, and banks of issue, but that so far as our definition of a banker is concerned there were such bankers on the board of directors of the Bank of England. Nobody will contend that from our standpoint Lord Revelstoke is not a private banker; and yet one of the authors called as a witness by the Senator from Colorado says there are no private bankers on the board.

There are certainly at least six men on the board who would come within our definition of a private banker in this country—the class of bankers represented in New York by firms like Morgan & Co., Kuhn Loeb & Co., and similar firms in different parts of the country.

To say that there shall be excluded from this reserve board men who have had banking experience is likely to remove from it the possibility of the very kind of experience which will make the board most efficient.

Mr. SHAFROTH. Nobody expects to exclude men who have had experience; but when they are upon the board they ought to have no connection whatever with the banks of the United States.

Mr. WEEKS. We provide that they shall not have.

RECESS.

Mr. SHERMAN. Mr. President, I desire to make some passing comment on the pending bill, the comment to be of a general nature. Probably I more immediately represent the layman——

Mr. SMOOT. Mr. President——

The VICE PRESIDENT. Does the Senator from Illinois yield to the Senator from Utah?

Mr. SHERMAN. I do.

Mr. SMOOT. I should like to ask the Senator from Indiana [Mr. KERN] whether it is worth while to compel the Senator from Illinois to begin his speech at 7 minutes before 6 o'clock. He desires to go on immediately at 8 o'clock, and I think if the Senate could take a recess now until 8 o'clock it would be justified.

Mr. KERN. I have no objection to a recess being taken now.

Mr. SMOOT. I should like to have it done, because the Senator from Illinois expects to go on at 8 o'clock, and it is now 7 minutes of 6.

Mr. SHERMAN. I should prefer to begin at 8 o'clock.

Mr. KERN. I hope seven minutes more will not be consumed in an unnecessary roll call immediately after 8 o'clock; but whether that is done or not——

Mr. SMOOT. I can not agree to that, of course.

Mr. KERN. I say, whether that is done or not, I will move a recess until 8 o'clock.

The motion was agreed to; and thereupon (at 5 o'clock and 53 minutes p. m.) the Senate took a recess until 8 o'clock p. m.

EVENING SESSION.

The Senate reassembled at 8 o'clock p. m.

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

The VICE PRESIDENT. The Secretary will call the roll.

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

Ashurst	Gronna	Myers	Simmons
Bacon	Hollis	Nelson	Smith, Ga.
Brady	James	O'Gorman	Smith, Md.
Bristow	Johnson	Overman	Smith, S. C.
Bryan	Jones	Owen	Smoot
Chilton	Kenyon	Page	Stone
Clarke, Ark.	Kern	Robinson	Swanson
Colt	Lane	Saulsbury	Thompson
Crawford	Lea	Shafroth	Thornton
Cummins	Lewis	Sheppard	Tillman
Dillingham	McLean	Sherman	Warren
Fletcher	Martin, Va.	Shields	Weeks
Gallinger	Martine, N. J.	Shively	Williams

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

AGRICULTURAL EXTENSION WORK.

Mr. SMITH of Georgia. Mr. President, I will necessarily be absent to-morrow morning during the morning hour on business in some of the departments and I ask leave to present a report to-night from the Committee on Agriculture and Forestry.

The VICE PRESIDENT. Is there objection? The Chair hears none.

Mr. SMITH of Georgia. From the Committee on Agriculture and Forestry I report back favorably without amendment the bill (S. 3091) to provide for cooperative agricultural extension work between the agricultural colleges in the several States receiving the benefits of an act of Congress approved July 2, 1862, and of acts supplementary thereto, and the United States Department of Agriculture, and I submit a report (No. 139) thereon.

The VICE PRESIDENT. The bill will be placed on the calendar.

BANKING AND CURRENCY.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 7837) 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.

Mr. STONE. Mr. President, I desire at some time soon to occupy not exceeding 30 minutes in submitting some remarks I wish to make while this bill is under consideration. I had intended to do that to-night, but I do not feel physically in form nor do I care to undertake it. I understand the Senator from Illinois [Mr. SHERMAN] desires to address the Senate. All I care for is to wedge in somewhere between these heavy guns who occupy hours in elaborating their views. I think perhaps I can arrange with the Senator from Ohio [Mr. BURTON], who has given notice of his intention to speak to-morrow at considerable length, to let me in for a few minutes before he begins. That would be far more pleasing to me. So I will not interfere to-night with the purpose of the Senator from Illinois. As far as I am concerned, I stand ready to listen to his enlivening observations.

Mr. CLARKE of Arkansas. Mr. President, I send to the desk a telegram which I ask the Secretary to read.

The VICE PRESIDENT. Without objection, the Secretary will read as requested.

The Secretary read as follows:

LITTLE ROCK, ARK., *December 10, 1913.*

Senator JAMES P. CLARKE,
Washington, D. C.:

Copy of bill received and very carefully considered. Bill as a whole much improved. Serious objection page 67, reading "no member bank shall extend, directly or indirectly, benefits of this system to nonmember bank." That would prohibit absolutely any nonmember bank, no matter what size, carrying account with member bank. Section 17 improved, but open to the same objections of clearing instead of collecting. This is all in favor of the large banks in the reserve centers. Possibly benefit the North and East, but serious detriment to South and West. Provision allowing banks to charge drawers of checks for checks cleared impracticable. Depositors of checks have heretofore assumed cost of collecting. This such a radical change that banks would be afraid to avail themselves of it, being afraid of interpretation by the State courts of the present law merchant of contract between depositor and bank. This could not compel nonmember banks to charge and would drive customers from member banks to nonmember banks. Provision allowing charges for sale of exchange, if that provision goes through, impracticable. No one would buy exchange if personal checks were cleared at a very minimum rate. Interest on funds while in transit would amount to more than collection charges. In my opinion, clearing of individual checks impracticable; of no benefit to the country. Cities only would profit, to the detriment of the country, and would cause such a revolution in present methods of doing business and such criticism by individuals who would be charged who are not now charged that it would be not only a political blunder, but a political crime. I am a Democrat; I want to see the Democrats pass a thoroughly scientific—at least thoroughly practical—bill that will benefit the country and the party. Democrats have been in office two terms in the last 50 years. Don't let us legislate ourselves out of office again.

GEORGE W. ROGERS.

Mr. CLARKE of Arkansas. Mr. President, the author of that telegram is Mr. George W. Rogers, cashier of the Bank of Commerce, of Little Rock, Ark., one of the leading financial institutions of our State. He is a most intelligent gentleman and a banker of great experience. He has given much attention to this particular legislation, and I gladly admit I have profited by frequent conferences with him.

I think his arraignment of the substitute bill is rather more sweeping than is justified. Independently of my own opinion about the matter, I have conferred freely with the Senators directly in charge of the preparation of the substitute which will be offered and to which he makes reference in his telegram, and none of them wholly agree that his criticisms are well taken. However, I have such respect for him personally, and such respect for his opinions on the general subject of this legislation, and such a complete knowledge of his familiarity with practical banking matters, that I felt I could not withhold his telegram from the RECORD. I believe that his opinion is worthy of consideration by the conferees who will ultimately consider the bill. Some of his objections seem to me to have merit in them. I feel sure he is sincere in what he has said about the defects in the substitute bill and that he is prompted to make the suggestions he does by his intimate knowledge of practical banking and not by a desire to be captious. I fear that he has not given due weight to the radical change of system that is involved in the adoption of the pending legislation, and has failed to make due allowance for the incidental compensations that will become apparent when the system has been tested by actual operation. The parliamentary stage has been passed when amendments may be offered without hope of adoption, and I trust that the conferees from the two Houses of Congress will carefully consider the objections indicated by Mr. Rogers before the final text of the bill is agreed to.

Mr. SHERMAN. Mr. President, I regard the telegram just now introduced in the RECORD as a most encouraging introduction. I have no technical knowledge of banking. The comments I shall make will be entirely nonprofessional. From the layman's point of view this bill presents, whichever section of it be considered, some very striking differences. I shall speak of one that appeals most favorably to me as the Hitchcock bill, if you will accept that expression, and the other as the caucus bill. This is by way of identification and shortening the record.

Last spring, if I had been called on to vote upon the cloture, in all probability I would have favored some reasonable modification of the present rule on that subject. I would not at this time do so. I believe the present practice is as conducive to sane legislation as if it were restricted.

The larger the legislative body the less deliberation, the less the individuality of the Member. The House with its 435 Members is less of a deliberative body than the Senate with its 96 Members. The reason is apparent. If everybody in the House talked to his entire satisfaction there never would be any legislation in that body; 435 Members would consume all the waking hours allotted to the average man. Therefore the rules

of the House must close debate. The previous question there, or whatever may be equivalent to it in practice, becomes absolutely indispensable to the transaction of its business. As the number of men increases in a deliberative body the relative importance of those who lead that body increases by the same inevitable rule. That influence does not mean that the membership is extinguished; it only means that the representation of a large number of men is placed in the hands of a chosen few. That always happens. Government by the multitude does the same thing. It multiplies the temporary power of popular leaders and the public press. It needs no closing rule or cloture where there are but 96 men authorized to represent a coordinate branch of a legislative department. Ninety-six men can never talk each other into complete exhaustion nor unduly delay legislation. It makes no difference how political parties are divided, whether into two or more, a minority party can never prevent the majority party from having and exercising the power that is commensurate with the responsibility that naturally attaches to that power. Public opinion is after all a powerful remedy if evil result from unlimited discussion.

The Senate is the only open forum there is left in the United States. Out of 48 legislatures of as many States there is no such thing as an open forum. In the more numerous body of the State legislatures it is a closed forum all the time, and under express parliamentary rules the organization legislates. The larger the State the greater this truth. The House of Representatives is no longer an open forum where unfettered freedom of discussion prevails. The Senate is. It ought to remain so. If public opinion is not a sufficient corrective for a minority or does not have a sufficiently steadying influence on a majority, we can afford to take the time, even though in the opinion of some dignified and learned Senators that time may be wasted. I do not think it is. There never is an explosion so long as the steam escapes. It is only the imprisoned elements that destroy. Let a man talk himself empty, and it is the first step toward universal peace. To suppress him and imprison his thought is the most provocative of war of anything in the world. They did not use the guillotine in the French Revolution half as readily until gag rule had been applied to some of the orators.

So I believe here, while we have been suffering from some verbal castigation, because we have taken some time, I am not sure but the time has been well spent. I do not expect to convince those who are already convinced the other way. There is some consolation sometimes in talking to the insensate timber in the seats. The lifeless thing is really sympathetic sometimes here compared with the human beings to whom the avenues of reason are closed. [Laughter.] We have not lost any time here, not even on the record of the majority party, as much as we have encroached on the working hours of the day. I am perfectly satisfied, if we must, to begin at 10 o'clock in the morning and to work until 11 o'clock at night and to keep it up all winter; some of us are used to it, but we have not wasted the time.

We had a lecture last night that was entertaining, edifying, full of information, full of kindly admonition that might bring up those who are not yet hardened in their ways in the nurture and admonition of the Lord. It pointed the way to better, higher, nobler things, an ideal state—some of it a beautiful air castle. I wish we could get to it. I wish it would harden into something substantial. I wish in the lifetime of the youngest man in this body, if he lived out the allotted time of the Scriptures, that we might reach that happy condition. I shall not live to see it; I doubt whether any of my colleagues will; but we can live in hope.

Remember that republican government, after all, is but an ideal. If it were not for that ideal there might not be any progress. We never reach all our ideals on this side of the Chamber. It remains for some of the Senators on the other side to do so, who happily think the millennium has arrived when there is a favorable verdict at the polls, to be in that beatific frame of mind where they think everything is as it ought to be, barring some things that we are preventing from early accomplishment, among which are some I now proceed to note, to see how far we have yet to travel.

One is that there shall in due course of industrial justice be insurance against involuntary unemployment. I am in favor of that. I can tell you the best kind of insurance against involuntary idleness; I can tell you when the premium against that form of policy will be the highest. It will always be the highest after a Democratic victory and a threat of tariff revision. [Laughter.] That is the time when the premium will mount up to the highest, and it is the time when the greatest number of the unemployed will be found in the land. Unemployment, involuntary idleness—the best insurance policy in the world against that unhappy state of affairs is to elect somebody who believes in building a wall high enough to keep our pay rolls at home and to let other countries shift for their own people. We ought to supply our home markets with the work of our own hands instead of bringing it from abroad. I am in favor of that kind of industrial justice first, Mr. President.

To prohibit child labor is another. We have prohibited it since 14 years ago in many of the Northern States along the Mississippi Valley; there is nothing new in that. The trouble is you have not kept up with the procession. The employment of child labor is a misdemeanor in many States. It is a matter some good authorities think entirely within the range of State jurisdiction. It makes no difference if the products of the labor should thereafter be introduced into the interstate commerce of the country; it is sometimes doubted whether an instrument of production can be reached under the interstate-commerce clause of the Constitution. However that may be, it has already received proper attention and will continue to do so in the future whenever needed.

A minimum wage is another one of these, and in that a great deal of experiment is now in progress. Barring constitutional difficulties, if they be removed it becomes an open question when and how a minimum wage can be applied to all localities in any given undertaking. It is very largely a local problem. What one public utility can pay another can not always pay in some other less-favored locality and rendering the service under less favorable conditions. In many places commissions are studying the question, and they are proceeding with all due expedition to find the best way in which the minimum wage scale can be worked out. Some think the better way is by an arbitration board, making each wage scale a problem of itself, and after hearing the evidence handling whatever controversy may have arisen, which necessarily involves an examination into the production costs, including material, the labor employed, the conditions of the service, and the general state of the market to make an award or finding. Those things are in course of solution. Any cloture rule applied in this body would not hasten their wise solution 24 hours.

Women ought to be protected by laws governing the conditions of the service in which they may be engaged. I am happy to say that in many States of my acquaintance there are now such laws, reasonable ones, limiting the line of occupation. Women may not work in coal mines; they may not engage in insanitary work where robust physical strength is required or where the moral surroundings are such as to make it improper. That has been the law in several States of which I have personal knowledge for several years back—at least, as far as four years and six years ago. The number of hours of labor is always limited, together with the conditions surrounding their service as to seats, air, heat, light, and other matters that affect their moral and physical welfare.

Convict labor, it is said, ought to be abolished. Certainly it ought, and it has been abolished by State after State, both by constitutional amendment and by statutory enactment. The State where I happen to live abolished it many years ago and substituted a more humane way of employing her unfortunate convicts.

Industrial publicity ought to be given. This is another one of the alleged reasons why we should not be wasting time. It is said that these greatly needed reforms find in us a brake; that we are standing in the way of industrial justice. Industrial publicity! We have had it in State after State where I have had occasion to transact business in the last 30 years—not for the 30 years; in some of them it is 2 years old, in some 4, in some 10, and in some States for 12 years back we have had industrial publicity, and we had industrial publicity in one 16 years ago. Industrial publicity extends to the remotest detail of industrial life. It extends to the surroundings under which the workmen render their daily service, their hours of service, sanitation, the mechanism for their safety in the places where they work, in mines, with machinery, and in other hazardous employments. All of these are matters embodied in written reports. Every time there is an accident of any kind, however trivial it may be, whether or not it result in death, through a State bureau the statistics are kept; they are published; they are accessible to all. So the industrial publicity on this score relating to the factory, to the mill, and to the mine is adequate and full for all purposes of industrial justice and a basis for remedial laws.

A bureau of labor statistics is found in many of the States, taking care in detail of all that can be done in this line. Whatever may be done in Federal legislation by act of Congress can

be worked out, and I apprehend between now and the adjournment, next August, we will have ample time, even in an open forum here, with no cloture, to discuss abundantly and well all such remedial legislation.

Factory laws, wherever they are extant, in the larger manufacturing States or the older ones, are of a kind that promote to a very high degree the sanitation, the life, the health, and the limb of the employee. Competent factory inspectors under State authority give to all employed in these undertakings a degree of safety not possible under the old order of things. Safety-appliance acts and limitation of hours of service on common carriers, State and interstate, have already been enacted.

A compensation act! The abolition of the common-law defenses has come along in due course. Compensation legislation would be further along at the present time, both in State and Nation, if there had been substantial agreement in the ranks of those who would most largely benefit by such remedial legislation.

The Brotherhood of Locomotive Engineers were here last summer. From one city in the State, with the conditions of which my colleague and myself are quite familiar, there radiate many trunk lines of road. The engineers represent a highly skilled form of labor. It requires a well-developed type of man; the responsibility is heavy; the service is exacting; the life and property intrusted to the care of enginemen are incalculable. The engineers have not always agreed with other organizations. One reason why probably some delay has occurred in this body in advancing legislation in their behalf is because those benefited themselves are not in accord on compensation acts. Some prefer in case of injury to sue when the common-law defenses are taken away—the three that constitute the stock defenses under the common-law practice that prevails in many of the States. They prefer to sue so that they may receive what they think their injuries really entitle them to, while a compensation law providing a graduated scale, as it must, would enable them to collect less for injuries or death than under suit brought and tried before juries or one revised afterwards by the courts.

I think on this we are in an evolutionary stage. I do not believe industrial conditions in this country require undue haste, either in this body or elsewhere. The conditions are evolutionary; they are not reactionary or destructive. Many years ago the common-law defenses of the assumed risk of the business, the doctrine of fellow servants, and contributory negligence were the stock defenses that came down to us from the common law. One by one the States have abolished them. In some of the largest States in the Union, where the employer and the employee formerly had bitter and frequent litigation, they have had those defenses removed by statutory enactment, until now the employees can sue and recover the full measure of damages free from them.

The removal of those defenses, the compensation law, and industrial insurance are steps; they are the evolutionary progress in the industrial world. These economic questions will be solved in due time, notwithstanding the criticism that this side of the Chamber has received, especially on last evening—that we are wasting time. The greatest waste known is haste. I have no objection to criticism; I welcome friendly criticism; and I regard that as friendly criticism. I am only taking the time here because those matters were placed in the RECORD, and I think it entirely proper for some review of the progress of the hour to be placed in the same RECORD.

Better roads legislation is coming as rapidly as we have accurate data as a basis. Many agencies are now gathering material from which intelligent bills can be framed. States are creating public sentiment and passing local laws which will be part of the structure when the entire system is completed.

Public-health laws are proceeding with all due expedition. Occupational-disease laws are already found in many States. Their experience will light us on our way. No fear need be felt here on that score. Congress will act within the limits of its power. Many of us come from Republican States where those problems are not new.

Parole laws for convicts are in operation in many States. We have abundant time to consider them here.

Presidential primaries will require action by the States, for a majority of this Senate will not vote to send Federal election officers to the polling places in the several States. We can adopt the local machinery of State election laws; further, I submit, this body will not now go.

I think in due time we will come to industrial insurance. That is my own hope. Some may think that, too, is an air castle. I shall help make it a reality. I do not know, but I think the tendency of everything is to work out that way.

In 1911, by an act of Parliament, Great Britain established a scheme of industrial insurance. Practically it is insurance against injury; it is life insurance; it is accident insurance; it is sick benefit; it is out-of-work insurance. The employer pays a portion of it, the employee pays a portion of it, and the Government of Great Britain pays a part. The employee pays a very small proportion.

From their experience we will gain something. From our own experience under compensation acts we will gain something. From the statistics being gathered by bureaus in State and Federal jurisdictions we will gather something. So from year to year, coming along with due speed, we will have the enduring basis for just legislation.

I have never seen in the time I have been here—a few months—any undue obstruction of legislation. The tariff bill came along from April to October. It embraced a great many items. Through the hot summer we sat here with considerable toleration of each other's frailties and listened to arguments to which our adversaries were always impervious, just as we were to theirs. We plodded through the dog days without any serious breaches of senatorial dignity. The bill is a law. It is on trial, along with the men who are responsible for it.

So I do not believe in the cloture just now. I think we are getting along with a fair degree of speed.

It may seem like a solecism, but I want to talk to you, and I want to talk to the empty benches over on the other side and to such small percentage of them as are filled, about the morals of legislation. It seems not to have much place here, does it? I spoke about it to a friend of mine one day on a street car. He said, "Why, legislation does not have any morals." I said, "That is what is the matter."

How does that topic connect itself with the currency question? Because we are legislating on 7,500 national banks. When did they begin? A long time ago. The first act was passed in 1863. It developed gradually. Were they enterprises which made money at first? Not very much. Were they numerous at first? Not very. What created them? What was the emergency?

In 1861 there were about 1,600 banks of all kinds—good, bad, and indifferent. There was in circulation about $202,000,000 of all kinds of money—good, bad, and indifferent. In 1863 the germ of the present act concerning national banking associations was passed. If I turn back to the debates in both bodies in which that act was considered, I find some of the arguments offered.

I find that John Sherman, who was a Member of the Senate and of the House for a great many years, said it would create a market for Government bonds. Government bonds and Government obligations were going then at 73, at 60, and they were slow sales at that. If the note-circulating privilege were allowed the bonds, it was the opinion of the men who wanted money badly that it would enhance the price, enlarge the market, and make it easier to replenish an empty Treasury.

By the way, the Treasury was empty in 1861. We had not any revenue. We were in debt. For the three years preceding 1861 this Government of ours had been subsisting on borrowed money, just as it does every time the same party gets into power. It is inevitable. A deficit goes along with the air castles.

So in 1863 a national-bank act was passed that would encourage the sale of bonds and provide currency for the needs of that time. It was born of the perils of civil war. No debate on earnings or profits attended its enactment. The question then was how to get money to arm, equip, and put soldiers in the field; so that was one of the methods adopted.

If it had begun and ended with the Civil War, nothing more could be said. It did not. It was amended in 1864 and amended subsequently several times. It was amended by a general revision in 1882 and by the subsequent act of 1900, all of them recognizing the same right in bonds with the note-circulation privilege.

Let me read some of them. I am going to read them into the RECORD. I want them to stay there as an everlasting memorial of what ought to be alongside of some things that have been said already, and in the same RECORD.

I want to preface that by saying that the morals of legislation are the basis of every enduring law. There is not a law which has survived and has come down to our time from the banks of the River Thames, from the days of English revolution, from Marston Moor or Naseby Field, from the days of the great charter of King John, that has not had back of it, below it, as its support, as its foundation, some inherent justice that appealed to human nature and to the ineradicable instincts of the human heart.

That is what makes laws; that is what makes them worth having and keeping; that is what makes them live and makes the statutes of a country instinct with justice.

A government may be legally right and may be morally wrong. It may keep within the strict letter of sovereign power and still violate the essential articles of good faith. It is the spirit always and not the letter of the law that stamps its validity for future years.

There is an aphorism that comes down to us from classical days that republics are ungrateful. It is true that the public service in a government of the people requires greater sacrifices, with fewer honors and less compensation, than in a monarchy. Those who serve a republic faithfully and well place themselves upon a high level of public duty.

This Republic of ours, and rightly so, confers no orders of nobility. Even its pensions are measured by the bread line. There are no great sums of money paid here to those who gave up their health, their strength, or their lives in the common defense. Neither wealth nor honor, save the gratitude of the people, mark the consciousness of things well done. Some monuments and memorial tablets are reared, it is true, at public expense, but many more from private means.

In this country we have no Westminster Abbey. We have no blazing jewels, decorations of the heroes and statesmen of our country, marking the signal recognition of their sacrifices. We have no spot where the statesmen, the scientists, the poets, the orators, and the dramatists of our country are gathered in consecrated ground. They are scattered on a continent, with graves unmarked save by the loving hands of those who mourned in private when they died. So in this country the only thing that is left is the consciousness of duty well done. And ought not a government to have some morals in legislating for her own people and their descendants?

"Oh, well," it is said, "that applies to a bank, and who has any sympathy for a bank?" Well, it does seem a far call to connect what I have said with the banking system of the country. Along, though, after the Civil War closed there was an enormous interest-bearing debt. Bonds did not sell at par in the exchanges of the country. We went through the war on credit. Our ancestors fought it on voluntary credit and on enforced credit. They sold their securities on a falling market. After it was over we settled ourselves to the even more burdensome task of solving the problems of peace. Among them the most serious problem was how to pay our honest debts. Through good report and ill, in victory and in defeat, the Republican Party always stood for a dollar worth 100 cents in the counting houses of all the civilized nations of the world, and you can not always say as much on the other side of this Chamber, my friends.

To-day the gold standard exists in this Republic because the Republican Party existed first. It protected it. From the time this bill was born in the House, my Democratic brethren, the ghost of free silver has walked in these Halls. You may think we have a bull moose in our family closet, but you have a free-silver skeleton in yours, and its bones are clanking loudly. [Laughter.]

I bespeak your earnest and prayerful consideration of that subject. When we wanted to strike out the phrase "or lawful money," I have not forgotten, if you have, what excruciating shouts of agony went up from the other end of this building. We found out where the sore spot was, of which somebody spoke here to-day. That is one of them. It is about the best exercise of political discretion I ever saw exhibited. It is only political discretion that keeps it from breaking out in an acute form. It is discretion; it is not principle. There is an abundance of it there yet under the surface. Every once in awhile I touch it, and every time I touch it somebody flinches.

Let me read some of this that binds us to keep faith, Mr. President. The Revised Statutes of the United States contain this language. It is the act of 1864:

SEC. 5133. Associations for carrying on the business of banking under this title may be formed by any number of natural persons, not less in any case than five.

I ask leave to put this in without reading it, because all of you are familiar with it.

The PRESIDING OFFICER (Mr. JOHNSON in the chair). Without objection, permission is granted.

The matter referred to is as follows:

They shall enter into articles of association which shall specify in general terms the object for which the association is formed, and may contain any other provisions, not inconsistent with law, which the association may see fit to adopt for the regulation of its business and the conduct of its affairs. These articles shall be signed by the persons uniting to form the association, and a copy of them shall be forwarded to the Comptroller of the Currency, to be filed and preserved in his office.

Mr. SHERMAN. Then a copy of the articles is forwarded to the Comptroller of the Currency and filed, and that, in substance, is an act of incorporation. Upon this procedure—

The association shall become, as from the date of the execution of its organization certificate, a body corporate.

That is, one of these national banks. Those are some of the circumstances that attend its birth legally.

And as such and by the name designated in the organization certificate it shall have power—

Among other things, to continue for 20 years as a corporation.

The following section, 5139, says:

The capital stock of each association shall be divided into shares of $100 each.

Now, here is a declaration:

And shall be deemed personal property.

That was in 1864, nearly 50 years ago. What does "personal property" mean? Just what it says. It is certainly used advisedly. Horses and cattle on the farm, merchandise on the shelf, cash in your pocket, mills, mines, factories, forests, fields, minerals severed from mother earth, all of them are property, and some, changing their form, become personal property.

What are the attributes of property of any kind? Ownership, private ownership, or public. I am talking about private ownership to-night, not public. I want to distinguish sharply between the two.

It says it shall be transferable on the books of the association in such manner as shall be prescribed by the by-laws of the association. Every person becoming a shareholder of such property shall in proportion to his shares succeed to all the rights and liabilities of the private holder. It is assignable. It is not merely that you own it and can not sell it, that you have to keep it; but it is like a promissory note or bill of exchange, it is transferable from hand to hand. It is like cattle or merchandise, capable of sale, an article of commerce. Shares of national banks are as transferable and as fluid in passing from hand to hand as any species of personal property in this country, and 50 years ago by the statute, by a solemn act of Congress, we have declared such shares to be personal property.

I know there is not anything more unpopular now than to defend private property. A man who has anything is an object of suspicion. Anything that is successful is to be attacked per se. If a man has anything, how did he get it? If he did not steal it, how? If a corporation has weathered the gales of bankruptcy and built up a business by the excellence of its products, by the efforts, ability, and sacrifice of its managers and its owners, and made a name for itself, by fair dealing, built up a world-wide market, it is a trust. Legislatures go after it. The "new freedom" of business makes it a shining mark for its own. If it is not a public enemy, how did it ever grow so big? It is a menace because it succeeded. This must be a government by failures apparently to hear some of our critics on the stump tell it. But they know better. When I get with them and talk it over with them, they say, "Oh, well, that is just campaign talk." We likely do not have any of that here on the floor of this Chamber. It is all "burnt and purged away," as the ghost of Hamlet's father said to him when he was walking at unseemly hours.

Personal property. Again, the act of 1882, which is a continuation and a revision of some 30 or more years ago, provides—

That any national banking association organized under the acts of February 25, 1863, June 3, 1864, and February 14, 1880, or under sections 5133, 5134, 5135, 5136, and 5154 of the Revised Statutes of the United States, may, at any time within the two years next previous to the date of the expiration of its corporate existence under present law, and with the approval of the Comptroller of the Currency, to be granted as hereinafter provided, extend its period of succession by amending its articles of association for a term of not more than 20 years from the expiration of the period of succession named in said articles of association, and shall have succession for such extended period, unless sooner dissolved by the act of shareholders owning two-thirds of its stock, or unless its franchise becomes forfeited by some violation of law, or unless hereafter modified or repealed.

It shall then have succession for such extended period unless sooner dissolved by the act of the shareholders owning two-thirds of its stock, or unless its franchise becomes forfeited. What? By an act of Congress? No; by some violation of law.

Or unless hereafter modified or repealed.

Senators say because there is retained in it the right to modify or repeal it that thereby no rights attached under the 20-year extension. I will consider that later on.

It is provided further:

SEC. 4. That any association so extending a period of its succession shall continue to enjoy all the rights and privileges and immunities granted and shall continue to be subject to all the duties, liabilities, and restrictions imposed by the Revised Statutes of the United States

and other acts having reference to national banking associations, and it shall continue to be in all respects the identical association it was before the extension of its period of succession.

What do these banks do after having been given corporate life under these acts? It is provided:

SEC. 8. That national banks now organized or hereafter organized, having a capital of $150,000 or less, shall not be required to keep on deposit or deposit with the Treasurer of the United States United States bonds in excess of one-fourth of their capital stock as security for their circulating notes.

That is a relaxation of a prior act where some larger amount of bonds was required, one-third, I believe.

But such banks shall keep on deposit or deposit with the Treasurer of the United States the amount of bonds as herein required.

And such of those banks having on deposit bonds in excess of that amount are authorized to reduce their circulation by the deposit of lawful money as provided by law: *Provided*, That the amount of such circulating notes shall not in any case exceed 90 per cent of the par value of the bonds deposited as herein provided.

SEC. 10. That upon a deposit of bonds as described by sections 5159 and 5160, except as modified by section 4 of an act entitled "An act fixing the amount of United States notes, providing for a redistribution of the national-bank currency, and for other purposes," approved June 20, 1874, and as modified by section 8 of this act, the association making the same shall be entitled to receive from the Comptroller of the Currency circulating notes of different denominations, in blank, registered, and countersigned as provided by law, equal in amount to 90 per cent of the current market value, not exceeding par, of the United States bonds so transferred and delivered, and at no time shall the total amount of such notes issued to any such association exceed 90 per cent of the amount at such time actually paid in of its capital stock.

SEC. 11. That the Secretary of the Treasury is hereby authorized to receive at the Treasury any bonds of the United States bearing 3½ per cent interest, and to issue in exchange therefor an equal amount of registered bonds of the United States of the denominations of fifty, one hundred, five hundred, one thousand, and ten thousand dollars, of such form as he may prescribe, bearing interest at the rate of 3 per cent per annum, payable quarterly at the Treasury of the United States.

Such bonds shall be exempt from all taxation by or under State authority and be payable at the pleasure of the United States.

This is quoted from the act of March 14, 1900:

And provided further, That under regulations to be prescribed by the Secretary of the Treasury, any national banking association may substitute the 2 per cent bonds issued under the provisions of this act for any of the bonds deposited with the Treasurer to secure circulation or to secure deposits of public money.

I read this parliamentary day what was written in 1884 by James G. Blaine on this subject. His spirit seems almost prophetic:

If a similar institution—

He is talking of the Second United States Bank, on which the distinguished Senator from Connecticut [Mr. MCLEAN] gave us an illuminating address the other night—

were created to-day—1884—bearing a like proportion to the wealth of the country, it would require a capital of at least $600,000,000.

It is hardly conceivable that such a power as this could ever be entrusted to the management of a Secretary of the Treasury or to a single board of directors with the temptations that beset them. (Blaine's Twenty Years, vol. 1, p. 486.)

Mr. Blaine says that Jackson's instincts on the bank were correct. As I remember, the total resources of the 4, 8, or 12 regional banks to be created under either of the bills in question will be from $500,000,000 to $700,000,000, ordinarily spoken of here as about $600,000,000, the same figures that Mr. Blaine gave years ago.

This brings us to the question whether the morals of legislation are well founded on the attempt by what I call the caucus bill to subject the 7,500 national banks to its terms. We must remember that these national banks are the legitimate successors of those who preceded them. Some are the same organization continued by extension of their charters in a line of succession from their first organizations. Some of them have been organized since under subsequent laws. The Government, however, enacted these laws. All of them were ones that invited those who wished to go into the banking business to avail themselves of such laws. They went in, it is fair to presume, relying on those laws. They knew what the terms were. It was voluntary. But the Government, among other things, beginning in 1863 and continuing down to a very late date, attached to all of its interest-bearing obligations, commonly known among people as bonds, the note-circulating privilege. No other form of public indebtedness had this privilege. It was a high prerogative indelibly stamped upon the security. It helped create a market from the earliest times down to the last bond that has passed into the hands of a private holder.

This Republic has sold her securities either in bankruptcy or plenty for 20 years at the lowest rate of interest of any country in either the New or the Old World. Lately some of these bonds, it is true, have been selling on a depressed market. Immediately the cry went up that there was a conspiracy among the holders. It is the same kind of conspiracy that is always formed when dangerous conditions affecting the desirability of a security appear. Whenever securities are in danger, whenever some of the desirable qualities are about to be withdrawn, then, in every instance, the holders of that security begin to put them on the market in larger and larger quantities, and as the offerings increase the price inevitably falls.

Taking away the circulating privilege from the bonds necessarily detracts from their value. Because of that those holding the bonds affected by these bills naturally began to discuss the ways and means of turning them into some more stable security with a higher rate of interest. Two per cent is a very low rate. I do not know of anything that renders a 2 per cent Government bond desirable unless it would be the note-circulating privilege. There are on the market a thousand investments to-day that do not require a skilled broker to find that will beat in safety and in rate of interest a 2 per cent bond. You can not sell a 2 per cent bond unless it is to somebody who wants to use it for note-circulating purposes at par.

The government by law from early times attached to it the note-circulating privilege. And now arises a demand for currency legislation. Of course, the 7,500 national banks are the only ones that are within the legal grasp of Congress. There are some 18,000 or more banks outside, over which we have no control, except that we may reach them in .. very indirect way that I will refer to after a while. But, nevertheless, to use the language of one of Hamlet's characters, we—

By indirections find directions out.

I will refer to a paragraph of this bill—the caucus bill—that shows by what indirect methods you may reach those that you can not by the express letter of the law. It is proposed in organizing to utilize the reserves set aside to guard depositors, these banks to be known as reserve banks.

The first United States Bank and the second United States Bank were established with due regard to the right of private property. The second United States Bank, with $35,000,000 capital, had 20 per cent of it subscribed and paid for by the United States. The Government did not attempt to dragoon anybody into subscribing for shares. They offered the other 80 per cent to the general public, and the general public subscribed liberally. The shares of stock held in foreign countries denied to the alien holder the voting power attached to the stock. That was the sole restriction, and a proper one. It was a domestic institution, and it ought to be controlled by domestic holders. But it was an honest bank. It is like Banquo's ghost and the ghost in Hamlet. They were honest ghosts, to say the least of it. They did not undertake to do something at somebody else's expense. The Government never undertook in the second United States Bank to take private property involuntarily for the purpose of establishing the bank.

It is proposed here by the sections in question in the caucus bill, first, to compel the national banks to subscribe to an amount equal to 6 per cent of their capital and surplus. Let me here advert, not with any degree of exultation but only noting as a matter of exact justice, the concrete benefits of the cloture, as it did not apply to us. House bill 7837 was introduced August 29, 1913, by Mr. GLASS and was referred to the appropriate committee. Let me read on page 14 of that bill on this subject now under examination:

Any national banking association now organized which shall not, within one year after the passage of this act, become a national banking association under the provisions hereinbefore stated—

That is the system of entering the reserve bank—

or which shall fail to comply with any of the provisions of this act applicable thereto, shall be dissolved.

What does that mean? It means a decree of corporate death is pronounced if that should be enacted. That is a strange basis for a just law. As an old-time country lawyer said, in asking a question of a monstrous legal proposition stated by his adversary, "Is this the law?" "No," he said, "it is iniquity intensified and made horrible under forms of law." That adequately describes the House bill as it came to the Senate. But, nevertheless, it passed the tribunes of the people with glad acclaim. They trod upon each other in their haste to vote for it. They sent it across to us.

I now have the pleasure of referring to the same bill—House bill 7837—reported with amendments from the committee in the other House to the Committee of the Whole House on the state of the Union and ordered to be printed. In that bill is the same thing I have already read. I refer to it on pages 14 and 15 of the amended bill, in which no amendment is made whatever, and so it remains as in the original bill. It reads:

Any national banking association now organized which shall not, within one year after the passage of this act, become a national banking association under the provisions hereinbefore stated, or which shall fail to comply with any of the provisions of this act applicable thereto, shall be dissolved.

I again read from the same bill. After it passed the House and came to the Senate it was read twice and referred to the Committee on Banking and Currency, where it remained, as the

law books say, for a long space of time, to wit, many days. On page 14 I read again:

Any national banking association now organized which shall not, within one year after the passage of this act, become a national banking association under the provisions hereinbefore stated, or which shall fail to comply with any of the provisions of this act applicable thereto, shall be dissolved.

There are three deliberate parliamentary legislative steps. The same bill in the Senate, under date of November 22, 1913, was ordered printed, showing changes proposed by the amendments of the Senator from Oklahoma [Mr. OWEN]. I now turn to the same subject in the amended bill.

Between the time that this product of parliamentary deliberation came to the Senate from the House and November 22, 1913, there had been abundant time for mature reflection. I pay what I think is a deserved tribute to the members of the Committee on Banking and Currency, without regard to party affiliations. They labored long, faithfully, and well. I think the committee is composed of sincere, earnest men, trying to do what is best. If we had had cloture after the bill came in here, after much of the spirit had been exhibited that appeared so rampant last night, I am not sure but that about the time it came out of the committee on to the floor of the Senate a roll call would have been demanded in the interest of speedy legislation; but this is still an open forum. So on the 22d of November, 1913, the amended bill appeared here. I wonder what happened in the meantime. Did Saul of Tarsus come back to earth again, and was he stricken by a great light on the way, or what? On the same subject still, Mr. President, I read:

Any national bank failing to signify its acceptance of the terms of this act within the 60 days aforesaid shall cease to act as a reserve agent, upon 30 days' notice, to be given within the discretion of the said organization committee or of the Federal reserve board.

There is part of the flagellation of the unregenerate right there. You are to be taken out of the reserve-agent system if you do not give 60 days' notice of bowing your corporate neck to the yoke. Take due and timely notice now; but it goes on. This is not all of the perils in store for the unfaithful:

Should any national banking association now organized fail, within one year after the passage of this act, to become a member bank under the provisions hereinbefore stated, or fail to comply with any of the provisions of this act applicable thereto, all of the rights, privileges, and franchises of such association granted to it under the national-bank act or under the provisions of this act shall be thereby forfeited.

Here is what the cloture did by its absence; here is what the deliberation of these faithful gentlemen in the committee produced. I do not know where the ones who fell down in blind and idolatrous devotion to the House bill, I do not know where those who made sundry visits to the Chief Magistrate at the other end of the Avenue and received material and pleasurable information—I do not know where they got the information that led to this change; but, nevertheless, here it is. Mayhap they conferred with some distinguished lawyer of the realm, who told them that a corporate franchise might have about it the incidents and properties of private property rights. I do not know what secret conferences were held during delays in this Senate while debate was in progress, but the bill was changed to read:

Any noncompliance with or violation of this act—

They did not say that the bank shall be thereby dissolved, as in the peremptory language of those other three bills, but—

Any noncompliance with or violation of this act shall, however, be determined and adjudged by a proper circuit, district, or Territorial court of the United States in a suit brought for that purpose by the Comptroller of the Currency in his own name before the association shall be declared dissolved.

That begins to sound a little bit more like a civilized government; it does not sound so much as if a number of parliamentary destroyers were after the banks of this country. I hold no brief for the banks, but I would just as willingly defend a bank with $200,000,000 of assets as I would defend the ditcher in his humble cottage. There are no classes at all in this country according to my way of thinking. If this Government becomes one that can not deal out justice to the great as well as to the weak, it is no longer a government of the people, but it becomes a destroyer of some and a promoter of others, and that is the beginning of the end. This language possesses to me something that sounds like justice, something that harks back through our love and reverence for the law of the land that comes to us from early times. It is a civilized instinct, it is true, but nevertheless by long years of training it has become an instinct in the hearts of liberty-loving and law-abiding men in this country. It requires a decree of court to take the corporate franchise away, even from any one of the 7,500 national banks.

I now take up the same bill, H. R. 7837, in the Senate under date of December 1, 1913, "ordered printed showing changes proposed by the modified amendment of Senator OWEN." This is the caucus bill, as I understand. I turn now to this mature product of government by the people, consisting of a majority of a minority, on the same subject, and read on page 6 as follows:

Should any national banking association in the United States or trust company engaged in commercial banking in the District of Columbia now organized fail within one year after the passage of this act to become a member bank under the provisions hereinbefore stated, or fail to comply with any of the provisions of this act applicable thereto, all of the rights, privileges, and franchises of such association granted to it under the national-bank act or under the provisions of this act shall, within the discretion of the Federal reserve board, be thereby forfeited.

Here is another timely precaution born of the absence of the cloture. You see, Mr. President, how deliberation has produced a leavening sense of justice. Many of the bad laws of the country are the impulsive laws, the laws passed under the pressure of great public clamor. I do not criticize men who must go before the people for an election who sometimes bend to the vigor of the supposedly popular breeze; but the virtue of the double character of the legislative body, one body having a longer tenure of office than another, is never exemplified fully for what it means except in time of stress and great public excitement in certain quarters, coupled with equally great absence of information on a subject. That is pretty generally true of many of the technical matters involved in currency legislation.

It is no reflection upon the multitude who compose the voting population of this country that they do not each of them fully understand these details. Neither do you nor I, Mr. President, understand architecture; neither are we sculptors; neither are we shoemakers. That is not our trade; it is not our business. Every man unto his calling. We have not time to learn it all. We are not like the pioneer grandfathers of old in the forest or on the plain, who made everything they had in the household and made their living out of the ground or caught it from the waters or on the plain or in the forest. Those days have passed away forever in this country. It is every man now specializing in some branch of industry.

This is a good illustration of a great deal of error that comes up every time a public question becomes urgent. If you want to find out how to prepare a currency law, go to somebody who does not know anything about it. The less a man knows nowadays the more capable he is of giving you advice. If you want a law regulating architecture, do not go to an architect—no; go to a jeweler. If you want somebody to advise you about conducting a watch factory, go to a horseshoer. If you want to get advice how to frame a currency bill, to keep from wrecking the delicate mechanism of reserves and credit, do not go to a banker; bankers are public enemies; stay away from them. But, nevertheless, no cloture rule having been in full force and effect, and there being ample time in the committee to deliberate, the bank charter was at last made subject to forfeiture "within the discretion of the Federal reserve board."

That is another encouraging glimmer of reason. "While the lamp holds out to burn" on that subject "the vilest sinner may return."

Any noncompliance with or violation of this act shall, however, be determined and adjudged by any court of the United States of competent jurisdiction in a suit brought for that purpose in the district or territory in which such bank is located—

Here is another instance of how delay and reflection produce wisdom. The other bill on this subject said that suit should be brought under the direction of the Comptroller of the Currency in his own name. Here it says:

Under direction of the Federal reserve board, by the Comptroller of the Currency in his own name before the association shall be declared dissolved.

We, it seems, must point the way. The House bill, as it came over here, arbitrarily and harshly forfeiting the franchise of every national bank that declined to enter the system, has been gradually modified, first, by putting it in the discretion of the reserve board, and then by introducing an order of a United States court declaring such forfeiture, so that now there are at least two features added that would serve in some degree to mitigate the original injustice of the bill.

I want to take up these features that compel even yet, even as mitigated, a national bank to become an involuntary subscriber to the shares of stock in the Federal reserve banks. It has been suggested here several times that the act concerning national banking associations has in it a section that reserves the right to Congress to alter, amend, or repeal the act. That is true. If such a provision did not exist, if it were found in none of the acts of Congress, the sovereign always has the right to recall an act creating a corporation. That is an act of original sovereignty by whatever authority granted. In this instance it was one that appertained properly to the Federal Government.

Let me call briefly the attention of Senators who think this forfeiture is proper and valid to the uniform administration of justice on this question. Where, by the act of the sovereign, whether a monarch as in older days by his letters patent created a corporation, or whether under a free corporation act, such as the bank act in this country, banks are created and charters are issued to them for a fixed time—20 years—investments are made, men risk their capital; their money is put in shares; and under the terms of the act under which they incorporate the bonds of the sovereign granting the charter are required, as in all these statutes, to be purchased and a certain per cent of the capital stock taken out in the form of circulating notes based on those securities, property rights attach; the act of incorporation can not be arbitrarily repealed; charters can not be then forfeited by mere legislative will so as to impair private property risked by its owners in the incorporated enterprise. The forfeiture of the charter retires the United States bond-secured circulation, returns the 2 per cent bonds to the bank with the circulating privilege written into them when the bank bought them stricken out, and leaves the shareholders of the bank to stand the depreciation of such bonds on the market.

I shall not stop here, as it is foreign to my purpose at this time to inquire into the legal status of those whose rights might be so affected. I am adhering here entirely to the moral aspects of legislation. The men who are the shareholders in the 7,500 banks, or their predecessors, invested their money on the faith of existing laws. Those laws gave them corporate life for 20 years. Subsequent acts gave them the right to extend their corporate franchises for 20 years more, and so on, until the banks to-day have come down, either directly or indirectly, from present laws under that process.

These shareholders had part of their money invested in United States bonds because it was required by the act under which their banks were created and because the circulating-note privilege attached to the security. Very well. Over a thousand million dollars' worth of capital stock is found in those banks, and more than seven hundred millions of accumulated surplus is found there. All of it, both the surplus and the original shares, belongs to the shareholders. These shares are declared by the national-banking act to be personal property. Under the proposed caucus bill this personal property is forced to go into the reserve-bank system, or, in default, it faces in the discretion of the reserve board, backed up by the decree of a court of competent jurisdiction, a forfeiture of its right to be a corporation and to conduct a banking business under the law.

This means liquidation and the retirement of the bank from business. It is an involuntary commandeering of the shares of stock that belongs to various holders throughout the country in behalf of the new freedom of business.

It may be that the courts would not declare this confiscatory. I shall not stop here to discuss that question. I am merely saying that when the Government for 50 years permits these corporations to be formed, permits them to renew their charters, permits them to continue in business, and permits them to invest until they have $1,785,000,000 of investments, never, under whatever stress, in time of peace or even in time of war, ought a republican form of government, through attempted legislation to undertake to force these shareholders to subscribe for shares in a reserve-bank system such as proposed in this bill.

"O," it is said, "reserves are impounded now under the law." The Government reaches out and takes, in the reserve and central reserve cities, 25 per cent of the deposits. In the country banks it takes 15 per cent of the deposits and impounds them or segregates them in such a way as to be beyond your private or personal control.

Let me tell you what the difference is. Every time five or more men agree to incorporate a national bank they find a law existing at that time requiring the segregation of these reserves. There is no bad faith in that. There is no change. A man is presumed in every instance to know the law, and in this instance he does. He has not only constructive but actual notice of the law governing the case. So when they undertake to embark in that enterprise the law is plain before them. They voluntarily submit themselves and their subscriptions of stock to its terms.

The shareholders in a reserve bank who by compulsory subscription are sought to be reached do not voluntarily submit themselves to the processes of this caucus bill. On the contrary, it is not made to depend upon their volition. It is coercive and backed up by the penalty of dissolution.

It is said, however—I have heard it any number of times, and we all remember it—that the banks almost unanimously will agree to go in; that the whole 7,500, of one accord and with unanimous haste, will rush to the office and subscribe the full amount permitted by the act.

If that is so and you have faith in it, why do you not take out the death penalty? I never knew anybody who would make a thing so attractive, so profitable, so desirable that everybody would rush to get some of the investment who had the headsman stalking behind with his ax, threatening instant execution if those menaced did not take some of the manifold blessings showered upon them. Still that is the way this bill is written.

The very terms of the bill belie the statement. The very spirit that is sought to be written into the act says that if you do not force the banks to go into the system they will not go in.

I think there is a good deal of misunderstanding about the distinction between regulation and control. It is one thing to regulate the banking business of the country; it is another and quite a different thing to undertake to control it. Regulating is universally recognized as necessary and proper for both persons and property. It is one of the purposes of government to regulate both, and the right has been exercised from time immemorial.

It is an admitted and a universally applied means of enabling civil society to administer one of its chief purposes. Persons are regulated so as to restrain injustice, oppression, and fraud. Property is regulated so that the owners or possessors may not so use it as to interfere with the lawful rights of others.

Carrying out this principle are many of the most useful applied doctrines of our modern system of jurisprudence. No man can so use his property as to injure another. In regulation it assumes a wide scope. Civil and criminal codes are constant witnesses to the just exercise of public authority for the benefit of all.

There is a well-defined limit to regulation. It may not be distinct always, but in a specific case the average judgment of the well-informed man unerringly distinguishes the line.

A government ought never to regulate except in necessary things. To extend its regulatory power unless there is some useful and necessary end to serve is never justified. If no remedy is to be invoked, and if no mischief exists that can not be cured by natural laws applying to agriculture, industry, commerce, or finance, no statutory law ought to be imposed so as to become involuntary as to those to whom it is applied.

If an occupation can be conducted without regulation equally as well as with it, it is always the part of wisdom not to regulate but to leave it to private hands.

Control administers, orders, does, and tells others how to do. The conduct of the occupation is controlled. A man controls his business activities. He embarks in the pursuit of his choice. He acquires property. He controls it. He controls as agent of the owner. He owns land. With the title the control passes as an inseparable and an indispensable incident to the ownership. The farmer controls his acres. The owner of an office building controls, either through himself or his agents, his property. A merchant controls his merchandise. The owner of money controls it. He puts it in a vault, in his pocket, or deposits it in a bank. He hoards it. He gives it away. He squanders it. He spends it for pleasure or for those who are subjects of his care. He has control of it, in other words. That is what control means. In whatever form private property may be, control is essential and vital, and is an indispensable part of the ownership and title.

For most purposes, if control be separated from the holder of the title, there is a destruction of all the useful incidents of ownership. Without the control of what use is the land to the farmer? He can not choose the crop to be sown, the method of cultivation, when and how to harvest it, or at what price to sell by his voluntary act the proceeds of his toil. The same thing applies in a different form to merchants and to the owners of all other kinds of property. Deprive me of my control of my property, and I infinitely prefer that you confiscate the title to my property.

I may not be keeping step with the procession; I do not know. I have some ideas that possibly are antiquated and old-fashioned; but I believe in the control of property as a necessary incident of the vesting of the title in it. Take away my control, and I prefer that you take my property and keep it forever; and I will sleep better, because I will cease to think of it when it is no longer mine.

It is unimportant by what agency the control is taken. Among all reasonable men acts are measured by their effects. The effect on me is precisely the same whether the control be absorbed by either public or private means against my consent.

It seems almost to require an apology to state these elementary maxims, but I am disposed to put them in the RECORD in order to perfect it, if nothing else.

We are now passing through an era when it is difficult to distinguish regulation from control in the minds of many. Some

publicists have a mania for invading individual rights by legislation. To them it is of no concern whether a law is adapted to the underlying conditions or whether it does violence to every human experience. The free coinage of language represents to many in this age the wealth of nations. [Laughter.] If it can be translated into laws, it represents the superlative wisdom of the sages and the tribunes of the people who do not think private rights concern us in legislation.

I hold no brief for the banks. I have not a dollar's worth of bank stock in the world.

What is a bank? What is a banker? I wish to put in the RECORD here in this year of our Lord 1913 that at home your banker is your neighbor. Do you have a suspicion of him? Do you look upon him as a fit subject for police surveillance? Is he visited with obloquy and supposed to be a dangerous character? Without exception, in every well-regulated community that has a bank the banker is a man of character, of respectability, of substance, having the confidence of his neighbors. Why the individual banker who is your neighbor is all right and why an aggregation of banks and bankers are a menace to the public welfare is something I fail to understand. I have not heard it satisfactorily explained.

There are some few very large banks in the country. However, the greater part of their deposits come from private depositors. One of the largest banks in the country is a private bank. It enjoys no corporate franchise; it asks no special privileges or immunities from the Government, State or National. Some of the largest banks among the country banks are private. No charter intervenes between their private fortune and their liabilities. But where the large fortune does not exist, where it is necessary for several to assemble themselves, they incorporate under State or Federal laws.

Now, what is a bank? A bank in every instance is a collection of men of character and responsibility. They assemble their personalities and their money. They incorporate not alone to protect themselves against liability, because in many instances I do not believe that is a material question. They incorporate to shield themselves against the mutations of death. With a partnership, whenever a partner dies it is a dissolution of the partnership, and difficulties ensue in winding it up. Therefore the succession for a number of years is preserved by incorporating the banking business. When their capital is invested by their subscriptions it forms the nucleus. Their character and their cash are assembled, and we call it a bank.

Up to this point no bank would ever run 12 months. It could not; it would not pay. The operating expenses would exhaust the income and leave at least but little margin to pay dividends on the assembled shares. In every instance the profitable and the large part of the bank is composed of the depositors. Without the depositors no bank could exist.

Therefore, when first 6 per cent of the shares of capital stock are to be coerced into joining the banking system proposed by this caucus bill, it is an involuntary taking of what the statute years ago declared to be personal property. Would you confiscate the farmer's herd? Would you take his cattle on a thousand hills? No; you know better. You know that for 500 years in the history of the English-speaking race even the sovereign can not take private property without compensation. You do, though, by the sections of this bill take the shares of stock declared by a solemn act of Congress to be the personal property of the owner involuntarily from him. If he has $5,000 in shares of the stock, you compel him to subscribe $300 worth of it at least.

In addition to that you indirectly compel him to take more of it. If he is a depositor, a per cent of the deposits is taken, varying somewhat in these different amendments. I shall not quote the exact per cent taken, because it has fluctuated and is subject yet to change. It is enough to say that by the processes proposed in this caucus bill $107,000,000 of capital stock is to be taken involuntarily—personal property coerced by an attempted act of Congress into a subscription to the shares of these proposed reserve banks by the owners.

In addition to that a sum varying from $400,000,000 to $500,000,000, a percentage of the deposits of the 7,500 national banks, is to be taken and impounded, not in the banks that existed as reserve or central reserve banks when the national banks were incorporated, and to which they consented by applying when that was in the law, and knowing they should be required so to choose their place to deposit their reserves, but taking four or five hundred million dollars of their deposits without any show of voluntary action on their part and putting it in reserve banks controlled by whom? Well, one bill, the caucus bill, says by directors appointed by the bank. Just to summarize it without going into details, they are allowed to appoint them all. Now, this, it is argued, is very generous and is extremely solicitous of the private rights of the banks.

The other, the Hitchcock bill, provides a divided board, part by the banks and part by the reserve board. It makes no difference about the directors. That is not the essential point. I will come to that in a moment again. I do not want to go ahead of what seems to me the orderly development of this idea.

These directors of the Federal reserve banks are the ones who attend to the details on the ground, the actual management of the banks. It does not make any difference who appoints these directors if there is above them some supervisory power, some power that is even more than supervisory, a power that is essentially controlling or destructive, a power that may remove. Let me read that part of the caucus bill. In the subdivision on the powers that are vested in the reserve board it is provided how the board of directors of the reserve banks may be removed. On page 38 of the caucus bill, paragraph (f), as amended, reads:

> To suspend or remove any officer or director of any Federal reserve bank, the cause of such removal to be forthwith communicated in writing by the Federal reserve board to the removed officer or director and to said bank.

I wish to read in this connection also the paragraph stricken out before the amendment was made:

> 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 only reached the officials of the reserve banks. The amendment reaches both the officers and the directors of the reserve banks. It does not limit the power to remove for cause. It does not say that the reserve board may remove the directors for cause. It says they may "suspend or remove any officer or director of any Federal reserve bank, the cause of such removal to be forthwith communicated," and so forth.

There is a difference between removing a man for cause and removing him and then signifying to him what it was that caused him to be beheaded. One is an indictment with an opportunity to be heard, as the act was originally written, a chance for defense, a chance to show the injustice or the untruth of the charges made. The other, as written in the caucus bill, depends upon the arbitrary power, the willful caprice, the unbridled discretion or indiscretion of the reserve board.

I care not how the directors of a bank may be elected. They may be all bankers; they may be all elected and chosen by the bankers; but if the power remains in the reserve board to remove them with or without cause, then the actual power of control and administering the affairs of the Federal reserve bank is not in any board of directors, but in the reserve board itself. This clause creates a powerful central bank, its capital and deposits enforced contributions from private property, controlled by political forces. All the elaborate framework is a pretense. The reserve banks are but branches of a vast centralized authority headed by the President. The power to resist inflation rests in the hands of the President. Greater power was never placed in any ruler, even in an absolute monarchy.

The methods of subscribing for capital stock, as I see it, are vital. The provisions of the Hitchcock bill offer the subscription first to the general public. It does not commandeer the national banks of the country. It only requires that they use their kindly offices. They underwrite the subscription, but the public are first invited to subscribe, and there is a 5 per cent cumulative dividend, nontaxable. It is a desirable form of investment to an army of small investors.

But human nature is so constituted, Mr. President, that if by law, arbitrarily and unjustly, you undertake to force either bankers or individuals in private life not connected with banks to the involuntary taking of a 10 per cent investment they resent it; it is against human nature, with our strain of civilization, with our traditions and our practices. It is un-American; it is ungovernmental; it is unjust. The Hitchcock bill provides for voluntary subscription by the people.

It is argued here, though, that this is a bankers' bank and not a people's bank. What is a bankers' bank? A bankers' bank is made up of the member banks; and who are the member banks? The shareholders who pledged their subscriptions and their character and assembled them as the nucleus of a bank. And the depositors. And who are the depositors? The people who do business with that bank, who have a surplus to deposit.

Therefore these member banks that subscribe, if it be said to be a bankers' bank, only subscribe for their shareholders and for the much larger sum represented by their depositors, and both of these—the shareholders and the depositors—form a large collection of people.

The reserve bank, therefore, Mr. President, ought to be a people's bank, and the Hitchcock bill makes it a people's bank.

The men of my generation can remember not many years ago when a great President of the Democratic Party found it necessary, following the usual practices that came along with those administrations, to borrow a considerable sum of money in order to preserve the public credit. He was criticized unstintedly. President Cleveland was criticized down to the day of his death because in offering his bonds he took them to the banks. He sold them in large blocks or in entirety to banks or large brokerage houses. He did not invoke the potency of a popular subscription. He sold them out en bloc and was criticized for it, but this day we witness his indorsement. It is a tardy recognition by the successors of his party when they limit this subscription to the banks and do not open it to the public generally.

If I have stock in a bank, if I have deposits in a bank, Mr. President, I do not want the bank to become my guardian; it is my debtor. The bank and its officers are the custodians of my stock and manage it, and I am trusting them for that. I deposit my money; the relation of debtor and creditor exists. But, nevertheless, I do not want to constitute them my conservator to subscribe for me, through the compulsory section of this caucus bill, a part of my share or part of my deposits in a reserve bank.

That is the test in this case. The Hitchcock bill makes a voluntary subscription, the banks only who underwrite to take what the popular subscriptions leave untaken. That is voluntary, and there at the threshold is the difference, as I see it, a basic difference from a layman's point of view, in these two proposals. If it be a voluntary bank subscription, then there can be no complaint if the board of directors should be appointed by the Government through the President or a Federal reserve board. That is a voluntary act. When we subscribe all who go in know the law is plain. It is written so that they know when they make their subscriptions that it will be subject to the terms of the act. The caucus bill, however, is an involuntary subscription, followed up by the control of the Government after you are coerced and dragooned into the subscription.

I can vote for the Hitchcock bill, because it recognizes the right of private property. It recognizes the right of the bank to manage its affairs. After that has been done I care not what kind of control may be exercised after once the consent has been given.

There is another undertaking here that from the standpoint of a layman can not be justified. I do not know just how violent this may seem to a banker, who is in reality the trustee for the shareholders and the depositors. He is surrounded by many rigorous laws that do not govern the ordinary relation of debtor and creditor; he is surrounded by criminal laws, State and National, whatever the form of his organization or if he be a private banker. Those laws do not apply to you or to me if we are debtors, but they do apply to a bank, and many a banker has become a felon simply because this rigid supervision and the restrictions placed upon him by the criminal code said so. Therefore, if we go a step further, what the banker does after he has organized a bank and has deposits, if we belong to the borrowing class we go through the process described by those who are entirely familiar with the banking business. We of the outside not intimately acquainted with this mechanism only see a part of it when we borrow, when we draw a bill of exchange, when we write a check, when we sign a note, when we put up collateral. In every instance after the bank is in operation it acts as a reservoir for the collection of the surplus money of the community that is subject, or that the bank influence or business reaches out and makes subject, to the laws of banking. It is not only the money that is actually in the bank, but it is the potential credit thereby created as well as the cash resources.

This bill, known as the caucus bill—and I am not using that term in any critical or invidious sense, let me say—undertakes after this involuntary subscription is made, after men's money, shareholders and depositors alike, is coerced into the system of banks proposed—after that is all done, then it is proposed by an act of government to create and extend credit. I said sometime ago, and I am going to repeat it, for I am going to adhere to it, that I would just as lief undertake to wind a watch with a crowbar as to create and extend credit by governmental action. It is too delicate a piece of mechanism. You had as well undertake to control the pulsations of the human heart and the circulation of the vital fluid as to lay the clumsy hand of governmental action upon the pulsating heart of the commerce and the finance of this country. It can not be done without public disorder. It never has been undertaken without disaster from the time President Jackson removed the bank deposits and undertook to dictate the finances of the country, creating the panic that ensued down to the latest forms of perverted government action proposed in this bill. These efforts all work out in due time their legitimate results. Credit is a delicate operation. It can not be made by merely passing laws. Still here is a sovereign power proposed in this caucus bill. After all this involuntary subscription is made and deposits contributed, here is a governmental board sitting in Washington that has authority to require a reserve bank to rediscount the paper of any other Federal reserve bank in the United States.

One great purpose, however, is found in all these bills. There is an organization of the credit power of the national banks. It has hitherto been unrelated save in clearing-house associations necessarily local in scope and limited in power. Both the Owen caucus bill and the Hitchcock bill assemble their credit power and mass the reserves of the country in a way that must be a permanent contribution to the financial legislation of the United States. The illuminating report of the National Monetary Commission of date January 9, 1912, undoubtedly blazed the way for the comprehensive structure of organized credit proposed in either of those bills. The caucus bill gathers a vast potential credit of half a century of national-bank development practically into a single board whose boundless powers are wielded in the last analysis by political force. No power will rise in politics above its source. Private credit, like private business, can not enter into a successful partnership with American politics. It ends in loss of confidence, scandal, and disaster. No board ought to possess such extensive and dangerous powers as proposed in the caucus bill. Unlimited inflation of a paper currency with no mechanism for its retirement, an immense expansion of credits, an arbitrary power to order all the reserve banks in the system to rediscount paper, each other's paper, from any part of the Union—not in emergencies, but at any time—the ability to meet promises to pay by substituting new promises and prolong the day of final liquidation, the easy avenue for creating note issues which are obligations of the United States to be paid in gold, the paradox of centralizing our credit resources by dividing them into from 8 to 12 parts of varying and unequal size, the jealousies thereby engendered between rival sections aspiring for the location of regional banks, the differences in the character of the security and methods of business between communities, sought to be thrust into business relations with each other by forcing credit creation by governmental action, the disparity in resources between the opulent centers of commerce and finance, the fertile and the barren areas, the resulting large capital and deposits of some regional banks will combine to make their accumulated money subject to the wants of speculators. The attack of predatory politics, ever restless when legitimate business may be looted, is a constant danger.

No one but a novice whose experience is limited to the perusal of books and the architecture of air castles expects human nature to be other under this bill than with other legislation. All laws must be operated by human beings. The assaults on the public officers who hold the purse strings of $600,000,000 by the impecunious, the adventurers, the borrowers without private credit, the men who mistake political influence for bankable collateral will be the most terrific and persistent in our history. Every man denied will carry his grievance to the ballot box. Has he not listened to the doctrine of the new freedom, and is not free credit a part of it? It is inevitable that a relaxation of the inexorable rules that govern the extending of credit to a borrower will become an issue in future campaigns. It has already become so with credit in private hands. How can it be less so when credit becomes a power attached to public officers who rise and fall with the fortunes of partisan candidates for political office?

The foregoing neutralize the benefits arising from the concentration and organization of the credit power of the national banks, as I am able to forecast the future.

I mention another feature I object to, and I do not wish to wound anybody's sensibilities and I do not think I shall. I object to a community in the corn-belt prairies that has plowed its money out of the soil by the sweat of their faces, dug it out of our mines, and made it in our factories, made it with our cattle, our sheep, and our corn, clover, and our hogs, our wheat, flax, barley, and forage, with our mills, our railroads, our traction companies, and our commerce and banking in the great Middle West and in the Northwest, in all that country that has developed since the Civil War, since the banks were first authorized to be created by acts reaching back half a century, in all that country where the virgin sod was never touched by a plow until in our lifetime, during all the developments of this national banking system, I object to that com-

munity's having taken against our will a part of the money that we have made in our country to promote those who have failed to develop their own resources.

I object to a bank's taking en masse the resources from New York to the foothills of the Rocky Mountains and commandeering them in the interest of a section of the country that has not made money and wants to take it out there by law instead of attracting it there by the legitimate course of trade. That is what this caucus bill is trying to do. You are trying to legislate money from where commerce has placed it to where it can be loaned on bagged peanuts, on Angora goats, and on bales of cotton. I know what is the matter when I look at this bill. You have not made enough money there to promote your business, and you want to coerce the people elsewhere who have made it to loaning it to you by governmental action when you can not get it in any other way. That is the plain unadorned layman's view of this thing. That is credit by government. That is the new freedom. Dig for it, as we did. You have a good country. Develop it. You have free trade in many things under the new tariff. You can buy where you can buy the cheapest; the high cost of living ought to be constantly lowered; you can buy mackerel and codfish from Nova Scotia; you can feed poultry food to your hens and have cheap eggs; you have got Angora goats, and can raise raw material for mohair clothing in your warm country. [Laughter.] You have ostrich farms in Arizona; you can utilize your cacti and rattlesnakes and horned toads for the nutrition of those birds famed for vigorous digestion. Through them noxious and unsightly things are transmuted into waving plumes to adorn the chivalry and beauty of the world. Go ahead and make money; but do not try to come up into the country where they have made it, if you have not got it, commandeer it by an act of Congress, and take it, whether we wish you to do so or not.

There is one part of this bill now that, to my mind, is fearfully and wonderfully made. The Treasury is compelled to redeem in gold the reserve notes proposed to be issued by the caucus bill. The reserve banks are permitted to redeem in gold or lawful money. What is "lawful money"? That is the phrase that caused the excruciating agony at the other end of the Capitol when it was struck out. It is back here again. It was struck out in a certain place. Lawful money! Suppose an eloquent gentleman, at one time from the Platte River, were construing that phrase; suppose he were at the fountainhead of financial authority and were called upon to say what he thinks "lawful money" is, what would the answer be?

The great trouble here is that we misunderstand each other on terms. We mean money on this side in one way, and some of you mean it in the other way. There is a misunderstanding. Maurice Maeterlinck says that hell is a place of infinite misunderstanding. Now, let us understand each other at the outset, and not have any of it in this Chamber. There is but one kind of money in the world; there is but one kind of money in this country. Every other kind of money is a delusion. Do not get mixed up on the idea that anything that has the legal-tender quality attached to it is money. The Government can make anything legal tender. At 75 cents a dozen, it could make "a setting of eggs," as my grandmother used to call it, legal tender if it wanted to, and it would be a good legal tender to pay debts. What is the legal collection of a debt? It is suing the debtor, taking judgment, levying execution, and exposing his property above the exemptions to sale. Somebody bids money. The money that is bid when paid to the judgment creditor satisfies the debt, and that money has attached to it the legal-tender power. In voluntary payment it may be offered by the debtor to the creditor and its acceptance extinguishes the debt; if refused, the creditor can recover no more or different money than that tendered. Any Government can give legal-tender quality to any kind of money. It may be called money. It may pay debts at its face. No law can ever fix its buying power. There is but one kind of money, and that money is the gold dollar of 23.22 grains of pure gold or 25.8 grains of standard gold with one-tenth alloy. It is equal in debt-paying and buying power everywhere in the civilized world.

Oh, well, somebody says, greenbacks are money. I do not think so. Do not misunderstand terms. Greenbacks are not money. Federal reserve notes will not be money. Greenbacks have legal-tender power; they can pay debts; they are worth their face now simply because the Government is able to pay them in gold when demanded by the holder. Federal reserve notes may by an act here, by the fiat of Congress, be given legal-tender power; silver certificates, silver dollars, may be given legal-tender power, but the ultimate money is the gold dollar, and it has been money from time immemorial.

I do not say there is any particular, unalterable commercial status attached to gold. If suddenly there were to be a mountain of it discovered in some part of the habitable globe, accessible to man, so that it would become as common as copper or iron, the ultimate redemption money would no longer consist of gold of the present standard. It is because universally and for centuries, from the dawn of recorded history, gold has continued to be the most stable of all the metals. Such money is merely a stable measure of value; it is in the greenbacks a promise to pay the money of redemption. The promise-to-pay money is made a legal tender. It was a declaration of the sovereign that its promise should be taken in payment of debts. Gold is a legal-tender coin. Men would universally take it in satisfaction of debts if the Government never made it so. When the sovereign compels anything to be taken that men would not take voluntarily in business, it embarks on an experiment the end of which no one can accurately predict.

Our lawful money is of various kinds other than gold. The Government, however, is compelled to pay gold, and the reserve banks are given the option of paying gold or any other kind of money, providing it is lawful.

There is another feature of this bill that has attracted my attention. I am speaking now of the caucus bill. There is in it what I call the "boycott clause." I do not know whether much attention has been paid to it, and I am making my suggestions now for the purpose of provoking future discussion, although at the risk of consuming valuable time. This provision is found in the caucus bill. I am somewhat solicitous to learn the purpose of this provision on page 67, which reads:

> Except as thus provided, no member bank shall keep on deposit with any nonmember bank a sum in excess of 10 per cent of its own paid-up capital and surplus. No member bank shall extend directly or indirectly the benefits of this system to a nonmember bank, except upon written permission of the Federal reserve board, under penalty of suspension.

There are 7,509 national banks, according to the last report of the comptroller which I have received, which is dated November 20, 1913. I find by the same report that the national banks' liabilities to State and private banks are $578,216,313 and some cents. The liabilities of the same banks to the trust companies and savings banks are $499,000,000 in round numbers. The total liabilities, therefore, of the national banks to other banks—State banks, private banks, trust companies, and savings banks—are $1,077,000,000. The list of the resources of national banks shows that the national banks have deposited in State and private banks to their credit $242,000,000 in round numbers. The total capital and surplus of the national banks is $1,785,000,000. Ten per cent of this—and the requirement of this paragraph is that they shall not keep on deposit with any member bank in excess of 10 per cent of their capital and surplus—10 per cent is $178,000,000 in round numbers. The national banks already have deposited in the State and private banks and trust companies $242,000,000. One hundred and seventy-eight million dollars, the 10 per cent figure, would require the national banks to withdraw from the State and private banks some $64,000,000 in round numbers. If this were to be regarded as an unfriendly act, the State and private banks could, on the other hand, withdraw from the 7,500 national banks $1,077,000,000 of deposits or debts owing—and whether they be time deposits or demand liabilities they are debts in some form.

The purpose may be fair or otherwise—I impute no improper motive—but the effect of this paragraph is naturally to create two classes of banks in this country. One class is the member bank and the Federal reserve bank. They are forbidden to place more than 10 per cent of their deposits in State or private banks. This naturally limits their business. It naturally causes a withdrawal of deposits.

What I abhor in legislation is the creation of classes required by operation of law to become hostile to each other. This bill does unnecessarily and without serving any useful purpose create a class war between the two kinds of banks so created.

In that event the national banks would stand to lose, net, $1,013,000,000 of their resources. This is, in substance, what happened to the second United States Bank. There was an incessant war between the second United States Bank and its branches and the State banks of the different States of the Union. The line was sharply drawn. Jackson in his political campaigns utilized the State and private banks as political agencies to make war upon, and to secure political power to prevent the extension or renewal of the charter of the second United States Bank.

Here is a direct invitation to a war of reprisal by the one upon the other. It certainly can serve no useful purpose.

It may not be a very considerate kind of comparison, but I do not know how adequately to describe the discord that could be created, or the confusion and chaos, better than by likening this paragraph to the 300 foxes that Samson had, to

whose tails he tied firebrands and turned them loose. Here are about 18,000 private banks and State banks in the country, with 7,500 national banks, and we are turning one loose against the other to engage in a war of retaliation.

There is yet another feature in connection with State banks. Nearly all the States, especially the larger States of the Union in point of population and in material, industrial, agricultural, and financial resources, have constitutional or statutory provisions for the chartering of State banks. I have had occasion in years past to examine the laws of some of the States, organic and statutory. The organic laws in some of them require all amendments, as well as the original banking laws, to be submitted to a vote of the people before they shall be effective. In pursuance of that constitutional power many of the States have enacted banking laws and submitted them to the people for confirmation. Some of the original acts have been amended many times. Amendments in every case have been submitted in like manner to a confirmation by popular vote. The acts under which State banks are chartered have provisions that are at variance with the requirements of the acts governing national banking associations.

One provision in the bill says that trust powers may be granted to banks, taking care, however, that they are not in contravention of the laws of any State. I do not know how that would operate. I do not know how it is possible for it to operate in some of the States. Some of the trust companies, outside of doing an investment business, do a very large business in accepting and executing trusts, as testamentary trustees, executors, administrators, receivers in bankruptcy, in the administration of trust funds, and in the handling of property in a multitude of fiduciary capacities. These trust companies by the statutes of many States are not required to give bond. The order of the court, or whatever authority appoints them, if a bond would be required from a natural person, is that no bond shall be given by the trust company.

In almost every case where this is so, it is because the trust company before it begins business is required to put certain securities in the hands of the State auditor or the State banking superintendent, or whatever answers to a similar authority. The security so deposited depends in its amount upon the size of the city in which the trust company is located. In some cases the minimum in the smaller cities is $50,000, and runs up, increasing with the size of the city, to $1,000,000, and increases thereafter in proportion to the amount of money kept or the trusts that are accepted to be executed by the company.

These securities are taken from the trust company, put in the hands of the banking superintendent, and there impounded by the provisions of the banking law, to remain as long as the trust company shall continue to do business. This would require, under the State banking act, a segregation of that much of the assets of the trust company. If the trust company seeks to be made a member of the Federal reserve bank, it must comply with the provisions of the bill. In that event there are two conflicting authorities. No such requirements are in this bill and nothing in lieu of it. There are some securities in the hands of the State banking department. There are other securities and cash under the inspection of a Federal authority, and the reserves are segregated and put in a reserve bank under a Federal authority. If reserve notes are issued, some of the bank's paper is deposited with the comptroller as collateral. Such a bank serves two masters. Will not the usual result follow?

The methods of extending credit, of taking collateral, of establishing the worth of the names on notes or bills of exchange are different. The requirements of the State banking laws do not at all agree with the provisions of this bill, especially the caucus bill. There is at once a conflict of jurisdiction between the two authorities.

I do not think this part of the bill is well worked out. One or the other ought to be paramount. If they come in, the bill ought to provide that appropriate legislation shall be had by the State to permit the release of the trust company from all obligations to the State department, and thereafter the supervisory power of the reserve bank or other Federal authority should impound these securities and hold them for the protection of those who are the beneficiaries under the trust, so that no injury may result. If that is not provided, I do not see how any trust company can comply with the provisions of this bill and become a member bank unless it surrenders its State-created powers.

The acceptance and execution of trusts by a national bank change the jurisdiction of that immense volume of business built up under State laws and State court decisions from State to Federal control. It is an adventure on a vital subject into the unknown.

The method of making loans, for instance, is a vital point of difference. Some of the State banking laws will not permit any officer or employee of a bank who has access to its funds or securities to borrow money from the bank in which he is employed or for which he acts until the loan has been approved by the board of directors. There is no such provision here. This would be a matter of conflict in the making of loans. A bank examiner from Federal authority would pay no attention to this provision, whereas the bank examination made by State authority would require a strict observance of it.

So these conditions, as I say, would require some change in this paragraph of the caucus bill.

Something has been said here about the large banks and about the New York banks. I hope I shall never become a victim of mere phrases. War cries signify nothing, although a nickname, an epithet, or a phrase will sometimes do much temporary execution. The mere fact that somebody may cry "Wall Street!" does not necessarily imply that the person so crying has the best of the argument. The mere fact that somebody may criticize the large banks of New York City does not imply that the merits of the controversy are with this or that bill.

I am not here to defend the New York banks. They need no defense. If they do, it can be made by much abler tongues than mine. The Senators from that State, men of great capacity and experience, of wide knowledge, both of law and of practice, can do so. I wish, however, in justice to some of those banks or their predecessors, not to let the occasion pass without one last word.

In 1862 or 1863 this country was without specie. We were in the midst of a great struggle for national existence. Secretary Chase was at the end of his financial resources. A large part of the Government of England looked with a critical and unfriendly eye upon the struggling Republic of the New World. They had acknowledged the belligerency of the Confederate States of America. Lincoln, in this Capital, was administering the duties of his great office in the midst of unparalleled difficulties. Our credit was constantly sinking. The future was dim and unrevealed. Many reverses on the field had happened. Our revenues were not sufficient for our expenditures. Every day of that unfortunate period of our civil life there went out in expenses $2,000,000. Our bonds were selling below par at a high rate of interest. Our circulating-note obligations were at a discount in gold.

At this perilous time, when the Treasury was without gold, the predecessors of the New York banks did something that I will never forget. I was in my cradle at the time and have no personal memory of it, but I can read it, and I have a lively memory of what those men then did. Some of the boys of that time are the bankers of to-day in Philadelphia and New York City. They can remember the stress of that time among their elders. In that dark hour of public peril, I wish to record here for the banks of New York City that they came to the rescue, and they put $150,000,000 in gold in the Union Treasury of this country, and still they and their successors are to-day objects of suspicion, and the dollar is called "a cowardly dollar."

It was not a cowardly dollar in the administration of Abraham Lincoln. It was an honest dollar and it was a fearless dollar, because it helped to keep the Union to-day where every one of the 48 States has two Senators sitting in this body. That is over, never to return; but let us not forget that the $150,000,000 given to the Government by the New York banks drained them of their specie resources. The total circulation of all the banks of the United States at that time was only $202,000,000, and the New York banks put up $150,000,000 of gold.

Now, about the country banks. In the same report I note that out of total national-bank resources of $6,260,000,000, in round numbers, the country banks, all outside of the reserve and central reserve cities, have 52 per cent.

It is not the New York banks that are hit by this bill. They will survive and take care of themselves. They have wide markets for securities, their resources are large, their foreign trade extensive. We scarcely ever see a foreign bill of exchange in the inland cities outside of the city of Chicago, and they come largely from the ports of entry on the Atlantic coast. The cities that do business with foreign countries have a double chance to survive where the inland cities have not.

The country banks, comprising 52 per cent of the loans and discounts, are affected by this bill in a vital spot. Of the specie resources of the national banks, comprising a total of $710,000,000, the country banks have nearly 30 per cent. Of legal-tender notes, they have about 33⅓ per cent. Of all the capital stock of the national banks, the country banks have 60 per cent. Of the surplus, they have more than 50 per cent. Of the national-bank notes outstanding, they have 55 per cent. Of

the individual deposits, the country banks have more than 60 per cent.

I am quoting these figures only to show that the country banks are the larger proportion of the 7,500 banks affected by this bill. Their resources, their loans, their discounts, their specie, their legal-tender notes, are in every instance, in the larger items a majority running from 52 to 60 per cent.

Mr. President, it is nearly 11 o'clock, lacking but a couple of minutes of the hour. I have a few more points I should like to develop, but I will take the chance to get to them on some future occasion when we read the bill by paragraphs.

The PRESIDING OFFICER (Mr. LEA in the chair). The hour of 11 o'clock having arrived, the Senate stands adjourned until 10 o'clock to-morrow.

The Senate thereupon (at 11 o'clock p. m.) adjourned until to-morrow, Thursday, December 11, 1913, at 10 o'clock a. m.

HOUSE OF REPRESENTATIVES.

WEDNESDAY, *December 10, 1913.*

The House met at 12 o'clock noon.

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

Eternal God, our heavenly Father, Thy loving heart pours itself out upon us in a thousand blessings day by day; blessings which measure up to our physical, mental, moral, and spiritual needs. And what dost Thou require of us but to do justly, love mercy, and walk humbly with Thee. Grant, O most merciful Father, that in all the relationships of life we may strive earnestly to do Thy behests and make ourselves worthy of Thy tender mercies and loving care. In the spirit of the Master. Amen.

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

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Tulley, one of its clerks, announced that the Senate had passed without amendment joint resolution of the following title:

H. J. Res. 164. Joint resolution authorizing the Secretary of the Senate and the Clerk of the House to pay the officers and employees of the Senate and House, including the Capitol police, their respective salaries for the month of December, 1913, on the 20th day of said month.

PRINTING OF HOUSE LOBBY COMMITTEE REPORT.

Mr. GARRETT of Tennessee. Mr. Speaker, I ask unanimous consent that there may be printed 1,000 additional copies of the reports (H. Rept. 113) that were read yesterday.

The SPEAKER. The gentleman from Tennessee asks unanimous consent that there shall be printed 1,000 copies of the two reports that were read here yesterday.

Mr. MACDONALD. Reserving the right to object, I should like to ask the gentleman if there is any objection to having 2,000 copies printed?

Mr. GARRETT of Tennessee. I will state this to the gentleman from Michigan: I apprehend that there will be a request possibly for more copies than that, but I did not want to present a resolution for that until a little later, when the committee can determine with some definiteness about how many will be required. This thousand copies for which I am now asking is simply for the present use of the Members of the House and Senate. I think we should limit it at this time, and then I will present a resolution and let it go to the Committee on Printing, in order to get the number of copies which may be found to be necessary.

Mr. MACDONALD. From the requests which I have received, I am satisfied that there will be a demand for a good many copies.

Mr. MANN. Has the gentleman had an estimate of the cost of printing this?

Mr. GARRETT of Tennessee. No; I have not an estimate of the cost. There were only 385 copies of the House print made yesterday. I had thought there would be a larger House print than that or I should have ordered a committee print, as I had the right to do.

Mr. MANN. The usual number was printed, of course.

Mr. GARRETT of Tennessee. The usual number.

Mr. MANN. And the House got 385.

Mr. GARRETT of Tennessee. The House got 385 copies, not enough for each Member to get a copy yesterday. I am perfectly willing that the request shall be for 2,000 copies. I have no objection to that.

Mr. BUCHANAN of Illinois. Mr. Speaker, I believe there was a resolution passed in the convention of the American Federation of Labor requesting that an effort be made to secure a number of copies of this report, as well as of the hearings. I should like to ask the gentleman if he has had any requests from that source.

Mr. GARRETT of Tennessee. Does the gentleman mean from the American Federation of Labor as a body?

Mr. BUCHANAN of Illinois. Or any officials of it.

Mr. GARRETT of Tennessee. No; I have not had any such requests for it.

Mr. BUCHANAN of Illinois. There is a desire on the part of the representatives of the labor of the country to have additional copies.

The SPEAKER. Is there objection?

Mr. BUCHANAN of Illinois. I object to the request for 1,000 copies, Mr. Speaker. If you will make it more than 1,000, I will not object.

Mr. GARRETT of Tennessee. I will reduce the request to 500, if necessary.

Mr. DAVENPORT. He wants a larger number.

Mr. GARRETT of Tennessee. I explained to the gentleman from Michigan that I understand there will be a request for these copies later. It is my purpose, when I have ascertained about what number will be required, to present a resolution and let it take the usual course, but this request I am making now is for the immediate convenience of the membership of the House, not for outside bodies or for general distribution. A number of Members were unable to obtain copies yesterday. I hope the gentleman will not object to that.

Mr. MACDONALD. Still reserving the right to object, I understand the gentleman to say he is willing that the request shall be for 2,000 copies.

Mr. GARRETT of Tennessee. I have no objection to 2,000.

The SPEAKER. Does the gentleman ask for 2,000?

Mr. GARRETT of Tennessee. I will submit the request for 2,000.

The SPEAKER. The gentleman from Tennessee [Mr. GARRETT] asks unanimous consent to print 2,000 copies of the two reports that were read here yesterday and printed in the CONGRESSIONAL RECORD. Is there objection?

There was no objection.

LEAVE TO WITHDRAW PAPERS.

By unanimous consent, at the request of Mr. ROBERTS, of Massachusetts, leave was granted to withdraw from the files of the House without leaving copies the papers in the case of James Wood (H. R. 4277, 62d Cong.), no adverse report having been made thereon.

By unanimous consent, at the request of Mr. AUSTIN, leave was granted to withdraw from the files of the House without leaving copies the papers in the case of Adam and Noah Brown (H. R. 6286, 62d Cong.), no adverse report having been made thereon.

CALENDAR WEDNESDAY.

The SPEAKER. This is Calendar Wednesday, and the call rests on the Committee on Military Affairs.

The Chair desires to suggest to the House that Members can not sit in their seats and make any motion whatever; they can not sit in their seats and interrupt a Member who has the floor. The Chair understands that these things are done without due consideration and without any desire on the part of a Member to disturb the order of the House, but he does disturb it. The call rests with the Committee on Military Affairs.

The Clerk proceeded with the call of committees.

TENURE OF OFFICE OF THE MAJOR GENERAL COMMANDANT, UNITED STATES MARINE CORPS.

Mr. PADGETT (when the Committee on Naval Affairs was called). Mr. Speaker, by direction of the Committee on Naval Affairs, I call up the bill H. R. 10081, a bill to make the tenure of the office of the major general commandant of the Marine Corps for a term of four years.

Mr. MANN. Mr. Speaker, I make the point of order that this bill, which is on the House Calendar, should be on the Union Calendar.

The SPEAKER. Upon what ground does the gentleman make that point of order?

Mr. MANN. A part of the bill reads:

> And any officer appointed under the provisions of this act who shall be retired from the position of commandant of the Marine Corps by reason of age or length of service shall have the rank and retired pay of a major general; if retired for any other reason, he shall be placed on the retired list of officers of the grade to which he belonged at the time of his retirement: *Provided*, That an officer serving as commandant shall be carried as an additional number in his grade while so serving, and after his return to duty in his grade until said grade is reduced to the number authorized by law.

The latter provision provides for an additional officer in the Marine Corps, which, of course, carries with it the pay, making

an additional draft on the Treasury. The first part fixes the pay of a retired officer, and that would involve an expenditure of money from the Treasury.

Mr. PADGETT. The last proviso says:

Provided further, That nothing herein contained shall operate to increase or reduce the total number of officers in the Marine Corps now provided by law.

Mr. MANN. That may be, but it puts them in a different grade, and there is a difference in the pay.

Mr. PADGETT. But it does not increase the total number.

The SPEAKER. If it increases the total appropriation it ought to be on the Union Calendar, and there is where it goes. The House will resolve itself into Committee of the Whole House on the state of the Union.

Accordingly the House resolved itself into Committee of the Whole House on the state of the Union, with Mr. CLARK of Florida in the chair.

The CHAIRMAN. The House is now in Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 10081, a bill to make the tenure of the office of the major general commandant of the Marine Corps for a term of four years, and the Clerk will read the bill.

The Clerk read the bill, as follows:

Be it enacted, etc., That hereafter when a vacancy shall exist in the position of commandant of the Marine Corps the President may appoint to such position, by and with the advice and consent of the Senate, an officer of the Marine Corps on the active list not below the grade of field officer, who shall hold office as such commandant for a term of four years, and who, while so serving, shall have the rank, pay, and allowances of a major general in the Army; and any officer appointed under the provisions of this act who shall be retired from the position of commandant of the Marine Corps by reason of age or length of service shall have the rank and retired pay of a major general; if retired for any other reason, he shall be placed on the retired list of officers of the grade to which he belonged at the time of his retirement: *Provided*, That an officer serving as commandant shall be carried as an additional number in his grade while so serving, and after his return to duty in his grade until said grade is reduced to the number authorized by law: *Provided further*, That nothing herein contained shall operate to increase or reduce the total number of officers in the Marine Corps now provided by law.

Mr. PADGETT. Mr. Chairman, under the present law the commandant of the Marine Corps is appointed to hold during his official life; that is, he holds until he retires at the age of 64 years. This bill intended to make the appointment for a specific period of four years. It is recommended by the department in a letter of the Secretary of the Navy, which is embodied in the report. Under the existing law when the commandant retires he retires as a major general. Under the bill as reported if he retires from the position of commandant—that is, if he retires from the service while holding the office of commandant—he retires as a major general; but if he retires from the office and not from the service, he goes back to the grade to which he was entitled in the line. So that his advancement to the grade of major general would have been for the period during which he has served. If he retires from the service, he retires in the grade he holds in the line.

You will notice that the bill as reported provides that "if he retires as commandant of the Marine Corps by reason of age or length of service," but the committee this morning, upon recommendation of the Secretary of the Navy, has directed me to offer an amendment to insert in line 12, after the words "Marine Corps," the words "in accordance with the provision of sections 1251, 1622, 1623, Revised Statutes of the United States or," so that it would include a provision that he may retire on account of disabilities incurred in the line of service. For instance, under the bill as printed he could retire on account of age or length of service, but if he were wounded in battle and was retired, he would retire in the grade in which he belonged in the line, and not in the grade of major general, which rank and grade he held while serving as commandant. These sections of the Revised Statutes are the sections which provide for and regulate the retirement for disabilities in the service. So that if he retires from the office of commandant, he would have the right to retire for age and length of service and for disabilities incurred in the line of duty.

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

Mr. PADGETT. Yes.

Mr. ADAIR. Mr. Chairman, I would like to ask the gentleman if there is involved in this bill or proposition any increase of salaries or any increase of cost to the Government?

Mr. PADGETT. I do not think that it would involve any additional cost. Under the present law a commandant when appointed serves until his retirement at the age of 64. He is appointed to hold during the term of his official service; that is, until he retires at the age of 64 or until he should retire for other cause. When he retires, he retires with the grade and rank of major general. Under the provisions as reported in this bill he would be appointed for a period of four years. Of course, if they were to appoint a man who was 60 years of age every four years, you would have a man retiring every four years, the same as under existing law. Under existing law, if the President were to nominate and the Senate confirm the appointment of a man 60 years of age, he would retire at 64 and another one appointed at 60 years of age would retire at 64, so that the same possibilities exist under the two laws. It would depend on the action of the President. If you appointed a man under 60 years of age and he served four years and retired, he would not retire as major general at all, and would never retire as a major general. So that if the President were to nominate and the Senate confirm a man under 60 years of age every time, there would never be a retirement. Therefore, under this law the possibilities are the same so far as the number retiring is concerned, and it might be less.

Mr. ADAIR. Does the gentleman think it would have a tendency to increase the retired list among the officers in the higher rank?

Mr. PADGETT. I think not, if the President of the United States will not nominate men who are 60 years of age.

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

Mr. PADGETT. Certainly.

Mr. SLAYDEN. Is it not conceivable that a man may be chosen for the post of commandant of the Marine Corps under 60 years of age, say, 59 years, who would, after serving four years, be retired because of length of service and not because of age, and thus get added rank?

Mr. PADGETT. Yes.

Mr. SLAYDEN. The statement that the gentleman made a moment ago was that if they appointed men under 60 years of age that could not happen.

Mr. PADGETT. No; I did not say it would not happen. I was speaking of the age limit, and was explaining the age limit. That is also possible under existing law, and is taking place to-day. The present commandant of the Marine Corps has made application for retirement. He was appointed for an indefinite term, and he is not 64 years of age, but he has had the length of service required, and he is making application under existing law for retirement on account of length of service. It was just as I stated a moment ago.

Mr. SLAYDEN. He will retire with the rank of major general?

Mr. PADGETT. Yes; under the present law.

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

Mr. PADGETT. Certainly.

Mr. HAY. What provision is there in this bill which would prevent the President from redetailing any officer who was detailed for four years as commandant of the Marine Corps?

Mr. PADGETT. None whatever. He can reappoint him. He would then go to the Senate for confirmation, and, if confirmed, serve a second term; but if you got an inefficient man, instead of his holding for his official life, he would terminate in four years under the proposed bill and an efficient man could be appointed.

Mr. HAY. Does the gentleman know of an instance where a man has been detailed as the head of a corps where he has not been redetailed and kept in there until he was retired for age?

Mr. PADGETT. It does not do that. Whenever he is first appointed he is appointed for the full term until his retirement.

Mr. HAY. Oh, no; under the provisions of this bill you can appoint a major who was 45 years of age and he could stay there for 19 years.

Mr. PADGETT. Yes.

Mr. HAY. And I want to say to the gentleman that the experience in the War Department has been that wherever a man has been detailed at the head of a corps as a brigadier or a major general he has been redetailed and redetailed again until the age for retirement arrives, and he is only retired on account of age.

Mr. PADGETT. The gentleman does not seem to get the existing law. Under existing law it is not a detail; it is an appointment.

Mr. HAY. I understand that.

Mr. PADGETT. It is the same under the present law and this proposed bill.

Mr. HAY. I understand that.

Mr. PADGETT. You can appoint to-day a major, and if a major is appointed to-day he would hold until he is 64 years of age.

Mr. HAY. I understand that.

Mr. PADGETT. So that there is no change whatever in the provisions of the bill as reported and existing law.

Mr. HAY. But the gentleman does not catch my point. My point is, while it is an appointment now, it will be an appointment then.

Mr. PADGETT. Yes.

Mr. HAY. The President has to appoint all of these officers.

Mr. PADGETT. Yes.

Mr. HAY. Whether they are appointed for four years or whether they are appointed for life or for the term which they would hold these offices. Now, I say in practice that men who have been detailed and appointed to the position of brigadier general—for instance, take the Signal Corps, the chief of which corps is a brigadier general—it has been the uniform custom to redetail this man and to reappoint him until he arrives at the age of retirement. Now, is there anything in that bill which would require this commandant of the Marine Corps to give up the position at the end of the four years?

Mr. PADGETT. There is nothing that keeps the President from reappointing him. The President can reappoint him until he becomes ineligible. Under existing law when he appoints he holds until he is 64. Under the proposed law he appoints him for four years, and the President has the opportunity to appoint somebody else. Whether he will do that or not, I do not know; but the law gives him the opportunity, the power, and the authority so to do. Now, that is the difference.

Mr. SLAYDEN. Does the gentleman not think there ought to be a provision of law which would require a man detailed or appointed, whichever word you prefer to use, to the rank of commandant for four years, provided he does not reach the end of his official life before the four years of his detail shall have passed, to go back to the rank and position which he had held before he was detailed as such?

Mr. PADGETT. And not be reappointed?

Mr. SLAYDEN. Well, yes; I say not be reappointed.

Mr. PADGETT. This bill does provide that when he goes out at the end of four years he goes back to his rank in the line.

Mr. SLAYDEN. To the rank he held before.

Mr. PADGETT. Yes; it provides that——

Mr. SLAYDEN. But no provision against redetail?

Mr. PADGETT. None.

Mr. SLAYDEN. Does the gentleman not think there ought to be?

Mr. PADGETT. I do not. I think that the President and the country ought to have an opportunity to avail itself of the man who is the most available and the most useful.

Mr. SLAYDEN. And an opportunity for favoritism?

Mr. PADGETT. No, sir; I think not. I think that the President of the United States can be and must be trusted to exercise intelligently and patriotically the duty which Congress confides to him.

Mr. HOWARD. Mr. Chairman, I want to propound this question to the gentleman from Tennessee: In effect, if this bill is passed, an officer 57 years of age, without the requisite length of service to retire from office, say he attains 63 years of age, instead of being retired because of the fact he had not the length of service goes back into the Marine Corps as a colonel?

Mr. PADGETT. Yes; he goes back to the grade he held.

Mr. HOWARD. In the grade from which he was promoted to be major general commandant.

Mr. PADGETT. He may move up, in the meantime, in the regular line.

Mr. HOWARD. By promotion. That would put a man back in the service probably three or four numbers below the commanding position that he occupied as major general commandant——

Mr. PADGETT. That is true.

Mr. HOWARD. With this scramble that is always in evidence when a commandant is to be appointed.

You take this man and put him back as a colonel, or probably as a lieutenant colonel or major, to serve the balance of his time before he retires?

Mr. PADGETT. That is true.

Mr. HOWARD. Now, I want to ask the gentleman, in all candor, to give an expression of his opinion to this House as to what he thinks the effect of such a law would be upon the discipline in the Marine Corps.

Mr. PADGETT. I do not think there is any use of speculating on that, because we are doing it every day. Under the law as it now stands in the Navy any officer, even a commander, may be appointed chief of a bureau, and when he is appointed chief of a bureau he has the rank, pay, and allowances of a rear admiral, and when he goes out of the position of chief of bureau he goes back to the rank from which he was appointed. And only within the last few weeks Admiral Twining, while serving as Chief of Bureau of Ordnance, had the rank, title, pay, and allowances of an admiral, but when he passed out of that he went back and is now serving as a commander. Admiral Andrews was Chief of the Bureau of Navigation, having control and government of the whole personnel of the Navy. He passed away from the position of the chief of the bureau and went back into the position of commander, and since then has come up for promotion to captain. He has not yet been confirmed by the Senate, and is now serving in command of a ship as a commander. We have had that for years and years, and we have had multiplied instances of it, and instead of doing harm I think it does good. It gives an incentive to more men for opportunity to do something, and at the same time it gives an opportunity to the Government to place a man back in the ranks where his ability fits him, either up or down.

Mr. HOWARD. Now, Mr. Chairman, if the gentleman from Tennessee will indulge me just a moment further, I can see the logic of his statement if all those who sought to be commandant of the Marine Corps would, within the time that they were serving as major general commandant, be retired by virtue of length of service, but I venture the statement that not one man in ten to-day who is a colonel, a lieutenant colonel, or major in the Marine Corps would want to accept the position of major general commandant of the Marine Corps if he knew that during the time of his service as such he would not receive, as the gentleman from Virginia [Mr. HAY] stated a while ago, a reappointment to that office which would retire him within that grade during his tenure of service.

Now, further than that, if the gentleman will permit, this bill seeks to put men in office from the line without any idea of rank; that is to say, any man——

Mr. PADGETT. From the major up, and not below a major.

Mr. HOWARD. I understand not below a major. It means from major up.

Mr. PADGETT. But there are line officers below the rank of major.

Mr. HOWARD. But the captain and those folks never get anything, because they are swimming too close to the bank. [Laughter.] I am talking of folks likely to get these promotions.

Now, I go back to the original proposition. Does the gentleman think it would have a wholesome effect on the discipline of the Marine Corps, taking into consideration the fact that we have a plucking board in the Navy and not in the Marine Corps—does not the gentleman think it would have an unwholesome effect to reduce a man to major general commandant after serving four years in the Marine Corps to that of lieutenant colonel?

Mr. PADGETT. I do not, and I want to say that Maj. Gen. Biddle, who is now major general commandant of the Marine Corps, and has been for the last two years, has recommended this legislation, and is to-day recommending it, for the efficiency of the service. He is the commandant of the Marine Corps.

I want to say further that we have instances of it and illustrations of the workings of it with all of the bureaus. The bureau chiefs go back into their rank, and yet whenever there is an opportunity for appointment as chief of a bureau there are numbers of applicants who want it, knowing that when they retire—not longer than four years, and many of them do not serve as much as four years—they are to go back into the ranks and they take up the service patriotically and efficiently.

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

The CHAIRMAN. Does the gentleman from Tennessee yield to the gentleman from Pennsylvania?

Mr. PADGETT. Yes, sir.

Mr. HULINGS. The gentleman says appointment under this bill is for four years. There is nothing to prevent a reappointment, is there?

Mr. PADGETT. Nothing whatever.

Mr. HULINGS. This bill provides that the President may retrieve his mistake at the end of four years if he has made one?

Mr. PADGETT. That is it.

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

Mr. PADGETT. Yes, sir.

Mr. GOULDEN. The chairman of the Committee on Naval Affairs has so ably and so satisfactorily given the information which I desire that I simply want to thank him therefor and assure him of my appreciation of his courtesy in allowing me to make this statement.

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

The CHAIRMAN. Does the gentleman from Tennessee yield to the gentleman from New York?

Mr. PADGETT. Yes.

Mr. OGLESBY. Does this make any change in the existing law as to the grade from which men may be selected to the post of commandant of the Marine Corps?

Mr. PADGETT. None whatever.

Now, Mr. Chairman, I ask for the reading of the bill for amendment.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

Be it enacted, etc., That hereafter when a vacancy shall exist in the position of commandant of the Marine Corps the President may appoint to such position, by and with the advice and consent of the Senate, an officer of the Marine Corps on the active list not below the grade of field officer, who shall hold office as such commandant for a term of four years, and who, while so serving, shall have the rank, pay, and allowances of a major general in the Army.

Mr. MANN. Mr. Chairman, has the gentleman from Tennessee resumed his seat yet? Is this being read in the time of the gentleman?

The CHAIRMAN. This is being read for amendment.

Mr. MANN. Not yet. Whenever the gentleman from Tennessee resumes his seat I desire to take the floor.

Mr. PADGETT. I will state to the gentleman from Illinois that I have no desire whatever to cut off debate. After I had concluded I looked around over the Hall and nobody addressed the Chair. I will withdraw my request for the present.

Mr. MANN. Owing to the confusion, Mr. Chairman, we could not hear the gentleman from Tennessee, but we could see him. It looked as though he still had the floor.

The CHAIRMAN. Does the gentleman from Illinois desire to be recognized?

Mr. MANN. Yes; I desire to be recognized in my own time.

The CHAIRMAN. The gentleman from Illinois [Mr. MANN] is recognized.

Mr. MANN. Mr. Chairman, there are two theories, upon either one of which you may appoint a commandant of the Marine Corps.

Mr. PADGETT. Mr. Chairman, I reserve the remainder of my time.

Mr. MANN. There are, I believe, 10 colonels in this corps, and when a commandant is retired the President appoints a new commandant, or head of the corps, from one of the colonels. Under the existing law the new commandant remains commandant until he retires or dies or resigns. For a number of years the Navy Department has been urging the passage of this bill. Under the existing law when the President appoints a new commandant he attempts to select from the colonels eligible for appointment the best man for the place, and I think in the main he has been in the past singularly successful.

Now, the proposition comes up that a new commandant shall only be appointed for four years, and if we could be sure that when appointed he would serve four years, perhaps there would be no valid objection to the passage of the bill. Under the existing law the new commandant is appointed on merit, but if this bill becomes a law what will be the procedure?

Here are 10 colonels, one of them eligible for retirement in January, one of them eligible for retirement in June next, one of them eligible for retirement in December next. If not appointed commandant, they will be retired in the grade of colonel and receive the pay and allowances of a retired colonel—very much less, by the way, than the pay and the allowances of a major general. Under this state of affairs every one of the 10 colonels would be in favor of the appointment as commandant of the colonel who would be retired in January next, and in January that commandant would be retired as a major general; and the colonel then who was to be retired in June would be appointed as commandant, and in June he would be retired as a major general; and the next colonel eligible for retirement would be appointed as commandant, and he would be retired as a major general when the time came. And if this bill becomes a law it is not improbable that every one of the 10 colonels, most of whom under existing law when they reach the retiring age will be retired as colonels, would probably be retired as a major general.

Now, I do not blame these gentlemen for wishing to be retired at higher pay. I have no criticism of the Army or Navy officer who wishes to be retired at the highest possible compensation. It is his business to look out for himself. It is our business to do that which is best for the country at large.

Mr. TALBOTT of Maryland. Will the gentleman yield?

Mr. MANN. I yield to my distinguished friend from Maryland.

Mr. TALBOTT of Maryland. Could not the condition which you have described happen just as well under existing law as under this bill?

Mr. MANN. It could not.

Mr. TALBOTT of Maryland. Why not?

Mr. MANN. Under existing law the President endeavors to select the man for commandant on merit; but under this law—the instances are frequent——

Mr. TALBOTT of Maryland. Does the gentleman mean to say that under existing law if the President wanted to do what the gentleman has described he could not do it?

Mr. MANN. Oh, he could appoint these people; certainly.

Mr. TALBOTT of Maryland. Yes. That is all I wanted to know.

Mr. MANN. Under existing law the President selects the man on merit, because he serves during his tenure of office. Only recently—and I do not mean to criticize what was done—a very distinguished general who was Chief of the Corps of Engineers of the Army retired in advance of the time when he was required to retire, after he was permitted to retire under the law, in order that another member of the Engineer Corps might be appointed Chief of Engineers, so that he might be retired as a major general.

It will always be done when it can be done. Now, the present system endeavors to select the best man for the place.

In my opinion, the reason why this bill has been so urged for years is because it offers an opportunity to retire officers at a higher grade, and I have heard no reason given for changing the system except the effect on the retiring officers. If the House is anxious to increase the burden and the load of the retired officers of the Army and the Navy, it ought to pass this bill. I do not find fault with the present system, but I do not believe it ought to be increased or enlarged.

Mr. BUCHANAN of Illinois. Mr. Chairman, will the gentleman yield?

Mr. MANN. Certainly.

Mr. BUCHANAN of Illinois. I supported this bill in the committee, and I do not understand how it makes it possible to increase the number on the retired list at higher pay. The gentleman has not made it clear to me how it is possible to create more generals under this bill than would be possible under the present law, and he has admitted to the gentleman from Maryland [Mr. TALBOTT] that it might be done under the present law.

Mr. MANN. The reason is because the vacancies will occur so much more often.

Mr. BUTLER. And they are bound to come.

Mr. MANN. It is inevitable, when you have a four-year period, that the opportunity to fill this position occurs that much more frequently than if you have a longer period.

Mr. BUCHANAN of Illinois. Will the gentleman yield further?

Mr. MANN. Certainly.

Mr. BUCHANAN of Illinois. Is it not possible under the present system for the President to appoint a man 60 years of age, who in four years will be retired on account of age, or a man who may be retired on account of length of service? And can not the President reappoint every four years under this bill? This permits the President to appoint an officer who is the most efficient, and if he becomes inefficient it gives the President an opportunity to remove him. It seems that the opportunity is greater under this bill to create a greater efficiency than under the existing law, because at the present time there is no power to remove a commandant if he becomes inefficient.

Mr. MANN. I take it that if any commandant becomes inefficient Congress has the power to change the law—to cut off his term. As far as that is concerned, I think no one of them has ever been charged with inefficiency up to date. But if you pass this law, every four years comes the temptation to appoint a man solely for the purpose of giving him pay at a higher rank. Everyone in the House who is familiar with the practice knows that it has been a common practice to promote generals in the Army and officers in the Navy for the sole purpose of having them retired at higher pay, and it has very often been announced that that was the reason for the promotion.

Mr. FOSTER. I should like to ask my colleague a question.

Mr. BUCHANAN of Illinois. Will the gentleman yield further?

Mr. MANN. Certainly.

Mr. BUCHANAN of Illinois. I do not understand how this makes it possible to increase the number more than under the present law. The gentleman has not made it clear to me yet, although he is a very able Member of the House.

Mr. MANN. Because the opportunity comes that much oftener. It is not customary now to appoint a commandant who is within four years of the retiring age, and hence the opportunity does not come every four years under existing law to run these people through this conduit into higher retired rank; but if you put in a new commandant every four years, you give the opportunity that much oftener for this temptation to be availed of.

Mr. BUCHANAN of Illinois. I believe the gentleman has admitted that the practice is here now. What would be the incentive on the part of the President to take advantage of the

opportunity under the new law any more than under the present law?

Mr. MANN. Well, I think it is perfectly patent. I have given an instance of where the officer was to be retired in January or June. Of course that is not the way the retirement comes. Usually several officers are eligible for retirement at the same time. If it happens to come at a four-year period under this law, they will all be retired through the conduit of this system as major generals.

Mr. FOSTER. I have yet failed to understand—it is probably my fault—how these officers will be retired at the high rate. If a colonel serves four years as commandant and goes back to his command he takes the same grade, and if he should be 64 years of age, eligible to be retired at the end of his service as commandant, does he retire at a higher grade than he served before he was promoted?

Mr. MANN. If he goes back as a colonel he would be retired as a colonel, but if he is retired while he is commandant he is retired as a major general.

Mr. FOSTER. If he is 64 years of age, eligible to be retired while serving as commandant, he retires at the pay of a major general?

Mr. MANN. I do not think he is required to be 64 years of age. I do not think a man has to be 64 years of age to be retired in the Marine Corps service. He is compulsorily retired at the age of 64, but if he can retire as a commandant, as a major general, within the term he retires as a major general because he has served for 30 years. Then the next man would do the same thing. You will never, in my judgment, see a commandant at the head of this corps who will ever go back in the corps to a position as colonel. He will be retired as a major general. The retired pay of a major general is higher, I think, than the pay of a colonel. While the bill provides in reference to them, as a proper precaution, no one familiar with the service ever expects that to be done. I do not think anybody desires it to be done. The man who has been a commandant ought not to be put back in a subordinate position.

Mr. FOSTER. The reason I asked my colleague the question is that I understood the chairman of the committee to say that he was retired at the rank which he held before being advanced to the rank of commandant.

Mr. MANN. If he is retired while commandant, no matter what his rank was before, he is retired as a major general. If his term runs out while he is commandant and he is foolish enough not to retire, he would go back to his former grade of colonel. Then if he is retired after that he would be retired as a colonel. But if there is anybody in the Marine Corps so foolish as to do that he ought to be dismissed for inefficiency.

Mr. FOSTER. Under this bill—and I think the gentleman is correct—his contention is that there would be more men advanced who would be entitled to be retired at a higher grade?

Mr. MANN. Undoubtedly; a man who is commandant and can retire as a major general and let his friend come in as a commandant and retire as a major general would be very unkind, both to himself and his friend, if he did not avail himself of the opportunity.

This is not the first time this bill has been before Congress. When the last vacancy occurred, at the time Gen. Biddle was appointed commandant, and before his appointment, the Navy Department recommended the passage of this bill. Congress declined to pass it. I do not believe that this House, which I think is not any more favorable to retiring officers at a higher pay than the previous Congress, ought to favorably consider it.

Mr. PADGETT. Mr. Chairman, I want to make one or two observations. This is my ninth year in service on the Committee on Naval Affairs, and if this bill has been before the committee at any time, I fail at this time to recall it. I do not remember that the department has ever recommended this bill before. It is true that Gen. Elliott, the former commandant, did advocate such a law. Gen. Biddle, the present commandant, has advocated it, but if the department has ever heretofore recommended it, I fail at this time to recall it. I have asked the gentleman from Maryland, who sits by me, Mr. TALBOTT, a member of the committee, and I have also asked the clerk of the committee, and neither one of them recall that this matter has been before the committee heretofore.

Mr. MANN. Will the gentleman yield?

Mr. PADGETT. Certainly.

Mr. MANN. Does not the gentleman recall the fact that when Gen. Elliott was retired the appointment of a new commandant was held up for a long time in order to let Congress act on the recommendation of the Navy Department, making a fixed term of four years?

Mr. PADGETT. I do not.

Mr. MANN. Well, I do.

Mr. PADGETT. I do not recollect that there was such recommendation made, nor do I remember that it has ever been before the committee.

I desire to call attention to other statements of the gentleman from Illinois. Take his illustration about the 10 colonels. The very thing that he says about the colonels that can be done under this proposed law can be done under existing law to-day. The President, if he wanted to, could select men who are 63 years of age and nominate them to the Senate, and the Senate could confirm them. They would serve one year and would retire as major generals, and whatever the age of the oldest man was, he would nominate him, the Senate could confirm him, and he would pass out at 64 years of age.

Mr. HAY. I call the attention of the gentleman to the fact that that is not true in the Army.

Mr. PADGETT. I do not know anything about the Army. I am talking about the Marine Corps.

Mr. STAFFORD. Mr. Chairman, I would like to have the chairman's view as to whether or not the President would be open to criticism for that character of practice?

Mr. PADGETT. He would. I want to say this, that when the gentleman from Illinois speaks about the present law he says, first, that under existing law the desire and the practice and the inclination is to seek men of merit and nominate them and have them appointed, but he says that if you pass this law that practice will not prevail, and he imputes to the President the possibility—yea, the probability—that instead of following the custom that has characterized the Presidents in the past the present President or future Presidents will select men simply for the purpose of augmenting and piling up the retired list.

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

Mr. PADGETT. Certainly.

Mr. WITHERSPOON. Assuming that the President of the United States is the kind of officer that they claim he is, can not he do that very thing now?

Mr. PADGETT. That is what I say; yes.

Mr. WITHERSPOON. Can not he pick out men in the Marine Corps who for length of service or for age will retire in a month or two months or a year and under the present law just appoint that class in order to increase the retired list, if he so desires?

Mr. PADGETT. He could increase and multiply it just as fast as he could find men who would reach 64 years of age or who will soon have 30 years of service. That is the existing law, and yet they say the President and the appointing power of the Senate are moved by good principles and purposes under existing law, but that if you enact the law and make it four years, so that the President will have an opportunity to bring better material in, if he has inefficient men in the service; therefore the President will pervert the functions of his office and will appoint men who are not reliable and competent.

Mr. HAY. Is it not a fact that the officers of the Marine Corps are appointed under the same law as the officers of the Army?

Mr. PADGETT. Yes; they have the same general regulations.

Mr. HAY. And the same general law. As I understand the law, as it applies to the Marine Corps it will be impossible for the President to do what the gentleman has said.

Mr. PADGETT. The gentleman means for the Army?

Mr. HAY. Or the Marine Corps. They are appointed, as I understand, under the law which governs appointments in the Army and they draw the same pay and allowances.

Mr. PADGETT. They have the same organization?

Mr. HAY. Yes.

Mr. PADGETT. But under the law the commandant of the Marine Corps is appointed for his official life, until 64 years of age, and not for a definite term.

Mr. HAY. What I am coming at is this, that under the law that prevails in respect to promotions in the Army, a man can not be promoted to the grade of brigadier general two months before he arrives at the retiring age. The law provides that a man must serve one year in the rank of brigadier general before he can be retired. I just want to call attention to that, and to what I believe to be the case, that that would apply to the appointment of a major general of the Marine Corps.

Mr. PADGETT. Well, there is this difference, there is no grade of brigadier general in the Marine Corps.

Mr. HAY. But applied to major general, too.

Mr. PADGETT. If it applies to major general, the result could not take effect.

Mr. HAY. In other words, an officer appointed to the rank of brigadier general of the Army can not be appointed to this

position two or six months before he arrives at the retiring age, because the law provides that he must serve one year; so that a colonel 63 years and 6 months old could not be made a brigadier general.

Mr. PADGETT. As far as a law to prevent, it could be done. I do not know of that law, but the thing I want to call attention to is this, that in this respect it does not change the law one particle. The existing law and this proposed bill are the same.

Mr. GARRETT of Texas. Will the gentleman yield?

Mr. PADGETT. Yes.

Mr. GARRETT of Texas. If I understand the situation, boiled down it is that the gentleman simply proposes by this bill to change the law from a life tenure to four years' service?

Mr. PADGETT. That is the sum, substance, and merit of it. Now, Mr. Chairman, if there is no one else desiring to address the House, I will ask for a reading of the bill.

The CHAIRMAN (Mr. GARD). The Clerk will read the bill for amendment.

The bill was read.

Mr. PADGETT. Mr. Chairman, I offer a committee amendment.

The CHAIRMAN. The Clerk will report the committee amendment.

The Clerk read as follows:

Amend, line 12, after the words "Marine Corps," by inserting the words "in accordance with the provisions of sections 1251, 1622, and 1623 of the Revised Statutes of the United States or."

The question was taken, and the amendment was agreed to.

Mr. HAY. Mr. Chairman, I offer an amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Amend, line 8, page 1, after the word "years," by inserting the words "unless sooner relieved."

Mr. HAY. Mr. Chairman, the purpose of that amendment is to permit the appointing power to relieve this officer sooner.

Mr. PADGETT. That is all right; we have no objection.

The question was taken, and the amendment was agreed to.

Mr. HAY. Mr. Chairman, I offer a further amendment, to come in at the end of the bill.

The CHAIRMAN. The Clerk will report the amendment.

MESSAGE FROM THE PRESIDENT OF THE UNITED STATES.

The committee informally rose; and the Speaker having resumed the chair, sundry messages, in writing, from the President of the United States were communicated to the House of Representatives by Mr. Latta, one of his secretaries, who also informed the House of Representatives that the President had, on December 8, 1913, approved and signed joint resolution of the following title:

H. J. Res. 155. Joint resolution extending time for completion of classification and appraisement of segregated coal and asphalt lands of the Choctaw and Chickasaw Nations and of the improvements thereon, and making appropriation therefor.

TENURE OF OFFICE OF THE MAJOR GENERAL COMMANDANT, UNITED STATES MARINE CORPS.

The committee resumed its session.

The Clerk read as follows:

Insert at the end of the bill, page 2, the following: "*Provided further*, That no person shall be eligible to redetail as commandant of the Marine Corps until he shall have served two years in the Marine Corps."

Mr. HAY. Mr. Chairman, the committee in its report referred to the appointment of the Chief of Staff of the Army, and they stated they wanted to bring this appointment in line with the tenure of the office of the Chief of Staff of the Army. Under the law the Chief of Staff can not serve as Chief of Staff except for four years, until he has returned to the line and served two years there, except in time of war or in case of emergency. If that is what the gentleman desired to bring about, to put the Commandant of the Marine Corps on the same basis as the Chief of Staff of the Army, the amendment which I offer effects it.

Mr. PADGETT. Mr. Chairman, I do not think that is a wise amendment or that it should be agreed to. I think that the President should have the power and the authority to reappoint an efficient man if he thinks that it is proper to do so. This amendment would require that the commandant should pass out of the service as commandant for two years before he could be reappointed by the President, and I think that this should be left with the President to say whether or not the services of a man are such that he would be justified in reappointing him. The reappointment has to go to the Senate for confirmation, and to say that a man could not be reappointed I do not think would be proper legislation.

Mr. HAY. Mr. Chairman, it will not prevent a man from being reappointed after serving two years in the Marine Corps. Now, the Chief of Staff of the Army is a very much more important officer than the Commandant of the Marine Corps. He is the chief of the Army, consisting now of 90,000 men, and the law provides that he should only serve four years, and that at the end of the four years he shall return to the line of the Army. Now, the report made by the gentleman and his committee calls attention to the fact that they desire that the Commandant of the Marine Corps should have the same tenure of office as the Chief of Staff of the Army.

If that is what they desire, this amendment accomplishes that purpose. It does seem to me, if the purpose is to have a man serve four years as Commandant of the Marine Corps, the way to accomplish that is to embody in this law the provisions which are contained in the law with regard to the Chief of Staff of the Army.

Mr. PADGETT. I ask for a vote, Mr. Chairman.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Virginia [Mr. HAY].

The question was taken, and the Chair announced that the ayes seemed to have it.

Mr. PADGETT. Division, Mr. Chairman.

The committee divided; and there were—ayes 5, noes 26.

So the amendment was rejected.

Mr. PADGETT. Mr. Chairman, I move that the committee do now rise and report the bill to the House as amended, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. GARD, 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. 10081, and had directed him to report the same to the House with amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The SPEAKER. Is a separate vote demanded on any of the amendments? [After a pause.] If not, the Chair will put them in gross.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill as amended was ordered to be engrossed and read a third time and was read a third time.

Mr. MANN. Mr. Speaker, I move to recommit the bill to the Committee on Naval Affairs.

The SPEAKER. The gentleman from Illinois moves to recommit the bill to the Committee on Naval Affairs.

The question was taken, and the Speaker announced that the noes seemed to have it.

Mr. MANN. Mr. Speaker, I ask for a division.

The House divided; and there were—ayes 35, noes 79.

So the motion was rejected.

The SPEAKER. The question is on the passage of the bill.

The question was taken, and the Speaker announced that the noes seemed to have it.

Mr. PADGETT. Division, Mr. Speaker.

The House divided; and there were—ayes 81, noes 32.

So the bill was passed.

On motion of Mr. PADGETT, a motion to reconsider the vote by which the bill was passed was laid on the table.

PETITION FOR AMENDMENT TO CONSTITUTION.

Mr. HOBSON. Mr. Speaker——

The SPEAKER. For what purpose does the gentleman from Alabama [Mr. HOBSON] rise?

Mr. HOBSON. Mr. Speaker, I rise to ask unanimous consent that at 3 o'clock to-morrow one hour may be set aside for the purpose of presenting a petition that was brought to-day by a committee of 1,000 from all the States of the Union, with the view to an ultimate constitutional amendment for prohibition in the United States. And I would like to say in this connection that it is simply a courtesy which I wish to have extended to this great committee, and not a matter of consideration of the merits of the question.

Mr. BARTHOLDT. Mr. Speaker, regular order.

The SPEAKER. The question is on the request of the gentleman from Alabama [Mr. HOBSON] for unanimous consent to set aside an hour to-morrow, beginning at 3 o'clock, to present a petition from a committee of 1,000——

Mr. HOBSON. With appropriate remarks.

The SPEAKER. With appropriate remarks, and present a petition of a committee of 1,000 from a convention recently held in Columbus, Ohio, looking to country-wide prohibition. Is there objection?

Mr. BARTHOLDT. I object.

Mr. HOBSON. Before the gentleman objects——

The SPEAKER. The gentleman has objected.

Mr. HOBSON. I want to ask the gentleman to reserve his right to object. I am sure he will do it out of courtesy.

Mr. BARTHOLDT. I will.

Mr. HOBSON. I want to have the gentleman understand that the proposition is not for a discussion of the merits of the bill.

Mr. DONOVAN. Mr. Speaker, the regular order.

The SPEAKER. The regular order is the objection to the request of the gentleman from Alabama [Mr. HOBSON].

Mr. BARTHOLDT. I reserved the right to object.

Mr. HOBSON. The gentleman reserved it.

The SPEAKER. But the gentleman from Connecticut asked for the regular order.

Mr. HOBSON. Was that the gentleman from Connecticut [Mr. DONOVAN]?

The SPEAKER. Yes, sir.

Mr. HOBSON. Mr. Speaker, I wish to give notice that at 4 o'clock to-morrow I shall move to adjourn, and those who care to stay here will hear remarks on this question.

Mr. MANN. It is so seldom the gentleman is here that we would like to hear what he has to say. [Laughter.]

TENTH INTERNATIONAL VETERINARY CONGRESS (H. DOC. NO. 462).

The SPEAKER laid before the House the following message from the President of the United States, which was read and, with the accompanying documents, referred to the Committee on Foreign Affairs and ordered to be printed:

To the Senate and House of Representatives:

In view of the provision contained in the deficiency act approved March 4, 1913, that—

Hereafter the Executive shall not extend or accept any invitation to participate in any international congress, conference, or like event without first specific authority of law to do so—

I transmit herewith for the consideration of the Congress, and for its determination whether it will authorize the acceptance of the invitation, a report from the Secretary of State, with accompanying papers, being an invitation from the Government of Great Britain to that of the United States to send delegates to the Tenth International Veterinary Congress, to be held at London from the 3d to the 8th of August, 1914, and letters from the Department of Agriculture showing the favor with which that department views the proposed gathering.

It will be observed that the acceptance of the invitation will involve no special appropriation of money by this Government.

WOODROW WILSON.

THE WHITE HOUSE, *December 10, 1913.*

REPORT OF THE COMMISSION OF FINE ARTS (H. DOC. NO. 461).

The SPEAKER also laid before the House the following message from the President of the United States, which was read and, with the accompanying documents, referred to the Committee on the Library and ordered to be printed:

To the Senate and House of Representatives:

I transmit herewith for the information of the Congress the report of the Commission of Fine Arts for the fiscal year ended June 30, 1913, with accompanying illustrations.

WOODROW WILSON.

THE WHITE HOUSE, *December 10, 1913.*

ENROLLED JOINT RESOLUTION SIGNED.

Mr. ASHBROOK, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled joint resolution of the following title; when the Speaker signed the same:

H. J. Res. 164. Joint resolution authorizing the Secretary of the Senate and the Clerk of the House to pay the officers and employees of the Senate and House, including the Capitol police, their respective salaries for the month of December, 1913, on the 20th day of said month.

CHANGE OF REFERENCE.

By unanimous consent, the Committee on Appropriations was discharged from further consideration of the bill (H. R. 9822) establishing the Mammoth Cave National Park, and the same was referred to the Committee on the Public Lands.

NAVAL MILITIA.

Mr. PADGETT. Mr. Speaker, by direction of the Committee on Naval Affairs, I call up the bill (H. R. 8667) to promote the efficiency of the Naval Militia, and for other purposes, on the Union Calendar, No. 26.

The SPEAKER. The House resolves itself automatically into Committee of the Whole House on the state of the Union, and the gentleman from Illinois [Mr. FOSTER] will take the chair.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 8667, with Mr. FOSTER in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 8667, which the Clerk will report.

The Clerk read the title of the bill, as follows:

A bill (H. R. 8667) to promote the efficiency of the Naval Militia, and for other purposes.

Mr. PADGETT. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. The gentleman from Tennessee [Mr. PADGETT] asks unanimous consent that the first reading of the bill be dispensed with. Is there objection? [After a pause.] The Chair hears none, and it is so ordered.

Mr. PADGETT. Mr. Chairman, I do not wish to consume much time in explanation of this bill, as I do not deem it necessary.

I may say that at the last session of the last Congress the Committee on Naval Affairs favorably reported a bill which is the same as this, with the exception of a few amendments, mostly verbal, which have been made in the present bill.

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

Mr. PADGETT. Yes.

Mr. MANN. Is the bill now reported with these changes practically what was known as the Foss bill that the House voted on?

Mr. PADGETT. Yes, sir; it is almost identical. I was going to add that in the Congress preceding the last the Naval Committee reported substantially this bill, with only verbal changes, and the House passed the bill, but it was so late in the session that it did not receive consideration in the Senate. At the last session of the last Congress the Senate passed the bill, but it was so late in the session that the House did not have opportunity to consider it; so that this bill, with but few changes, not material or substantial, has been passed by both bodies.

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

The CHAIRMAN. Does the gentleman from Tennessee yield to the gentleman from Indiana?

Mr. PADGETT. Yes.

Mr. COX. What is the proposed maximum to which the Naval Militia can be extended?

Mr. PADGETT. There is no limit. The Naval Militia is organized under the States.

Mr. COX. Do the States have any limit of law regulating the number of men who can join the State Naval Militia?

Mr. PADGETT. They have no regulations, as I understand, limiting the number. They have regulations as to the organization, as to qualifications, as to examinations, professional and physical, and along that line, but there is no limitation, as I understand, as to the number the State may from time to time authorize.

Mr. COX. This bill proposes, as I understand, to take all the State Naval Militia and coordinate and make it a branch of the Navy?

Mr. PADGETT. Yes; substantially. But we limit the total appropriation in the bill to $200,000.

Mr. COX. That is to meet the present requirements?

Mr. PADGETT. No; that is the limitation that is fixed. It will require legislation on this bill to enlarge it hereafter.

Mr. COX. Oh, yes; but I say that only meets the present requirements—$200,000. There is nothing in that to keep a future Congress from increasing the appropriation from time to time as the number of men might be added to the various Naval Militias of the States?

Mr. PADGETT. Yes.

Mr. COX. How many men now belong to the Naval Militia?

Mr. PADGETT. The report gives it exactly—8,126 officers and enlisted men. The gentleman will find that on page 3 of the report.

Mr. COX. Do I understand the gentleman to state that the sum total of the cost contemplated by the proposed bill for the next year can not exceed $200,000?

Mr. PADGETT. Without legislation of Congress it can not, at any time, be other than the amount carried in the annual appropriation bill.

Mr. COX. I take it that if the bill becomes a law the Committee on Appropriations will very likely follow out the mandates of the law and make the appropriations.

Mr. PADGETT. But anybody could make a point of order against that. There is to-day in the annual naval appropriation bill an appropriation of $125,000 toward defraying the expenses of the Naval Militia as it exists now, and that has been

carried for a great many years. It was authorized a good many years ago.

Mr. COX. That amount of money, as I understand it, is expended to pay the expenses of the Naval Militia at Naval Militia maneuvers each year.

Mr. PADGETT. Yes; that and repairs and fittings and furnishings and things of that kind.

Mr. COX. Do you mean that only $125,000 is paid out for all those things?

Mr. PADGETT. Yes. The appropriation reads—

Arming and equipping the Naval Militia, $125,000.

When this bill came to the committee, speaking personally, I insisted that there should be a limitation upon the cost, and it was upon my initiative that the $200,000 limit was fixed. I will state that a board of officers of the Naval Militia of the several States and the Navy Department have been working upon this bill for several years.

Mr. COX. Very actively?

Mr. PADGETT. Yes.

Mr. COX. Doing their best to get Congress to pass this kind of legislation.

Mr. PADGETT. They have been trying to perfect the measure, and this measure puts it upon the same basis as the Dick bill relating to the land militia, so far as it can be adapted and adjusted to the Naval Militia.

Mr. COX. Do these officers in the State Naval Militia draw any salaries now?

Mr. PADGETT. Not in time of peace.

Mr. COX. Will they get any part of this $200,000 appropriation in the way of salaries?

Mr. PADGETT. Nothing in the way of salaries. They get pay when they go upon the maneuvers, the same as the land militia get allowances and pay at such times.

Mr. COX. Does that only cover expenses, or is it anything in addition to that?

Mr. PADGETT. They get pay, as I remember it.

Mr. COX. When they are engaged in the maneuvers.

Mr. PADGETT. During the few days that they are engaged in the maneuvers each year.

Mr. COX. They will be drawing a salary during that time.

Mr. PADGETT. Yes.

Mr. COX. So that future appropriations will be governed entirely in their amount by the number of men who enlist in the various States from year to year.

Mr. PADGETT. If they were to enlist; but the number in the Naval Militia is now as high or higher than it ever has been, and it has never exceeded 8,000 or 9,000 men.

Mr. COX. Does not the gentleman believe the moment this bill becomes a law and they see inducement held out to them, to the end that they can draw salaries and have a good time at the public expense, the number of enlistments will rapidly increase largely all over the United States, and in a very few years we will be appropriating not less than $1,000,000 per year?

Mr. PADGETT. No, sir; the expense will be very little. I want to say to the gentleman that I do sincerely hope and the department sincerely hopes that it will increase.

Mr. COX. What—the number or the expense?

Mr. PADGETT. The number of men. There is nothing that would yield so large a benefit to the Navy as to have an organized militia in reserve that could be put upon our ships, as the department says, as an organized force in 48 hours.

Mr. BUTLER. In 36 hours.

Mr. PADGETT. They say 36 hours, but I say 48 hours after the danger signal appears.

Mr. BUTLER. Well-equipped men.

Mr. PADGETT. Well-equipped men, trained and organized, and at a trifling expense.

Mr. COX. I am aware of the fact that that argument is always used.

Mr. PADGETT. And for the trifle it would cost the Government there is nothing that would yield so great a profit and benefit to the Government as to have an organized naval militia.

Mr. COX. Where are you going to have room to put the men of the Naval Militia, if the number of men in the Navy is now up to the maximum standard?

Mr. PADGETT. We are up to the maximum standard of authorized enlistment, but we are about 30,000 men short of the enlistment necessary to equip on a war basis the vessels that we now have.

Mr. COX. In the event of an emergency, is it designed that the Naval Militia shall take the places of these sailors?

Mr. PADGETT. Yes; and it is made compulsory that they shall come in in advance of future enlistments.

Mr. CALLAWAY. Will the gentleman yield?

Mr. PADGETT. With pleasure.

Mr. CALLAWAY. There is no provision in the bill for paying the militia, but there is a bill pending now in Congress providing payment for the land militia.

Mr. PADGETT. Yes.

Mr. CALLAWAY. What probability is there of its passing?

Mr. PADGETT. I can not tell the gentleman. I do not know what the future may have in store for it.

Mr. CALLAWAY. This bill provides for an increase in the naval militia?

Mr. PADGETT. It provides for an organization of it.

Mr. CALLAWAY. If that bill I spoke of should pass, providing pay for the Army Militia, does not the chairman think that this organized Naval Militia would immediately and with some show of right clamor for payment?

Mr. PADGETT. I think if they organize a Naval Militia and Congress should pass the bill to pay the land militia, they ought to pass the same provision for the Naval Militia. As to what will be done, of course, I do not know.

Mr. CALLAWAY. Is it not a fact that when organizations are perfected they will immediately go to work to get on the pay roll, and when you provide for an increased Naval Militia and an organization in Washington they will immediately go to work to make themselves a buffer back at home to induce the Congressmen to put them on the pay roll, and then this Congress will do what they think the political exigencies at home demand?

Mr. PADGETT. No; I think the gentleman has made his statement too broad.

Mr. CALLAWAY. I have been here three years, and that is about what I see.

Mr. MOORE. Will the gentleman yield?

Mr. PADGETT. Certainly.

Mr. MOORE. Does the gentleman know of any considerable number of his fellow citizens who are willing to serve in the Army and Navy for nothing?

Mr. PADGETT. No; we have a good many enlistments in the State of Tennessee. We have a good National State Guard there. We have always been proud of the fact that in every call that has been made by the President of the United States for volunteers the State of Tennessee always sent more than she was asked for. For that reason she has become known and has been given the name of the "Volunteer State."

Mr. MOORE. Does the gentleman think that any body of citizens should enlist in the Army or the Navy to perform service without some return?

Mr. PADGETT. This is not an enlistment. This does not enlist them, but it organizes the militia and provides for some help in training, furnishing them ships, officers to train them, and limits the total appropriation, as stated in the bill, to $200,000 a year.

Mr. MOORE. Will the gentleman consider this phase of it? To train men on a battleship, whether voluntary or in the regular service, will also tend to equip them for service in the merchant marine.

Mr. PADGETT. Yes; and give them much valuable military service, which could be available in the Army.

Mr. MOORE. Is it not a fact that we are at a loss to obtain sufficient men to man the ships now engaged in our merchant marine?

Mr. PADGETT. Yes.

Mr. MOORE. Would it not be an inducement to the young men of the country to equip themselves so that they might be of value in serving either on land or sea?

Mr. PADGETT. Yes; but I am not looking at it collaterally, but for the direct benefit of it. We need the men; we are 30,000 short of enlisted men to-day upon a war basis. It would be a very expensive matter to enlist these 30,000 men to equip all our ships in full commission. We have a large number of battleships and cruisers, and others that are in reserve, with only a skeleton crew. If we had a large body of trained men, who each year had some practice, so organized with a very trifling expense that upon the breaking out of trouble who could, within a few hours, go on the ship ready to serve efficiently and take the place of enlisted men and become enlisted men, it is apparent to me that we should derive a benefit beyond expression.

Mr. MOORE. The young men who enter the Naval Militia are not confined to any one State or coast line?

Mr. PADGETT. No, sir.

Mr. MOORE. I observe that, on page 3, a statement is made of the strength of the Organized Militia in the country, and

that Chicago is third on the list, with 505 men enrolled as petty officers and seamen.

Mr. PADGETT. Well, Chicago has the Great Lakes available to her.

Mr. MOORE. I should say Illinois, not Chicago.

Mr. PADGETT. Chicago has a naval militia, also.

Mr. MOORE. Massachusetts stands at the head of the list and California second.

Mr. PADGETT. And all of the lake States have naval militia.

Mr. MOORE. I wanted to call the gentleman's attention of the fact that while Massachusetts does stand at the head of the list, with 640 men reported for this volunteer service, the State of Illinois, which is interior and might not be affected by this coast-line question at all, is second in rank so far as enrolled men are concerned, and has 505 men on the list.

Mr. PADGETT. Yes; and it has been the practice and is to-day the practice of the Navy Department to furnish to these men ships to train upon, and each year in the summer season they go out under charge and control of naval officers, and it is no junket trip. They go there, and in connection with the enlisted force and the regular men upon the ships they do the work and take the training that the regular enlisted men do.

Mr. COX. How long do these cruises last?

Mr. PADGETT. From two to three weeks.

Mr. COX. Once a year?

Mr. PADGETT. Yes.

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

Mr. PADGETT. Certainly.

Mr. GOULDEN. I simply desire to ask whether the Naval Militia is on the same plane as the National Guard as to benefits, advantages, and so forth?

Mr. PADGETT. Just as far as it was able to adapt and adjust the Dick bill to the Naval Militia it has been done.

Mr. GOULDEN. There is no special advantage of the National Guard over that of the Naval Militia, so far as the National Government is concerned?

Mr. PADGETT. Nor of the Naval Militia over the National Guard.

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

Mr. PADGETT. Yes.

Mr. HULINGS. I would like to call the attention of the chairman of the committee to the language that is used in line 5, on page 4, as to the service which may be exacted of the Naval Militia—

to serve during the term so specified, either within or without the territory of the United States.

This Naval Militia is but a part of the Organized Militia, according to the first section of the bill.

Mr. PADGETT. Yes.

Mr. HULINGS. And I am told, or I find by the report of the Attorney General of the United States, that the Dick bill, under which the Organized Militia is provided, is unconstitutional in that part of it which requires service outside or beyond the boundaries of the United States. I would like to ask the gentleman if he has taken that into consideration in the framing of that part of his bill?

Mr. PADGETT. If the gentleman will read the whole bill and get the scope of it, he would see that that service takes place after they enlist and at the breaking out of hostilities. They then come in and become a part of the naval force, and the gentleman's objection does not apply. This training is of the Naval Militia, but when hostilities break out and the President calls upon them they come in then and are mustered into the service of the United States, and their character as militia then terminates.

Mr. HULINGS. I do not so understand the bill. Section 3 of the bill seems to cover that question. That section provides that the President may call them into service without further enlistment, and without such enlistment the bill is open to the charge of the Attorney General of unconstitutionality. The only authority we have to call any portion of the forces of the United States the "Organized Militia" is through the Dick Act, and this bill starts out by prescribing that the Naval Militia shall be a part of the Organized Militia; and if the Organized Militia can not be sent abroad, how can the Naval Militia, which is a part of the Organized Militia, be sent abroad?

Mr. PADGETT. No; the "Organized Militia" refers to the States.

Mr. HULINGS. The bill reads:

That of the Organized Militia, as provided for by law—

And so forth.

Mr. PADGETT. That is the State law and the State organization.

Mr. HULINGS. To continue:

such part of the same as may be duly prescribed in each State, Territory, and for the District of Columbia shall constitute a Naval Militia.

If it is true that the Organized Militia can not be sent abroad, how under this bill can you send the Naval Militia abroad?

Mr. PADGETT. Certainly; and the organization is under the State law, and we take up that organization and bring it in and recognize it and deal with it. But the organization in the first instance is through the State law.

Mr. HULINGS. But the State law does not know anything about the Organized Militia. The term was originated in the Dick law, and that is where you get it. However, I only wished, Mr. Chairman, to call the attention of the gentleman to this part of the act.

Mr. PADGETT. If the gentleman will get the report, he will see that it is set out at great length in the report. The law of the State of Massachusetts is illustrative of the laws and an example of laws of other States wherein the militia is organized. Does anyone else desire any general debate?

Mr. MANN. I would like to ask the gentleman a few questions about the bill.

Mr. PADGETT. Yes, sir.

Mr. MANN. On page 5 there is a proviso:

Provided, however, That any officer or enlisted man of the Naval Militia so qualified who shall refuse or neglect to present himself for such muster upon being called forth as herein prescribed shall be subject to trial by court-martial and shall be punished as such court-martial may direct.

Is the effect of that to provide that if the President calls upon the Naval Militia that any enlisted man in the State militia who refuses to go into the Government service is to be court-martialed?

Mr. PADGETT. Yes, sir.

Mr. MANN. Is that same provision in the Dick bill?

Mr. PADGETT. It is in the Dick bill; yes, sir. If they are to receive the benefits, then, when the Government needs them, it should have some power to compel them to come in.

Mr. MANN. The point that occurred to me was that it might be much more difficult to get men into the Naval Militia in the States if, when they went in, they were told that at any time they might be compelled to go into the field and leave their work at home. Here is a boy, for instance, who has a mother dependent upon him. He is quite willing to enlist in the Naval Militia, quite willing to enlist for the Government if conditions are so that he can, but he might be wholly unwilling to be forced to go away from home.

Mr. PADGETT. What will be the advantage or good to the Government to enlist him and train him if when the Government needs him he refuses to go?

Mr. MANN. Well, that is the case with all of our naval officers now. What is the advantage of having them if they do not go when they are needed? Nobody knows when we will need them and nobody knows whether they will resign——

Mr. PADGETT. But a naval officer can only resign with the consent of the President.

Mr. MANN. That is true, but if he has resigned you can not pull him back in. The point raised in my mind was whether it may not affect disadvantageously the raising of the Naval Militia——

Mr. PADGETT. I think not.

Mr. MANN. And getting men to enlist.

Mr. PADGETT. The officers of the Naval Militia who have been giving very great study and pains to this approve of that provision, and it was put in here with their approval.

Mr. MANN. I notice on page 11, where it refers to the appropriations, line 19, it says:

But no payment to the Naval Militia under the provisions of this section and no allowances for mileage shall be made from appropriations made from the Navy, but shall be made solely from the sums appropriated for such cruise, maneuvers, field instruction, or for the Naval Militia.

Now, as I understand this bill, although the gentleman has stated several times that this bill limited the amount appropriated to $200,000, I think possibly the language is not quite accurate. If I understand the bill correctly, this bill makes a permanent appropriation of $200,000 a year?

Mr. PADGETT. Yes, sir; and then such other amount as Congress may provide in the annual appropriation.

Mr. MANN. I know; but it limits the expenditures, does it not?

Mr. PADGETT. To $200,000, section 20.

Mr. MANN. Two hundred thousand dollars a year?

Mr. PADGETT. Yes; it limits the appropriation.

Mr. MANN. That is on page 18. So, in fact, there will be additional appropriations for cruises, maneuvers, and field instruction carried in the naval appropriation bill?

Mr. PADGETT. Well, we are carrying now $125,000, and have been for a number of years.

Mr. MANN. That is not to be cut down by the permanent appropriation of $200,000?

Mr. PADGETT. I can not say whether it is or it is not, because we have not had the hearings. I do not yet know what the estimates and needs will be. We will take into consideration the $200,000 provided here, and if a smaller amount is needed, added to that, why we would, of course, cut it down.

Mr. MANN. Well, that $125,000 now appropriated is appropriated in the main, is it not, for items which are covered by this bill?

Mr. PADGETT. This bill covers the items that are covered by that appropriation; but that appropriation does not cover everything that is provided for in this bill.

Mr. MANN. There are several places in here where things are limited, as I suppose, to this permanent appropriation?

Mr. PADGETT. Yes, sir.

Mr. MANN. I feared that there was a conflict between that and other appropriations that apparently contemplated an annual appropriation.

Mr. PADGETT. The matter has been gone over very carefully and I do not think there is any conflict. It was submitted to the Navy Department and they have approved it, and that same language was in the bill under the last administration, and was very earnestly and cordially approved by that administration.

Mr. MANN. I am sure that my distinguished friend from Tennessee has learned by this time that as far as making appropriations is concerned, and the form of them, it is not safe to rely on any department of the Government.

Mr. PADGETT. I understand; but I said the committee itself had given very careful consideration to this.

Mr. MANN. But the truth is that the committee has not been giving very careful consideration to it. This bill is a heritage to the present committee. I think the gentleman from Tennessee [Mr. PADGETT] and I have supported a good many bills like this before.

Mr. PADGETT. A good many of the committee have—the subcommittee. We took it up and went over it carefully in the last Congress. We reported the House bill, and when the Senate bill came to us we reported the Senate bill out, so as to have the Senate bill upon the calendar.

Mr. COX. Mr. Speaker, I would like five minutes.

Mr. PADGETT. I yield five minutes to the gentleman from Indiana [Mr. Cox].

Mr. COX. Mr. Chairman, I can not remain idly by without registering my protest against this bill, although I imagine I will not change the opinion of any man so far as the bill is concerned. But I am opposed to it for several reasons, which to me are valid and sufficient to justify me in my opinion that the bill ought not to become a law.

We are told by the chairman of the great Committee on Naval Affairs and by many of the Members on the floor of the House to-day that this is a great measure—one of the most beneficial and important bills that has come upon the floor of the House for, lo, these many years. As the gentleman from Texas [Mr. CALLAWAY] put it a while ago, if I remember correctly, this bill has sought to force its way upon Congress for the last four or five years in different forms, in a different way, and a different manner, and from different committees, in some shape or other.

Mr. PADGETT. Will the gentleman permit?

The CHAIRMAN. Will the gentleman from Indiana yield to the gentleman from Tennessee?

Mr. COX. Yes; I yield.

Mr. PADGETT. As to forcing its way, I want to simply state that the committee of this Congress reported it, the committee of the last Congress reported it, and the committee of the Congress before reported it. In the Congress before the House passed it, but too late in the session for the Senate to take it up.

Mr. COX. That was a good thing.

Mr. PADGETT. And in the last Congress the Senate passed it and sent it over here just before the adjournment, which was too late to reach it under the call of committees. So it has passed both bodies, and it has passed in the same form substantially in which it is now.

Mr. COX. In my judgment it was a happy solution of the measure at those times. The reason why I used the expression "forced its way in" is, as I started to say a moment ago, that I believe the gentleman from Texas [Mr. CALLAWAY] struck the keynote of the situation by saying that there is somebody back home who wants this measure. In reading the report from my own State, I see 17 officers from Indiana; petty officers and enlisted men from Indiana number 202. While I have not received any communication from any of those men that I recall asking me to support the measure, yet I imagine that their influence, whatever it has been, has been felt somewhere along this line in order to force this bill through.

Now, let us not be deceived at all in this matter, gentlemen. Where is the good in it? What makes it the great and important bill that it is claimed to be? The chairman of the Committee on Naval Affairs announced a moment ago that the intention was to limit the appropriation to $200,000 a year. I am going to venture a prophecy here that in less than five years from now instead of this appropriation being held down to $200,000 a year it will be costing the American people not a penny less than $1,000,000 a year, because if you will read section 20 you will find in it substantive law sufficiently broad and sufficiently strong to enable the Committee on Naval Affairs to make an additional appropriation beyond the $200,000. In section 20 it is provided, in addition to the provision appropriating $200,000, "except such additional expenditures as may be authorized by the annual naval appropriation act."

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

Mr. COX. Yes.

Mr. MANN. Does the gentleman think that provision would authorize an appropriation in the naval bill?

Mr. COX. I do.

Mr. MANN. Oh, clearly not.

Mr. COX. I do.

Mr. MANN. Oh, no.

Mr. COX. Why would it not?

Mr. MANN. That is not an authorization. If the naval appropriation bill does authorize additional expenditures, of course they would be in order anyhow. That is simply surplusage in this bill.

Mr. COX. Well, the gentleman is a mighty good authority on parliamentary law——

Mr. MANN. I do not think there is any question about the proposition——

Mr. COX. But in my judgment that would be substantive law, sufficient to justify the Committee on Naval Affairs in making an appropriation and would prevent a point of order being made against such an appropriation if it was made on the naval appropriation bill.

Mr. MANN. Clearly not, and I hope the gentleman will not express his opinion so strongly. If an improper appropriation is recommended by the Naval Committee on the subject, I shall expect my friend from Indiana to make a point of order against it and have it sustained on the ground that it is not an authorization.

Mr. COX. I always yield to the gentleman from Illinois when it comes to a question of parliamentary law. I might be wrong upon this, but even if I am wrong on my proposition that that provision of law is sufficient upon which to base an appropriation in the naval appropriation bill, the same still holds true. People in the department and elsewhere will find some way to induce Congress to amend the bill so as to increase the appropriation.

Where in the world are these appropriations going to stop for the Army and Navy? Where is this extravagance going to cease? I want to call the attention of this House to the planks in our last platform concerning economy and to a plank in the Democratic platform of four years ago. If I had them here, I would read them at this time. Why fasten this charge upon the American people? Why lay the foundation now, so that in the next Congress or in a very few years several thousand additional State militia may be taken on, all piling up the cost?

Oh, yes; we are told on the right hand and on the left hand that it is the best and most important measure that ever came before the American Congress. I do not believe that the bill ought to pass, and while I do not believe for a moment that it will be defeated here, yet I hope something will turn up between now and the time it reaches the Senate and the Senate gets hold of it, so that it will be defeated over there. [Applause.]

It is but another branch of militaryism fastened upon the backs of the toilers of the country. With more than half of the total revenues of the Government each year being paid out for support of the Army, Navy, and other military branches of the Government, it is time to call a halt upon these expenditures, and I can not bring my mind to support this bill under any conditions whatever.

Mr. PADGETT. Mr. Chairman, I yield 10 minutes to the gentleman from Georgia [Mr. EDWARDS].

The CHAIRMAN (Mr. SABATH). The gentleman from Georgia [Mr. EDWARDS] is recognized for 10 minutes.

Mr. EDWARDS. Mr. Chairman, I appreciate the kindness of the chairman of the Committee on Naval Affairs in yielding to me 10 minutes. I wish to devote my time to the discussion of another matter, and I ask unanimous consent to extend my remarks in the RECORD. I yield back the balance of my time.

The CHAIRMAN. The gentleman from Georgia [Mr. EDWARDS] asks unanimous consent to extend his remarks in the RECORD. Is there objection?

Mr. MANN. What is the request, Mr. Chairman?

The CHAIRMAN. To extend his remarks in the RECORD. Is there objection?

There was no objection.

Mr. FOWLER. Mr. Chairman, I desire to make some inquiry as to some features of this bill. I wish to submit some questions to the chairman.

Mr. PADGETT. Yes, sir.

Mr. FOWLER. I discover on page 3 of the report that the grand total number of State Naval Militia is 8,126. I desire to know if the gentleman has gone into the question of the limitation of the number of such State Naval Militia that can be organized in each of the various States of the Union.

Mr. PADGETT. No, sir. There is no limitation that I know of. There does not appear to be any necessity for any. We have been struggling and working and striving to get as many as we could, and we have not now a third as many as we need, and if we could have three or four times more than we have it would be just a three or four times greater benefit and blessing. They may provide for a given number of battalions, companies, and so forth, but the States can change these at pleasure.

Mr. FOWLER. Then, if there is no limitation upon the number that might be organized in the various States, might not this bill encourage a superabundance of State Naval Militia?

Mr. PADGETT. I do not think there is any possibility of it, sir.

Mr. FOWLER. Then, if there should be a very large number, does this bill make any limitation as to the number that can be drafted into the United States naval service?

Mr. PADGETT. No, sir; there is no limitation upon it. They are not drafted in unless there is war, and, if war should come, we would need 30,000 more men than we have now enlisted, and there is no possibility of this ever reaching that number.

Mr. FOWLER. The provision of the bill does not confine the right to draft them in time of war, but it may be done if there is any impending danger in the mind of the President or to quell insurrection?

Mr. PADGETT. Certainly.

Mr. FOWLER. And he is the sole judge?

Mr. PADGETT. Yes.

Mr. FOWLER. As to whether there is impending danger?

Mr. PADGETT. That is the same provision that exists in reference to the land militia in the Dick bill.

Mr. FOWLER. The complement of the naval forces of the United States is about 57,000 men, is it not?

Mr. PADGETT. There is an enlistment of 51,500, including 3,500 apprentice seamen. Then comes the official list and the Marine Corps, making altogether, if I remember aright, something like 67,000 or 68,000 of the Marine Corps, the officers and enlisted men of the Navy, and the apprentice seamen.

Mr. FOWLER. That is fixed by law, is it not?

Mr. PADGETT. Yes.

Mr. FOWLER. The provision which this bill adds seeks to increase the Navy, not by direct enactment, but by a system of drafting.

Mr. PADGETT. This does not add to the Navy in time of peace. It only provides for organizing the militia, and provides for their training and development and to make them qualified and fit for service if a condition should arise in which we would need them. And this authorizes them to be brought in to meet the exigencies that might arise, and we would be mighty glad to get them if the exigencies should arise.

Mr. FOWLER. Do you not think this might create the danger of an enlargement of the Navy without direct authority?

Mr. PADGETT. No, sir.

Mr. FOWLER. You think not?

Mr. PADGETT. There is no possibility of such enlargement——

Mr. FOWLER. Do you not think it might create the danger of an additional appropriation without direct authority?

Mr. PADGETT. No, sir; there can not be an appropriation without direct authority. It takes an act of Congress to appropriate every dollar.

Mr. FOWLER. Yes; that is true. You understand the import of my inquiry, I know.

Mr. PADGETT. I have answered it.

Mr. FOWLER. The appropriation for the payment of the Navy is for the payment of the standing Navy.

Mr. PADGETT. Yes; and none of that can be used for this. There is an express limitation here.

Mr. FOWLER. Yes; that is true; but is not this proposed system of drafting the very first step in the direction of doing what I have suggested in my inquiry?

Mr. PADGETT. No. As I stated before, I am trying to answer the question of the gentleman with the utmost good faith and most perfect frankness.

Mr. FOWLER. I beg the pardon of the gentleman. I know that.

Mr. PADGETT. I want to say that the bill simply provides for the organization, training, and development of a Naval Militia that may be available and subject to call in time of emergency. If there is no emergency, they are no part of the Navy in time of peace. They are under State authority, and the Government is simply aiding them by providing for letting them have ships, officers to train them, and the equipments necessary for their training, so that they may be prepared for an emergency.

Mr. FOWLER. There is one question that was sprung in the discussion a short time ago with reference to the drafting, and a refusal to comply—

Mr. PADGETT. That is in time of war.

Mr. FOWLER. A court-martial might follow.

Mr. PADGETT. Yes; that is in time of war.

Mr. FOWLER. Not necessarily in time of war.

Mr. PADGETT. War, insurrection, or rebellion, I believe.

Mr. FOWLER. Or impending, in the discretion of the President.

Mr. PADGETT. That is a time of war. If war is impending, it is certainly a time of war, because we want to get ready for it.

Mr. FOWLER. I have read your bill hastily, not having had an opportunity to make an investigation of it, but it appears to me that some of its provisions are dangerous. I mean in the way of imposing hardship on the local man who is willing to enlist either as a soldier in the Army or the Navy—taken away from his own home and his own State to foreign quarters, away from his business and away from his people, without his consent.

Mr. PADGETT. Answering the gentleman in perfect candor and frankly, if that man is not willing to go to meet the necessities that may arise what is the use of the Government in a time of peace expending money to train him? Why should the Government train these men, furnish them ships, furnish them supplies and train them in a time of peace, and then when the Government needs them in an impending danger, in the time of war, they refuse to go? Would you not be absolutely wasting your energy and your resources in such an enterprise?

Mr. FOWLER. It is true that every man owes fealty to his Government; not only the man in the Army and Navy, but every able-bodied man in the land owes it as implicitly as the enlisted men in the Army or the Navy. You could say that of the individual just as you say it of a member of the militia.

Mr. PADGETT. Except that, as far as the militia is concerned, the man has received a special consideration in the form of this contribution made for his training and development and furnishing him ships, and he has taken an obligation, specially, which the general citizen has not taken.

Mr. FOWLER. How much more does the Government pay for training a cadet at Annapolis than it does for a man in the State militia?

Mr. PADGETT. The estimate is that this appropriation will be about $10 a man. It has been estimated that to graduate a young man at Annapolis costs from $14,000 to $18,000.

Mr. FOWLER. Yes. Now, the cadet at Annapolis can resign after his term of school is over.

Mr. PADGETT. He can only resign upon the acceptance of his resignation by the President of the United States.

Mr. FOWLER. That is true, but it is never refused.

Mr. PADGETT. He can not resign of his own motion unless the President consents to it.

Mr. FOWLER. This bill does not provide for the resignation of Naval Militia men by virtue of the presidential consent, does it?

Mr. PADGETT. Oh, yes; it provides that he shall enlist for such a time, or during the continuance of the war, and the President, when he does not need them, can discharge them.

Mr. FOWLER. He has that authority, I suppose, as Commanding General of the Army, but there is no specific provision in this bill giving authority to any State naval enlisted man to resign?

Mr. PADGETT. I do not recall any specific provision. That exists, anyway. He is enlisted, and he becomes a part of the

regular naval force, subject to its rules, and the President has just as much authority over them and the same authority that he has over the regular Navy.

Mr. MADDEN. There is no such authority given to a man in the Regular Army or Navy now.

Mr. PADGETT. No; there is not.

Mr. FOWLER. I was not speaking of the regular enlisted Army or Navy man. I was speaking of the naval cadet, those graduates from Annapolis. As I understand you, you seek the passage of this bill for the purpose of strengthening the Navy in its numbers and in its efficiency to meet the emergencies if they should arise?

Mr. PADGETT. Yes; at a minimum or nominal cost.

Mr. FOWLER. It is not for the purpose of increasing the size of the Navy uselessly, nor increasing the appropriations to maintain it uselessly?

Mr. PADGETT. Very far from it.

Mr. COX. Will the gentleman yield?

Mr. PADGETT. With pleasure.

Mr. COX. I want to ask the gentleman for an explanation of the language found in section 2 of the bill. The first part of section 2, line 5, page 2, provides:

> And the arms and equipment of the Naval Militia of the several States, Territories, and the District of Columbia shall be the same as, or the equivalent of, that which is now or may hereafter be prescribed for the landing forces of the vessels of the United States Navy—

Now, what arms and equipment are necessary for men on a vessel of the United States Navy?

Mr. PADGETT. Rifles, pistols, machine guns.

Mr. COX. Anything else?

Mr. PADGETT. Cartridge boxes and the equipment for small arms.

Mr. COX. Then there is this additional provision:

> and such other and additional arms, armament, and equipment, including vessels and stores, supplies, and equipment of all kinds for the repairing, maintenance, and operation of the same, as the Secretary of the Navy may from time to time prescribe for the training of the Naval Militia in duties afloat.

Mr. PADGETT. Yes; that is what we are doing now.

Mr. COX. I want to ask whether or not, under that language, the Secretary of the Navy would not have the power to build a vessel, a battleship, if he so desired, and turn it over to the State Naval Militia.

Mr. PADGETT. He would not have authority to build even a canoe.

Mr. COX. Why would he not have that authority under the language?

Mr. PADGETT. Because to build a ship he must have specific authorization. That simply allows him to assign such vessels as we have in the Navy for use of the Naval Militia, which he is doing now under authority.

Mr. COX. Where does the gentleman get that language—that his powers are restricted to the assignments of such vessels as are now at his disposal to assign to the State Naval Militia?

Mr. PADGETT. In the language there—

> Arms, armament, and equipment, including vessels and stores, supplies, and equipment of all kinds for the repairing, maintenance, and operation of the same.

Mr. COX. The first part of that language is very plain and would limit the kind of armament to be given to the Naval Militia of the State.

Mr. PADGETT. Yes.

Mr. COX. That it can only be of the same kind given to the landing forces, and so forth; but in the language in the paragraph that follows I fail to find wherein the Secretary of the Navy is restricted to assigning vessels already constructed and under his jurisdiction and control.

Mr. PADGETT. The Secretary has no power whatever to construct a vessel. He can not even repair a vessel where the cost of the repair exceeds 20 per cent of the cost of the ship.

Mr. COX. Is that under some law that is not stated here?

Mr. PADGETT. Yes; that is under the general law, and every year for every ship that is built, from the smallest to the greatest, the gentleman will find that there is direct authority of Congress, with a limit of cost fixed, and he will find in the appropriation bill every year authority to the Secretary to repair certain vessels, limiting the amount that may be expended for repair, because of this general law.

Mr. COX. Under this language there will be no question, I take it, that the Secretary of the Navy would be permitted to turn over a part of these funds to repair vessels that are given over to the State Militia.

Mr. PADGETT. He would not turn over the funds to repair it, but he would repair it under his authority. He would not turn over the repair of the vessels to them. He would repair them as provided by law, which he is doing now.

Mr. COX. And use a part of this appropriation for that purpose?

Mr. PADGETT. Yes.

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

Mr. PADGETT. Certainly.

Mr. WILLIS. I desire to ask a question for information. Is the purpose of this legislation to establish the same relationship between the regular naval forces of the United States and the Naval Militia as now exists between the Regular Army and the State militia?

Mr. PADGETT. Absolutely, so far as it can be done, and this is an adaptation of the Dick bill to the Navy, so far as it can be adapted. Neither has any preference over the other.

Mr. WILLIS. I understood the gentleman from Illinois [Mr. FOWLER] to be objecting to this upon the theory that it would increase the Navy. If it has the same effect in respect to the Navy that it had in respect to the land forces of the United States, it would have a contrary effect. That has kept men from enlisting in the Army and saves the Government millions of dollars.

Mr. PADGETT. That is what I stated in the fore part of my statement, that this was an opportunity for the Government to receive the aid of these trained men when they are needed in time of war at a very minimum of cost. The Navy is to-day 30,000 short of its enlistment on a war basis to man the ships we now have.

Mr. MADDEN. In other words, it costs the Government $10 per annum per man to insure a certainty of having a number of efficient men in case of need?

Mr. PADGETT. When we need them on 48 hours' notice.

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

Mr. PADGETT. Yes.

Mr. TEMPLE. I would like to have some clear, comprehensive expression concerning the course contemplated by this bill to be followed at the outbreak of war. Section 3 provides:

> That in the event of war, actual or threatened, * * * it shall be lawful for the President to call for such number of the Naval Militia of a State or of the States or Territories, etc., as he may deem necessary.

In section 5 it is provided—

> That every officer and enlisted man of the Naval Militia who shall be called forth in the manner hereinbefore prescribed shall be mustered for service without further appointment or enlistment.

But previous to that, in the section prescribing the manner of calling forth the Naval Militia, it is provided that when so called they shall serve either within or without the territory of the United States. Now, if they serve without further enlistment——

Mr. PADGETT. Of course, in the Navy it is impossible for them to serve exclusively in the territory of the United States.

Mr. TEMPLE. Well, for instance, on Lake Michigan or Lake Champlain.

Mr. PADGETT. There you get into the concurrent jurisdiction of the Dominion of Canada and England.

Mr. TEMPLE. What I want to call attention to is this: It provides that without further enlistment officers and men of the Naval Militia shall serve either within or without the territory of the United States.

Mr. PADGETT. But it provides, first, that the Secretary of the Navy shall provide standards and rules and regulations, and they must first pass these examinations and qualifications before they become part of the Organized Militia accepted by the Government.

Mr. TEMPLE. But the point I want to call attention to is this: The enlistment is for service in the State Naval Militia. That militia is called forth and mustered into the service of the United States without further enlistment, and then is called to serve either within or without the territory of the United States. Now, my question is——

Mr. PADGETT. He has first to become part of the Organized Militia as authorized by this bill.

Mr. TEMPLE. But I have not asked my question yet. I am merely laying the ground for it. A man enlists and serves in the State Naval Militia. He is mustered into the United States service without any further enlistment, and then he is sent to serve outside of the United States. Now, in connection with the interpretation of the Dick law, I am told that the Attorney General has declared that without further enlistment a man who has enlisted to serve in the State Militia in the land service can not be sent outside the territory of the United States. Can it be done in the case of the naval service when it can not be done in the case of the military service?

Mr. PADGETT. I think so, because naval service is of necessity outside the territorial jurisdiction of the United States because, when you get beyond the three-mile limit, you are outside the jurisdiction of the United States.

Mr. TEMPLE. It is possible, however, for a naval man to serve inside the territory of the United States—say on Lake Michigan, which is all inside the United States. But I merely raise that question.

Mr. PADGETT. I think it is time enough to raise that when the man refuses to go. Let him raise it if he wants to do so.

Mr. TEMPLE. But it provides here that if he does refuse or even neglects to present himself for muster he can be tried by a court-martial and punished as the court-martial may direct.

Mr. PADGETT. But, if it is not upon authority he can not be punished. If it is upon authority he has no right to refuse.

Mr. TEMPLE. My idea is this: That the same principle should prevail in the naval and the military service; and that if this is constitutional, then the Dick law applying to the land service is also constitutional.

Mr. PADGETT. I think if war ever got up it would be constitutional.

The CHAIRMAN. The time of the gentleman from Tennessee has expired.

Mr. TEMPLE. I am glad to hear the gentleman from Tennessee [Mr. PADGETT] say so. I know there have been instances when the opinion of the Attorney General was not followed by the President in time of war. I am very glad the gentleman agrees with that idea.

Mr. WILLIS. If the gentleman will permit another brief question. I have been examining the report, and I do not find any statement as to the number of States in which there is now an organization. Can the gentleman give that information?

Mr. PADGETT. If the gentleman will turn to page 3 of the report he will see it.

Mr. WILLIS. I thank the gentleman and beg his pardon for *interrupting him.*

Mr. PADGETT. If there are no further gentlemen desiring to debate, I ask that the bill be read.

Mr. MANN. Mr. Chairman, at the time of the Spanish War, when no one knew where the Spanish fleet was and a great many people in the country along the coast were considerably worried, and no one knew how strong the Spanish fleet might develop to be, we had already been told that the United States was unprepared for war, that it had neither money, men, nor ammunition, I went to the Secretary of the Navy one day, at the request of the Naval Militia at Chicago, and I said to Secretary Long, "We have got a lot of boys in the Naval Militia at Chicago who would like to enlist in the Navy, and I understand you need the men."

I was told it was not practicable to enlist them. I believe the Secretary had had some little difficulty growing out of the enlistment of the very efficient Naval Militia of his own State of Massachusetts, which enlisted practically as a body, and the Navy Department had reached the conclusion, as I recall it, that it was not practicable to take in the Naval Militia with its officers as a body, and they thought they would not be willing to enlist and be assigned apart from their officers to the different ships.

I said to the Secretary that the people of Chicago were not proud, that the boys there were willing to enlist in the Navy and go any place to which they were sent. They enlisted in considerable numbers. One of them, now a very distinguished man in the Government service, Dr. Stratton, Chief of the Bureau of Standards, if I recall rightly, was assigned on board of a vessel, spent his time in shoveling coal, and made no complaint of it. These boys were assigned to a large number of different vessels.

I think they were represented on pratically every vessel in the naval service in the Atlantic waters, anyhow. There were 60 of them on board the *Oregon.* The commander of that vessel stated that no more efficient service was rendered by anybody on board his vessel, or any other, than was rendered by these boys from the Naval Militia at Chicago.

Mr. Chairman, in my judgment it is impossible for us to keep at all times in the Navy a sufficient number of men on board the vessels to form a full complement in time of war. And when I have noticed, as I have at Chicago on a few occasions when I had the opportunity, the men in this service on board the training ship there, furnished by the Government, doing all of the work, including the dirty work that is performed on board a vessel, studying everything that should be studied on board the training ship, from scrubbing the deck to handling the ship and the guns on the ship, it has seemed to me that here was something worth while. It is possible some people consider that they are having a gay holiday. I would not consider the work that they do a holiday. Undoubtedly they get pleasure out of it or they would not be there, but they do the work until they are able to go on board a warship anywhere and do a considerable amount of the work that an able seaman or experienced man in the Navy does.

What is the proposition here? To involve the Government in an expense of $20 or $25 or $30 per man in this service, an expense——

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

Mr. MANN. Not yet. An expense, as I was saying, of no importance compared with the need for the men if war arises. We have reached that point where we depend in the main for our safety as a Nation upon the Navy. We do not maintain a large Army. We do not maintain possibly, or probably, an excessive Navy, but the Navy, spending a large amount of money upon the land militia, we may well afford, in my judgment, to spend the comparatively small amount provided in this bill in order that if we do have the need of these men in time of stress, we will have prepared throughout the country, in the Naval Militia, men qualified and willing to serve the Government on warships in any capacity, in any place, or at any time.

Now I yield to the gentleman from Pennsylvania [Mr. MOORE].

Mr. MOORE. Referring to the gentleman's tribute to the men in Chicago who enlisted for this service, I desired to call his attention also to their readiness, in addition, for work upon shore. Many of them were actually employed along the coast line, from Maine to Florida, doing Signal Corps service, and taking the rough as well as the smooth during the preliminary stages of the Spanish-American War.

Mr. MANN. There was not a vessel at Santiago, following the American flag, that did not have some of the Chicago boys on board doing the hard work, and I am proud of it.

Mr. PADGETT. Mr. Chairman, I simply want to state that the Naval Militia at the outbreak of the Spanish War actually furnished in that war 3,332 officers and men. And so efficient was their work during the war that they received favorable commendation from their various commanding officers of the Regular Navy. And the strength of the Naval Militia in the various States grew to about 5,500 men. The militia of the various States to-day numbers about 8,126 men. And I want to pay a tribute to the patriotism and the efficiency of the work of the Naval Militia in the Spanish War. They went in a few hours after the call was made, and it took six weeks, as I remember, to get 5,500 men by enlistment from the body of the people. [Applause.]

Mr. Chairman, I ask for the reading of the bill under the rule for amendment.

The CHAIRMAN (Mr. FOSTER). The Clerk will read.

The Clerk read as follows:

SEC. 3. That in the event of war, actual or threatened, with any foreign nation involving danger of invasion, or of rebellion against the authority of the Government of the United States, or whenever the President is, in his judgment, unable with the regular forces at his command to execute the laws of the Union, it shall be lawful for the President to call forth such number of the Naval Militia of a State or of the States or Territories, or of the District of Columbia, as he may deem necessary to repel such invasion, suppress such rebellion, or to enable him to execute such laws, and to issue his orders for that purpose, through the governor of the respective State or Territory, or through the commanding officer of the Naval Militia of the District of Columbia, from which State, Territory, or District such Naval Militia may be called, to such officers of the Naval Militia as he may think proper: *Provided,* That from and after the issue of such call it shall be unlawful for the governor of any State or Territory, or any other State or Territorial officer, or any official of the District of Columbia, to discharge from service in the Naval Militia any officer or man except by reason of the expiration of his term of enlistment.

The CHAIRMAN. The Clerk will report the committee amendment.

The Clerk read as follows:

Amend, page 3, line 18, by striking out, after the word "proper," the colon and all of the proviso up to and including line 23.

The CHAIRMAN. The question is on agreeing to the committee amendment.

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SEC. 4. That whenever the President calls forth all or any part of the Naval Militia of any State, Territory, or of the District of Columbia, to be employed in the service of the United States, he may specify in his call the period for which such service is required, and the Naval Militia so called shall continue to serve during the term so specified, either within or without the territory of the United States, unless sooner relieved by order of the President: *Provided,* That if no period be stated in the call of the President, the period shall be held to mean the existence of the emergency, of which the President shall be the sole judge, except that no officer or enlisted man shall be required to serve more than two years under such call: *And provided further,* That no commissioned officer or enlisted man of the Naval Militia shall be held to service beyond the term of his existing commission or enlistment: *Provided further,* That when the military needs of the Federal Government raising from the necessity to execute the laws of the Union, suppress insurrection, or repel invasion, can not be met by the regular forces,

the Naval Militia and any existing Naval Reserve shall be called into the service of the United States in advance of any volunteer naval force which it may then be determined to raise.

The CHAIRMAN. The Clerk will report the first committee amendment.

The Clerk read as follows:

Amend, page 4, by striking out, after the word "judge," in line 9, the semicolon and the remainder of the line and all of line 10 and the words "such call," in line 11.

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

The CHAIRMAN. The Clerk will report the next committee amendment.

The Clerk read as follows:

Amend, page 4, line 15, by striking out the word "raising" and inserting in lieu thereof the word "arising."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. PADGETT. Mr. Chairman, I wish to offer the committee amendment which I send to the Clerk's desk.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Section 4, page 4, line 18, after the word "Militia," insert the words "qualified as herein provided."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. PADGETT. Mr. Chairman, I offer another amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Section 4, page 4, in line 18, after the word "reserve," insert the words "now or hereafter organized."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. PADGETT. Mr. Chairman, I offer another amendment.

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

Page 4, section 4, in line 20, after the word "raise," change the period to a colon and add the following proviso: "*And provided further*, That nothing herein contained shall prevent the Secretary of the Navy, when vessels are purchased or otherwise acquired by the United States for a war, from manning such vessels by all or part of the officers and men then serving on said vessels."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

The CHAIRMAN. The Clerk will read.

The Clerk read as follows:

SEC. 5. That every officer and enlisted man of the naval militia who shall be called forth in the manner hereinbefore prescribed shall be mustered for service without further appointment or enlistment, and without further examination previous to such muster, except for those States and Territories and the District of Columbia, if the case may so be, which have not adopted a standard of professional and physical examination prescribed by the Secretary of the Navy for the naval militia, and whose officers and petty officers shall not have been examined and found qualified in accordance therewith by boards of officers which shall be appointed by said Secretary: *Provided, however*, That any officer or enlisted man of the naval militia so qualified who shall refuse or neglect to present himself for such muster upon being called forth as herein prescribed, shall be subject to trial by court-martial and shall be punished as such court-martial may direct: *Provided further*, That when in the service of the United States, officers of the naval militia may serve on courts-martial for the trial of officers and men of the Regular or Naval Militia Service, but in the cases of courts-martial convened for the trial of officers of the Regular Service, the majority of the members shall be officers of the Regular Service; and officers and men of the naval militia may be tried by courts-martial the members of which are officers of the Regular or Naval Militia Service, or both: *And provided further*, That when vessels commanded by naval militia officers cooperate or act in conjunction with vessels commanded by officers of the Navy, the exercise of command over such combined force shall be determined by the rank which such commanding officers hold, except that, for the purposes of this proviso, naval militia captains, commanders, and lieutenant commanders shall be junior to lieutenant commanders of the Navy, unless specially certified for a higher grade by examination held under the authority of the Secretary of the Navy.

The CHAIRMAN. The Clerk will report the first committee amendment.

The Clerk read as follows:

Amend, page 5, by inserting, after the word "vessels," in line 21, the following words: "In the service of the United States."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. PADGETT. I offer a committee amendment.

The CHAIRMAN. The gentleman from Tennessee offers an amendment, which the Clerk will report.

The Clerk read as follows:

Amend, page 4, in line 24, after the word "further," by inserting the word "professional."

The amendment was agreed to.

The Clerk read as follows:

SEC. 6. That the Naval Militia, when called into the actual service of the United States, shall be governed by the Navy regulations and the articles for the government of the Navy.

With the following committee amendment:

Amend, page 6, in line 7, by striking out the word "actual."

The amendment was agreed to.

The Clerk read as follows:

SEC. 7. That the Naval Militia, when called into the actual service of the United States, shall, during their time of service, be entitled to the same pay and allowances as are or may be provided by law for the Regular Navy.

With the following committee amendment:

Amend, page 6, in line 11, by striking out the word 'actual."

The amendment was agreed to.

The Clerk read as follows:

SEC. 8. That when the Naval Militia is called into the actual service of the United States, or any portion of the Naval Militia is called forth under the provisions of this act, their pay shall commence from the day of their reporting in obdience to such call at their local ship, armory, or quarters; but this provision shall not be construed to authorize any species of expenditure previous to arriving at such places which is not provided by existing laws to be paid after their arrival at such places.

With the following committee amendment:

In page 6, line 15, strike out the word "actual."

The amendment was agreed to.

The Clerk read as follows:

SEC. 10. That the Secretary of the Navy is hereby authorized to procure, by purchase or manufacture, and issue from time to time to the Naval Militia such number of United States service or other arms, accessories, accouterments, equipment, uniforms, clothing, equipage, and military and naval stores of all kinds, under such regulations as he may prescribe, as are necessary to arm, uniform, and equip all of the Naval Militia in the several States, Territories, and the District of Columbia in accordance with the requirements of this act without charging the cost or value thereof or any expense connected therewith against the allotment of such State, Territory, or District from the annual appropriation provided for the arming and equipping of the Naval Militia in the annual appropriation for the Navy, or in any other general appropriation for the Naval Militia that may hereafter be made, nor requiring payment therefor, and to issue from time to time ammunition suitable for such arms as the Naval Militia of the several States, Territories, and the District of Columbia may be equipped with, and to exchange said arms, accessories, accouterments, equipment, equipage, stores, and ammunition when the same shall have become obsolete, without receiving any money credit therefor, for other arms, accessories, accounterments, equipment, equipage, stores, and ammunition suitable for the Naval Militia: *Provided*, That said property shall remain the property of the United States, except as hereinafter provided, and be annually accounted for by the governor or other proper officer of the States, Territories, and the commanding general District of Columbia Militia: *Provided further*, That each State, Territory, and the District of Columbia shall, when and as required by the Secretary of the Navy, turn in to the Navy Department, or otherwise dispose of, in accordance with the direction of the Secretary of the Navy, without receiving any money credit therefor, and without expense for transportation or otherwise, such or all property theretofore issued under the provisions of this act. When and as each naval militia is uniformed, as above required, the Secretary of the Navy is authorized to fix an annual clothing allowance to each State, Territory, and the District of Columbia based upon the number of enlisted men of the Naval Militia, and thereafter issues of clothing to such States, Territories, and the District of Columbia shall be in accordance with such allowance, and the governors of the States and Territories and the commanding general District of Columbia Militia shall be authorized to drop from their returns each year, as expended, clothing corresponding in value to such allowance. To provide means to carry into effect the provisions of this section, the necessary money to cover the cost of procuring, exchanging, or issuing of arms, accessories, accouterments, equipment, uniforms, clothing, equipage, ammunition, and military and naval stores to be exchanged or issued hereunder is hereby appropriated out of any money in the Treasury not otherwise appropriated: *Provided*, That the sum expended in the execution of the purchases and issues provided for in this section shall not exceed the sum of $200,000 in any fiscal year: *And provided further*, That the Secretary of the Navy shall annually submit to Congress a report of expenditures made by him in the execution of the requirements of this section.

With the following committee amendment:

Amend by striking out all after the word "act," in line 24, page 8, down to and including the word "allowance," in line 10, page 9.

The amendment was agreed to.

The Clerk read as follows:

SEC. 11. That when it shall appear by the report of inspections, which it shall be the duty of the Secretary of the Navy to cause to be made at least once in each year by officers detailed by him for that purpose, that the Naval Militia of a State or Territory or of the District of Columbia is sufficiently armed, uniformed, and equipped for active duty, the Secretary of the Navy is authorized on the requisition of the governor of such State or Territory or of the commanding general District of Columbia Militia, to pay to such officer as may be properly designated and appointed by said governor or commanding general so much of its allotment from the annual appropriation for arming and equipping the Naval Militia in the annual appropriation for the Navy as shall be necessary for the payment, subsistence, and transportation of such portion of said Naval Militia as shall engage in actual service or instruction afloat or on shore; and the officers and men of such Naval Militia while so engaged may be paid therefrom the same pay, subsistence, and transportation or travel allowance as officers and men of corresponding grades of the Regular Navy are or may hereafter be entitled to by law, and the officer so designated and appointed shall be regarded as a disbursing officer of the United States and shall render

his accounts through the Navy Department to the proper accounting officer of the Treasury for settlement, and he shall be required to give good and sufficient bonds to the United States, in such sums as the Secretary of the Navy may direct, faithfully to account for the safe-keeping and payment of the public moneys so intrusted to him for disbursement.

With the following committee amendment:

Amend, page 10, line 5, by inserting after the word "authorized," in line 5, the words "in his discretion."

The amendment was agreed to.

The Clerk read as follows:

SEC. 12. That the Secretary of the Navy is authorized to provide for participation by any part of the Naval Militia of any State or Territory or the District of Columbia on the request of the governor of said State or Territory or the commanding general of the militia of said District, in any cruise, maneuvers, field instruction, or encampment of any part of the Regular Navy, afloat or on shore. In such case the Naval Militia so participating shall, if so requested by the governor or commanding general and allowed by the Secretary of the Navy, receive the same pay, subsistence, and transportation as is provided by law for the officers and men of the Regular Navy, and no part of the sums appropriated for the support of the Regular Navy shall be used to pay any part of the expenses of the Naval Militia of any State, Territory, or the District of Columbia while engaged in such cruise, maneuvers, field instruction, or joint encampment of the Regular Navy and Naval Militia, but no payments to the Naval Militia under the provisions of this section and no allowances for mileage shall be made from appropriations made for the Navy, but shall be made solely from the sums appropriated for such cruise, maneuvers, field instruction, or for the Naval Militia: *Provided*, That officers of the Regular Navy in command of vessels upon which Naval Militia may be embarked, or in command of camps, navy yards, or other places in which Naval Militia may be encamped or be, shall remain in command of said vessels, camps, navy yards, or other places, as aforesaid, irrespective of the rank of the commanding or other officers of the Naval Militia on board said vessels or within said places: *Provided further*, That said commanding officers of the Regular Navy may, in the exercise of their discretion, place upon any duty to which his rank or rating would entitle him if he were of the same rank or rating in the Regular Navy, or duty of a lower grade, any officer, petty officer, or enlisted man of the Naval Militia so under his command as aforesaid, and may temporarily or permanently relieve from duty so imposed such officer, petty officer, or enlisted man; and in making details to command and duty, and relieving from command and duty as aforesaid, said commanding officer shall be held to the exercise of a reasonable discretion only, and for the purposes of this section it is to be presumed that a member of the Naval Militia is competent to be detailed for any duty to which his rank would entitle him until the contrary be apparent to such commanding officer: *And provided further*, That any officer or petty officer or enlisted man of the Naval Militia placed on duty as aforesaid or detailed to duty on a vessel assigned to the Naval Militia shall have, during the time that he is on duty, all authority over all persons inferior to himself in rank or equivalent rank necessary for the purpose of carrying out the duty upon which he has been so detailed.

With the following committee amendment:

Amend, page 11, by inserting after the word "authorized," in line 3, the words "in his discretion."

The amendment was agreed to.

The Clerk read as follows:

SEC. 15. That each State or Territory or the District of Columbia furnished with material of war under the provisions of this or former acts of Congress shall, during the year next preceding each annual allotment of funds, have required every ship's company, engineer's, navigator's, and other divisions or units of its Naval Militia not excused by the governor of said State or Territory, or the commanding general District of Columbia Militia, to participate during at least five consecutive days in such form of military or naval exercise as may have been prescribed by the Secretary of the Navy, and in default of such prescribing by the Secretary of the Navy, then in some form of Naval Militia exercise during at least five consecutive days to be prescribed by the governor of the said State or Territory, or the commanding officer of the District of Columbia Naval Militia, and shall also have required said divisions to assemble for drill and instruction at armories or other places of rendezvous or for target practice not less than 24 times, and shall have required during such year an inspection of each of said divisions or units, to be made by an officer of said Naval Militia, or by an officer of the State service, or by an officer of the Regular Navy.

With the following committee amendments:

Page 14, line 17, insert, after the word "funds," the words "in order to participate in such annual allotment of funds."

The amendment was agreed to.

Also, the following committee amendment:

Page 14, line 22, after the word "militia," insert the words "for reasons satisfactory to the Secretary of the Navy."

The amendment was agreed to.

The Clerk read as follows:

The actual and necessary traveling expenses of the members of such board, together with a per diem to be established by the Secretary of the Navy, shall be paid to the members of the board. The expenses herein authorized, together with the necessary clerical and office expenses of the Division of Naval Militia Affairs in the office of the Secretary of the Navy, shall constitute a charge against the whole sum annually appropriated under the appropriation for the arming and equipping of the Naval Militia in the annual appropriations for the Navy, and shall be paid therefrom, and not from the allotment duly apportioned to any particular State, Territory, or the District of Columbia; and a statement of such expenses shall be submitted to Congress by the Secretary of the Navy in connection with his annual report.

Mr. COX. Mr. Chairman, I move to strike out the last word. I want to ask the gentleman in charge of this bill whether or not the Navy has any regulation fixing the per diem of its officers while traveling on duty.

Mr. PADGETT. I do not know.

Mr. COX. In the closing paragraph of page 16 you provide—

Together with a per diem to be established by the Secretary of the Navy.

Mr. PADGETT. To be established.

Mr. COX. Yes; to be established. That is what prompts my inquiry as to whether or not there is any per diem allowance now made by the Secretary of the Navy to any of the officers of the Navy while traveling under orders.

Mr. PADGETT. I do not know.

Mr. COX. Does not the gentleman think there ought to be some limit on this per diem?

Mr. PADGETT. The Navy Department will fix the limit. Do you mean that you think it ought to be fixed in this bill?

Mr. COX. Yes.

Mr. PADGETT. I think that can be left to the Secretary of the Navy. That is a detail that can be left to him.

Mr. COX. Of course, that could be left to him; but could not Congress fix it?

Mr. PADGETT. Of course Congress could fix it, but I do not think it would be wise.

Mr. COX. Why not?

Mr. PADGETT. Because the Secretary might see fit to reduce it or to increase it as exigencies might arise. It is a very small item, which will amount to only a few dollars a year.

Mr. COX. Does not the gentleman think a limitation of not to exceed $4 a day would be a reasonable limitation?

Mr. TALBOTT of Maryland. It depends altogether on the rank of the officer.

Mr. COX. Does not the gentleman think that amount will be sufficient?

Mr. PADGETT. I do not know, sir; there might be circumstances where he would be giving too much or too little. There might be one place where he was giving too much and one place where he would be giving too little.

Mr. COX. I take it that whatever per diem was fixed, it would be uniform; you would not fix one amount for one city and another amount for another, but it would be uniform.

Mr. PADGETT. There might be conditions where it ought to be varied.

Mr. COX. Does not the gentleman think that whenever the Secretary of the Navy has fixed the amount it will be uniform?

Mr. PADGETT. Off hand, I should say that I suppose it would be, but at the same time I can see where he might want to change it.

Mr. COX. Mr. Chairman, I move an amendment by inserting, on page 16, line 22, after the word "diem," the words "not to exceed $4 per day."

The CHAIRMAN. The Clerk will report the amendment.

The Clerk read as follows:

On page 16, line 22, after the word "diem," insert the words "not to exceed $4 per day."

Mr. COX. Mr. Chairman, I think that amendment ought to be agreed to. I think Congress is as well able to fix this matter as is the Secretary of the Navy.

Mr. PADGETT. I think that is a matter that should be left to the Secretary of the Navy. He may want to enlarge it or change it as conditions may arise or with reference to localities or as the rank of the officer may justify.

Mr. COX. Mr. Chairman, I want to say that this per diem question has been a serious question in all the departments for several years. For years and years, I do not know how long, the post-office inspectors were allowed $4 per day.

I imagine if Congress had not taken up the matter and reduced it from $4 to $3 per day the department to-day would be recommending a straight $4 a day. Some three or four years ago, under the administration of Mr. Hitchcock, he required a careful, itemized expense account to be kept as to whether or not it would not be economy to reduce the per diem from $4 to $3 by putting them on the actual-expense basis. He found after three months' demonstration that by putting them on an actual-expense basis—which practically amounted to $3 a day—it would save the Government of the United States from $50,000 to $60,000 a year.

When the Post Office Committee got that information it very quickly and promptly reduced the per diem of post-office inspectors from $4 to $3 a day, although as yet some inspectors are not satisfied with that amount.

Now, I do not care what regulations the Secretary of the Navy might make, they are bound to be uniform so far as grade is concerned, and they are bound to be uniform throughout the dominion of continental United States. I should rather trust Congress to fix this at $4 a day than to risk that the Secretary of the Navy might fix it at $5 to $10 per day, because I believe that $4 per day is a sufficient per diem for any of these

officers who might be detailed for duty. This per diem only pays the board bills; in addition thereto the officer who travels gets 8 cents per mile for mileage.

Mr. STAFFORD. Will the gentleman yield?

Mr. COX. I will.

Mr. STAFFORD. Is not the gentleman aware that the inspectors and supervisors in the postal service who do not receive a per diem are granted an allowance without limit for the expenses they incur while in discharge of duties outside of their respective homes?

Mr. COX. I do not know any such thing.

Mr. STAFFORD. It is a fact.

Mr. COX. I very much doubt whether that is accurate. What I stated a moment ago I know to be true, for I got that information from the Post Office Committee. I am firmly convinced that a per diem of $4 per day for this class of men will be a sufficient amount.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana.

The question was taken, and the amendment was lost.

The Clerk read as follows:

SEC. 19. That when any officer, petty officer, or enlisted man of the Naval Militia is disabled by reason of wounds or disabilities received or incurred in the naval service of the United States in time of war he shall be entitled to all the benefits of the pension laws existing at the time of his service, and in case such officer, petty officer, or enlisted man dies in the naval service of the United States in time of war, or in returning to his place of residence after being mustered out of such naval service, or at any time in consequence of wounds or disabilities received in such naval service in time of war, his widow and children, if any, shall be entitled to all the benefits of such pension laws: *Provided.*

The CHAIRMAN. The Clerk will report the committee amendment.

The Clerk read as follows:

On page 18, line 6, strike out the word *"Provided."*

The amendment was agreed to.

The Clerk read as follows:

That all expenditures authorized to be paid by the Secretary of the Navy under the provisions of this act shall be paid out of the $200,000 appropriated in section 10 of this act, except such additional expenditures as may be authorized by the annual naval appropriation act.

With the following committee amendments:

Page 18, line, 7, insert the words and figures "Sec. 20" at the beginning of the line.

The committee amendment was agreed to.

Mr. COX. Mr. Chairman, beginning with the word "except," in line 10, page 18, I move to strike out the remaining portion of that line and all of line 11, and also strike out the comma after the word "act," in line 10, and insert in place thereof a period.

The CHAIRMAN. The Clerk will report the amendment of the gentleman from Indiana.

The Clerk read as follows:

Page 18, lines 10 and 11, after the word "act," strike out the comma and insert a period, and strike out the words "except such additional expenditures as may be authorized by the annual naval appropriation act."

Mr. COX. Mr. Chairman, just a word on that amendment. It was contended awhile ago by the gentleman from Illinois that it was mere surplusage and would not be sufficient authority for the naval appropriation committee to base an appropriation on. I said then, and say now, that I yield to the gentleman from the State of Illinois [Mr. MANN] almost exclusively on questions of parliamentary law. If that is useless, and mere surplusage, then it has no place in this bill. If it has no place in this bill, it ought to be stricken out, and if it has a place in the bill, then the only place and the only position it can possibly have is, as I said awhile ago, to give the naval appropriation committee a fundamental, basic law on which to make an appropriation. If it be the intention to hold down the appropriation for this concern that we are making an adjunct to the Navy of the United States, although we are now appropriating $150,000,000 a year for the Navy—if it be the purpose of this committee to hold these appropriations down to $200,000, and this provision is mere useless language, then we should strike it out of the bill; and if the chairman opposes the striking of it out, in my judgment it would be conclusive proof to any Member on the floor that he wants to use it as a leg on which to stand when it comes to making appropriations for the same service.

Mr. PADGETT. Mr. Chairman, I am afraid that the gentleman's judgment of my purpose is faulty, as well as it is in saying that it is useless surplusage in the bill.

Mr. COX. I did not say that it was surplusage. That was the argument made by the gentleman from Illinois.

Mr. PADGETT. Mr. Chairman, the gentleman from Illinois said that it was surplusage, so far as being an authorization for additional appropriations in the annual appropriation bill, in which statement he was correct; but it is necessary because of the provisions of this bill that it should be here. On page 13 of the bill, section 14, which has been passed, there is this language:

SEC. 14. That the annual appropriation made by Congress for arming and equipping the Naval Militia in the annual appropriation for the Navy shall be available for the purpose of providing for issue to the Naval Militia any stores and supplies or publications which are supplied to the Navy by any department.

In section 20 of the bill we provide that all expenditures authorized to be paid by the Secretary of the Navy under the provisions of this act shall be paid out of the $200,000 appropriated in section 10 of the act, except such additional appropriation expenditures as may be authorized by the annual appropriation act. The annual appropriation is authorized for the purposes specified in section 10. We are carrying in the annual appropriation bill an appropriation of $125,000——

Mr. COX. For what purpose?

Mr. PADGETT. For arming and equipping the militia, for paying the expenses of handling these boats, maintaining them, and all of that sort of thing that I have heretofore explained. If you were to strike this out where it provides here this exception, then you would destroy the provision on page 13 which I just read to the committee. This is not an authorization for appropriations in the naval appropriation bill. That has been done heretofore by substantive legislation passed years ago in the legislation of Congress, and the appropriations under the naval appropriation bill do not require this language. It is put here for the purpose of harmonizing the provisions between section 20 and the section on page 13 which I read.

Mr. JOHNSON of South Carolina. Mr. Chairman, will the gentleman yield?

Mr. PADGETT. Certainly.

Mr. JOHNSON of South Carolina. How much does the gentleman contemplate will be necessary to appropriate under section 10 of this bill and any other appropriation bill in order to carry into effect this law?

Mr. PADGETT. Section 10 limits all of the expenditures to $200,000.

Mr. JOHNSON of South Carolina. Except?

Mr. PADGETT. Except this.

Mr. JOHNSON of South Carolina. What are the exceptions and how much will that carry?

Mr. PADGETT. That depends on what Congress may from year to year appropriate.

Mr. JOHNSON of South Carolina. What is the judgment of the gentleman?

Mr. PADGETT. I think it would be less than the $125,000 which we have been appropriating.

Mr. JOHNSON of South Carolina. So that the entire expense of carrying this bill into execution will be less than $250,000?

Mr. PADGETT. Three hundred and twenty-five thousand dollars, I think.

Mr. ROBERTS of Massachusetts. It is going to reduce the $125,000.

Mr. PADGETT. I think so. It seems to me to strike this language out would be simply to confuse the bill and complicate the provisions we have already passed.

Mr. MOORE. Mr. Chairman, I hope the limitation proposed by the gentleman from Indiana [Mr. Cox] will not pass. There is a good reason, it seems to me, why the language of the paragraph should remain as it is, without revision. I call the attention of the gentleman from Indiana and our friends on the other tide, to the fact that we are now preparing to consider a bill for the education of the farmers of the country. We take very particular pains to make appropriations for that purpose, and it is a good purpose, because we want the boys to understand the methods of tilling the soil, and we want to make their work upon the farm profitable. When that bill was considered here some time ago I stated that no way was provided by this Government by which a man could be trained to service upon the sea; it is due to that fact that seamanship is unpopular to-day, and we have a waning merchant marine. During the discussion of the peace question the other day I ventured to argue that the construction of battleships and the use of battleships tended to make men seamen and gave us a sort of training school for the American merchant marine. This is a legitimate method by which in times of peace, when we do not need fighting men, we can have them trained for the purpose of war, both upon sea and land, and still have them available for the purposes of the merchant marine. We have got to pay attention to the question of the merchant marine. If we provide here very large appropriations for the education of farmers' boys, as we are going to

do and as the gentleman from Indiana is very much interested in having us do, we must also provide for some other avenues of employment, from which the modern young man is drifting. We must educate the boy who goes down in the mine, educate the boy who goes upon the ships. Now, what is the proposal? To encourage some of our young men to go upon ships of their own volition. The proposition is to make them useful to the Government by having them prepared, so that when the Government calls upon them for war service they will be ready for the field or the ships. We are bound to have our Army and Navy, so why not train these boys for useful occupations upon the sea? We need them for the merchant ships.

It is not their ambition always to be upon fighting ships—they are not well paid for that, but if they can learn the methods of navigation and understand the art of sailing or managing ships, by reason of their training under the inspiration of the Government of the United States, they will be useful in times of peace, when we need them as seriously as we do in times of war.

You have a bill that will come up very soon, the seamen's bill, that I understand puts a limitation upon the men who serve upon the ships. It provides that no man can serve upon a ship who has not had three years' training. I challenge any man in favor of that bill to say how a boy will get three years' training in this country under any system we now provide. We take the foreign boy for this service, a boy who does not speak the English language, because he has served upon a foreign ship, and we qualify him as an able seaman. We have no method of training our own boys to be able-bodied seamen for the merchant service, and now propose a very trifling inducement of $10 a year——

Mr. BUCHANAN of Illinois. I would like to ask the gentleman if he has read the seamen's bill, of which he speaks?

Mr. MOORE. I have read the seamen's bill.

Mr. BUCHANAN of Illinois. Then the gentleman knows it does not prohibit apprentices. The first year it provides 25 per cent shall be able seamen; the second year, 45 up to 55; and after the bill has been in effect for four years it is 65 per cent, leaving then 35 per cent.

Mr. MOORE. How many men will be able to train for able-bodied seamen under that system?

Mr. BUCHANAN of Illinois. Thirty-five per cent after four years and 65 per cent to start with.

Mr. MOORE. How many boys will enlist in that kind of service and under that kind of encouragement?

Mr. BUCHANAN of Illinois. I do not know.

Mr. MOORE. That is my answer to the gentleman. Here are boys willing to do it, and we are asked to appropriate $10 a year for each of them. This is a real training school for the merchant marine, and we ought to sustain it. [Applause.]

The CHAIRMAN. The question is on the amendment offered by the gentleman from Indiana [Mr. Cox].

The question was taken, and the amendment was rejected.

The Clerk read as follows:

SEC. 20. That, for the purpose of securing a list of persons especially qualified to hold commissions in the Navy or in any reserve or volunteer naval force which may hereafter be called for and organized under the authority of Congress, other than a force composed of Organized Naval Militia, the Secretary of the Navy is authorized from time to time to convene examining boards at suitable and convenient places in different parts of the United States, who shall examine as to their qualifications for naval duties all applicants who shall have served in the Regular Navy of the United States or in the Organized Naval Militia of any State or Territory or the District of Columbia. Such examination shall be under rules and regulations prescribed by the Secretary of the Navy. The record of previous service of the applicant shall be considered as part of the examination. Those applicants who pass such examinations shall be certified as to their fitness for naval duties and rank, and shall, subject to a physical examination at any time, constitute an eligible class for commissions, pursuant to such certification, in any volunteer naval force hereafter called for and organized under the authority of Congress other than a force composed of Organized Naval Militia; and the President is hereby further authorized, upon the outbreak of war, or when, in his opinion, was is imminent, to commission in the Regular Navy for the exigency of such war such of the persons whose names have been certified as above provided as he may select: *Provided*, That no one shall be commissioned to a higher rank than the rank for which he may have been recommended by said examining board: *And provided further*, That the President may also commission or warrant as of the highest rank formerly held by him, or the present equivalent of such former rank in case the nomenclature or some of the specific duties of the same may have been changed, any person who having been formerly a commissioned or warrant officer of the United States Navy shall have been honorably discharged from the service: *And provided further*, That persons may be commissioned in the Navy for engineer duties only, and for all line duties other than engineer duties, and when so commissioned shall have the full rank, pay, precedence, etc., of the line grade for which they are commissioned.

Also the following committee amendment was read:

Change the number of the section, page 18, line 12, from "20" to "21."

The CHAIRMAN. The question is on agreeing to the committee amendment.

The amendment was agreed to.

Mr. PADGETT. Mr. Chairman, there is a misprint in line 10, page 19. The word in the print is "was," and it should be "war." It reads "was is imminent," but should be "war is imminent."

The CHAIRMAN. Without objection, the word "was," on page 19, line 10, will be changed to "war."

There was no objection.

The Clerk read as follows:

SEC. 21. That all laws and sections of laws conflicting with the provisions of this act are hereby repealed.

Also the following committee amendment was read:

Change the number of the section from "21" to "22."

The CHAIRMAN. The question is on agreeing to the amendment.

The amendment was agreed to.

The CHAIRMAN. The Chair begs to call the attention of the gentleman from Tennessee [Mr. PADGETT], the chairman of the committee, to the fact that in the report it says that on page 5, line 21, after the word "vessels," there should be inserted a comma. The Clerk has called the attention of the Chair to the fact that this comma has not been inserted in the printed bill.

Mr. PADGETT. On what page is it?

The CHAIRMAN. On page 5, line 21, after the word "vessels."

Mr. MANN. No comma is required there.

Mr. PADGETT. No comma is required there. The report may have indicated it, but there is none needed.

The CHAIRMAN. The Chair begs to call the attention of the gentleman to the fact that the report said that the comma should be inserted.

Mr. PADGETT. The report may have indicated it, but there is no necessity for it.

The CHAIRMAN. The Chair has called attention to it because the report so stated.

Mr. PADGETT. And I appreciate the kindness and courtesy of the Chair for so doing, but I do not think there is any necessity for inserting the comma. Mr. Chairman, I move that the committee do now rise and report the bill as amended to the House, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The motion was agreed to; and the Speaker having resumed the chair, Mr. FOSTER, 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. 8667) to promote the efficiency of the Naval Militia, and for other purposes, and had directed him to report the same to the House with sundry amendments, with the recommendation that the amendments be agreed to and that the bill as amended do pass.

The SPEAKER. Is a separate vote demanded on any amendment? If not, the Chair will put them in gross.

The amendments were agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, was read a third time, and passed.

On motion of Mr. PADGETT, a motion to reconsider the vote by which the bill as amended was passed was laid on the table.

POSTAL SAVINGS DEPOSITORIES.

The SPEAKER. The Clerk will resume the call of committees.

Mr. MOON (when the Committee on the Post Office and Post Roads was called). Mr. Speaker, I desire to call up the bill (H. R. 9318) to amend the act approved June 25, 1910, entitled "An act to establish postal savings depositories for depositing savings at interest, with the security of the Government for repayment thereof, and for other purposes."

The SPEAKER. The Clerk will report the bill.

Mr. MOON. It is on the House Calendar.

The Clerk read the bill, as follows:

A bill (H. R. 9318) to amend the act approved June 25, 1910, entitled "An act to establish postal savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes."

Be it enacted, etc., That sections 2 and 13 of the act approved June 25, 1910, entitled "An act to establish postal savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes," be hereby amended to read as follows:

"SEC. 2. That provisions of section 3 of the act of July 5, 1884, entitled 'An act making appropriations for the service of the Post Office Department for the fiscal year ending June 30, 1885, and for other purposes,' are hereby extended and made applicable to all official mail matter pertaining to the business of the postal savings system; and hereafter the board of trustees for the control, supervision, and administration of the postal savings depository system shall not be required to show in the annual report prescribed by section 1 of the act

of June 25, 1910, establishing such system, the amount of work done for that system by the Post Office Department and postal service in the transportation of free mail.

"SEC. 13. Postmasters, assistant postmasters, clerks, or other employees at post offices of the presidential grade, and postmasters at post offices of the fourth class, shall not be allowed or paid any additional compensation for the transaction of postal savings depository business."

Mr. MANN. Mr. Speaker, I reserve a point of order as to the calendar. This bill ought to be on the Union Calendar. Will the gentleman from Tennessee allow me a little time?

Mr. MOON. Yes; certainly.

Mr. MANN. Then I will not make the point of order.

Mr. MOON. Mr. Speaker, I will ask the Clerk to read the report. It contains a brief explanation of the bill.

The SPEAKER. The Clerk will read the report.

The Clerk read as follows:

Mr. MOON, from the Committee on the Post Office and Post Roads, submitted the following report, to accompany H. R. 9318:

"The Committee on the Post Office and Post Roads, to whom was referred the bill (H. R. 9318) to amend the act approved June 25, 1910, entitled 'An act to establish postal savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes,' having considered the same, report thereon with a recommendation that it pass.

"The present statute requires that special stamps be affixed on all official correspondence transmitted through the mails which relates to the business of the postal savings system. The intent of Congress in thus requiring the use of special stamps was to assist in ascertaining one of the cost items of the new service, but it has been found that the plan was impractical for the reason that the rate of postage charged on official postal savings mail is the same rate that is required of the public. The actual expense of transmitting this mail is much less, and the figures which have been heretofore submitted on the subject have to a large extent been estimates. The use of a distinctive stamp is expensive and entails accounting difficulties which are unnecessary. There is no substantial ground for requiring different treatment of the postal savings mail than is given official mail matter from other divisions of the Post Office Department. If the special stamp is discontinued, it will follow logically that the annual report which the board of trustees is required to make to Congress respecting the cost of transportation of official postal savings matter should be discontinued.

"The provision of the act approved June 25, 1910, in which additional compensation is authorized postmasters of the fourth class for transacting business incident to the postal savings system is complex and difficult of administration. The amount that is allowable to a postmaster under its terms is inconsequential, while the expense of ascertaining and adjusting the matter is unwarranted. The volume of business done at fourth-class offices is so small that the continuance of the provision authorizing additional compensation is not justified.

"The bill has been approved by the Post Office Department."

Mr. MOON. Mr. Speaker, it is hardly necessary for me to enter into any more thorough explanation of this bill than is contained in the brief report that has just been read at the Clerk's desk.

When the postal savings bank system was established, it was predicted on the floor of this House by the present chairman of this committee that this would probably be one of the difficulties that would confront us, among others. It now transpires that the department, in the exercise of the authority of the postal savings banks, has found that it is difficult of administration in this feature and expensive, and it recommends—and that is the purpose of this bill—the discontinuance of the distinctive stamp and a return to the franking privilege as provided for other branches of the Post Office Department.

Mr. JOHNSON of South Carolina. Mr. Speaker, will the gentleman yield?

Mr. MOON. Certainly.

Mr. JOHNSON of South Carolina. Is this the only change?

Mr. MOON. Yes.

Mr. MURDOCK and Mr. MANN rose.

The SPEAKER. To whom does the gentleman yield?

Mr. MOON. I yield to the gentleman from Kansas [Mr. MURDOCK].

Mr. MURDOCK. In this connection, Mr. Speaker, I would like to call the attention of the gentleman from Tennessee to this circumstance, that when we passed the parcel-post law there was also a call for a distinctive stamp, and I think that that distinction was obviated by the department.

Mr. MOON. Yes; by an Executive order.

Mr. MURDOCK. The gentleman will remember that in the discussion of the Post Office appropriation bill a year ago, I succeeded in getting an amendment put on in the House which took away from the postmasters in the adjustment of salaries any salary based upon the sale of the distinctive parcel-post stamps. I believe that amendment was afterwards killed in the Senate. At the present time do postmasters receive salaries based on the sale of those stamps?

Mr. MOON. I believe they do.

Mr. MURDOCK. Does not the gentleman think that would be a good thing to correct along with this?

Mr. MOON. Does not the bill do so?

Mr. MURDOCK. This bill does not correct that at all.

Mr. MOON. It does correct the salary of postmasters based on the sale of these particular stamps, but not on those.

Mr. MURDOCK. It would not be corrected now, but there ought to be a readjustment of postmasters' salaries owing to that fact.

Mr. MOON. I doubt, Mr. Speaker, whether I ought to commit myself too far to the gentleman on other matters now.

Mr. MURDOCK. I suppose that is true, but I think in view of the fact that the sale of the parcel-post stamps has been enormous, there ought to be a readjustment of the postmasters' salaries on that account.

Mr. MANN. Mr. Speaker, will the gentleman yield?

The SPEAKER. Does the gentleman yield?

Mr. MOON. I yield to the gentleman from Illinois [Mr. MANN].

Mr. STAFFORD. Just one moment. I think the chairman of the committee has committed an inadvertence in replying to the query of the gentleman from South Carolina [Mr. JOHNSON], to the effect that this bill has only one purpose. I think that the chairman overlooked the purpose carried in section 13, which is the second section of this bill.

Mr. MOON. Do you mean section 3 of this bill misnumbered 13?

Mr. STAFFORD. I think it is properly numbered 13. It seeks to amend section 13 of the postal savings-bank act, a copy of which I have in my hand. I direct attention to the first clause, which states that it is an amendment to sections 2 and 13 of the postal savings-bank act. I wish to direct the attention of the chairman to the fact that in section 13 we take away allowances to fourth-class postmasters for doing postal savings business.

Mr. MOON. That was the answer to the gentleman from Kansas. The gentleman from South Carolina [Mr. JOHNSON] was improperly answered in that respect, as suggested by the gentleman from Wisconsin [Mr. STAFFORD], for the thirteenth section of the postal savings bank act is amended by the bill.

Mr. JOHNSON of South Carolina. I wanted to ask the gentleman if the Committee on the Post Office and Post Roads had made any inquiry as to whether or not the postal savings banks are yet paying expenses.

Mr. MOON. Oh, yes; very full inquiry has been made by the committee on that subject.

Mr. JOHNSON of South Carolina. Does the gentleman know how much the income exceeds the outgo?

Mr. MOON. The postal savings bank system has been in operation, I believe, some two and one-half or three years. Up to this time the balance of accounts shows a loss of about $1,000,000 to the Government in operating the postal savings bank.

Mr. JOHNSON of South Carolina. Is that loss still going on, or does the income now equal the outgo?

Mr. MOON. No; the income is not equal to the outgo. That loss consists in the inauguration of the system, to begin with, and the fact that the expense attending it has been greater than the income from it. Practically, we borrow money from the people and place it in the savings depositories. The Government pays the depositor 2 per cent interest. That money is loaned on securities to the banks at 2½ per cent. Some of it, where parties desire, is covered into United States bonds at 2 per cent. I believe there is now about $2,500,000 that has been so provided for. The balance of it is deposited under other provisions of the postal-savings law.

There are about 12,000 offices in the United States where these deposits are received, and of course the cost attending that is a part of the expense.

Mr. JOHNSON of South Carolina. When may we hope that the system will become self-sustaining?

Mr. MOON. I can not express any opinion on that, Mr. Speaker. There are a good many who think it may never be self-sustaining. Probably that is the correct view of it.

There has been introduced into the House a bill, which I will call up before a great while, that provides for the taking off of the limit on deposits in the postal savings banks, which limit is now, I believe, $500, and provides for making it unlimited as far as the deposit is concerned, and to limit to the sum of $1,000 the amount on which interest is to be paid by the Government to any single depositor.

Mr. JOHNSON of South Carolina. Does the organic act limit the interest that the Government may charge on these postal deposits to 2½ per cent when loaned to banks?

Mr. MOON. No; the law provides that it shall not be less than 2½ per cent.

Mr. JOHNSON of South Carolina. Not less than 2½ per cent?

Mr. MOON. Yes; but the Government might charge more.

Mr. JOHNSON of South Carolina. The Government might increase the rate to 3 per cent if it was thought to be wise?

Mr. MOON. Yes; and it may be advisable; but that is a matter of administration. It might be advisable for the Congress to direct that not less than 3 or 3½ per cent interest should be charged, because, as a matter of fact, under the system as it now exists the Government is operating a banking system in the United States for the depositing of money. It secures the deposits and pays 2 per cent interest, and loans the money to the banks for 2½ per cent interest, and the banks in turn loan the money to the people at from 6 to 8 per cent. It might be well to increase the interest to the banks or borrowers. I do not know; but those are questions that do not arise very properly on this bill.

Mr. JOHNSON of South Carolina. I understand that; but I thought perhaps the gentleman's committee, having charge and jurisdiction of the subject, might have inquired into this very important matter.

Mr. MOON. We have inquired into it very definitely and very fully. The hearings have not yet been printed, but my friend from Wisconsin [Mr. STAFFORD] has some exact figures which he took down during the hearings, and if the gentleman desires any further information I shall be glad to yield to the gentleman from Wisconsin to read his figures.

Mr. MURDOCK. Will the gentleman yield to me?

Mr. STAFFORD. If the gentleman will yield to me, I will follow this up with these exact figures.

Mr. MOON. I will yield to the gentleman from Wisconsin for the present.

The SPEAKER. How much time does the gentleman from Tennessee yield?

Mr. MOON. Ten minutes.

The SPEAKER. The gentleman from Wisconsin [Mr. STAFFORD] is recognized for 10 minutes.

Mr. STAFFORD. Mr. Speaker, the question as to the cost of operation of the postal savings bank system is of present interest, and one that has been given thorough consideration by the Post Office Committee during the past week, in connection with a bill recommended by the department that seeks to lift the limit of monthly deposits and of total deposits to $500 each, so that there will be no limit whatsoever to the amount that may be deposited by a single depositor.

As you will remember, under the existing postal savings bank law passed three and a half years ago, there was a limit of amount of deposits in any one month to $100, and not to exceed in the total an aggregate of $500 at any one time, other than the amount that might accrue from interest in the investment of these funds. Numerous instances have been called to the attention of the administration officials of the postal savings banks that money has been sent abroad because of this limitation on the amount of deposit. Only recently in the city of Washington, when there was a flurry or run on the United States Trust Co., thousands of dollars were withdrawn and the money brought to the postal savings bank for deposit, but there was this arbitrary limit that prevented the Government receiving it.

There are thousands of instances where foreigners have brought money from stockings and hiding places only to find that this arbitrary limit prevented the Government from taking it. There were some members of the committee, among others my friend from Kansas [Mr. MURDOCK] and myself, who at the time of framing the original postal savings bank bill, thought there was no reason why there should be any limit whatever placed on the deposits if any person had any reason to utilize the depository. Now the post-office officials come to us and ask and recommend that we lift the limit, and the committee is of the opinion that the limit should be lifted.

Now, as to the operation of the postal savings banks during the past three years: There are at the present time, or was on June 30 last, $33,818,000 deposits. At the close of the year before, June 30, 1912, there were $20,237,000, an increase in the last fiscal year of thirteen and a half million dollars.

In 1912 there were 243,801 depositors, with an average deposit of $83. In the fiscal year ending June 30, 1913, there were 331,006 depositors, with an average deposit of $102.

In the administration of this fund, as the chairman of the committee has stated, the Government under the law pays the depositor 2 per cent and receives from the banks 2½ per cent on the deposit. There is no limit on the discretion of the Government officials as to the amount of interest they may charge the banks for the use of these funds. I was surprised only recently to read a news item relating to New York banks engaged in savings bank business that there was no bank in the city of New York paying less than 3½ per cent, and many of them paid 4 per cent interest on deposits. Now, these deposits are more or less permanent in character, and if these private institutions can afford to pay private depositors of small sums 3½ and 4 per cent, and in general throughout the country the banks pay not less than 3 per cent, why should not the Government, under the authorization of the savings postal-bank act charge the banks a like sum that they pay to the ordinary depositor when they deposit their individual accounts?

It is true that the system as carried on up to date has met with a loss, but that loss can be easily corrected by raising the rate of interest to be charged the banks. I am frank to say that the administration official, the Third Assistant Postmaster General, is considering the proposition to raise the rate on these deposits to be paid by the bank.

In the first six months when this system was in operation the total expenses for operating the banks, including the payment of clerks, payment of postage, all items of expense, was $114,000. In 1912 it was $619,000. In 1913, $752,000, or up to date, $1,486,000, or, in round numbers, one and one-half million dollars.

Against this there has been received interest on deposits paid by the banks of $537,932, leaving a net loss to the Government of $948,068, or, as the chairman said, in round numbers about a million dollars.

Mr. MADDEN. Will the gentleman yield to me right there?

Mr. STAFFORD. I yield to my colleague on the committee.

Mr. MADDEN. The amount of expenditures expressed in the gentleman's statement, it is only fair to say, is in a large measure based on reports of various post offices, made by postmasters arbitrarily, showing the cost of transacting each item of business to be all the way from 2 cents up to 64 cents. That is, these statements of the postmasters, ranging all over the United States, arbitrarily estimate the expense from 2 cents to 64 cents, and they do not at all represent the actual cost of the transaction.

Mr. STAFFORD. The gentleman is correct; but that is on the side of maximum expense and not on the side of minimum expense. The administrative officials in estimating the expense took the maximum amount estimated. As they said, in one place the cost of operation was 64 cents, whereas the cost shown by the records for auditing a postmaster's account was only 19 cents; and one postmaster returned as high an amount as 64 cents as the expense for each deposit. Now I will yield to the gentleman from Minnesota [Mr. STEENERSON].

Mr. STEENERSON. Is it not a fact that at the hearings it was stated by the Postmaster General that the additional expense in case the deposits were increased to fifty or sixty millions would be very small, and in that event it would be very likely self-sustaining?

Mr. STAFFORD. Mr. Speaker, the gentleman reminds me of one very important phase brought out in the hearings of the Third Assistant Postmaster General, and that is that the administrative force in the Post Office Department to-day is able to take care of twice the amount of deposits without increasing the administrative cost only slightly, and that is one reason why he recommends the lifting of the amount of deposits, so that they may be able to increase the total from thirty-three million dollars to fifty, sixty, or one hundred million dollars.

I was most earnest in the advocacy of this system in conjunction with my good friend from Kansas [Mr. MURDOCK] when it was first proposed. I wanted to see it established in all of the first and second class offices. We tried to have that limitation placed in the bill, but we were unsuccessful. We realized there was no great demand for the establishment of these postal savings banks in these small crossroad post offices, where the last administration went to the extreme in establishing them and where the figures show in many offices there are but one or two depositors. There was no call for the establishment of postal savings banks in that character of office. The demand came from large industrial centers, where there was a large foreign population. Statistics recently reported to the House by the Postmaster General, submitted this past week, show that the cities where the postal banks are most utilized are in localities where there are a large number of foreigners.

Mr. MURDOCK. Mr. Speaker, will the gentleman yield?

Mr. STAFFORD. Yes.

Mr. MURDOCK. At the time of the creation of the postal savings bank the gentleman will remember that I busied myself in particular, and I think he did, in providing for the small denominational bonds. I would like to ask the gentleman how many of those bonds are out?

Mr. STAFFORD. Mr. Speaker, the depositors have not availed themselves of the privilege of transferring their postal savings accounts into Government bonds.

Mr. MURDOCK. They have to some extent.

Mr. MOON. Two million and a half dollars.

Mr. MADDEN. Two million three hundred thousand dollars.

Mr. STAFFORD. I was going to say to the extent of two and a half to three and a half million dollars, but they have not done so to as large an extent as we anticipated. I know the gentleman and the House will be interested in the comparative deposits in banks and with the Government of these postal savings funds. You will remember that the State banks made a strong protest through fear it would withdraw——

The SPEAKER. The time of the gentleman has expired.

Mr. MOON. I yield the gentleman three minutes more.

Mr. STAFFORD. It would withdraw the funds from the local banks and that the provision carried in the law giving the Government the right to invest 30 per cent of the funds in Government bonds would naturally draw out of those localities large amounts of money. Of the thirty-two and a half million dollars now in current cash 95.4 per cent is redeposited in the local banks, and in the Treasury there is but 4½ per cent—one million and a half in money—though the law requires 5 per cent. So the fears of the State banks and those who opposed this law so vigorously at the time of its inauguration have not been realized. When we lift the limit of deposits, as the committee intend by the bill to be reported to the House, there will immediately develop twenty or thirty or fifty more millions of dollars available to be deposited in these banks, and the cost of administration will not be proportionately increased. Larger returns will come in, and if the local administrative official charges a reasonable rate, 3 per cent, to the banks for this money—as, in my judgment, I believe they should be charged—there is no question but that the deficit will be immediately wiped out and a profit develop.

The SPEAKER. The time of the gentleman from Wisconsin has expired.

Mr. MURDOCK. Mr. Speaker, I ask unanimous consent that the gentleman's time be extended for two minutes in order that I may ask him a question.

Mr. MOON. I control the time. Let the gentleman ask his question.

Mr. MURDOCK. Are there any figures showing how hidden money was developed?

Mr. MADDEN. They have $33,000,000 on deposit.

Mr. MURDOCK. Is there any way of segregating that from money already in bank?

Mr. STAFFORD. The Third Assistant Postmaster General testifies that most of this money comes from the stockings and hiding places of these foreigners.

Mr. MURDOCK. The great protest of the banks was that it would take money out of the banks. Their fears did not develop.

Mr. STAFFORD. As the gentleman knows, in his own district, where banks are safe and secure, there have been no withdrawals to speak of. The deposits have been generally by foreigners who were unacquainted with and doubted the safety and security of our local banking institutions.

Mr. MOON. Mr. Speaker, the range of this discussion has gone pretty far, and really the suggestions here ought to come under the Post Office appropriation bill more properly than here; and in view of what has been said, I want to say that I regret my views do not fully coincide with some of the gentlemen on this question. I believe it will be found upon a full investigation that there are more than 12,000 clerks, as shown from this proof, in the United States who give the greater part of their time every day to this work instead of a few minutes. I believe if we could get at it accurately that the loss to the Government under this postal savings-bank system to-day has not been a million, but more than two million dollars of money, and yet we want to give it a trial. Of course all of us who understand this bill know that the measure, in the first place, was ostensibly intended for the gathering in of that class of funds that would not go to the banks, for collecting the money of foreigners who had no confidence in American institutions, and yet while the opposition existed on the part of the banks in the first place you will notice that has steadily, effectually, and permanently been withdrawn, because the United States is just a means of gathering in the money of the foreigners and other people, putting it in their depositories, transacting the business at a loss of a million dollars a year, in order that the banks might get the money at 2½ per cent and loan it to the people at 8. But I am not going to discuss this matter; it does not pertain to this bill.

Mr. PAYNE. Will the gentleman yield right there?

Mr. MOON. Yes.

Mr. PAYNE. It has been stated what the gross loss has been for three years previous, but I have heard no separate statement as to the comparative loss for each year.

Mr. MOON. I will say to the gentleman from New York that the hearings are not before us now; they have not been printed. I believe my friend Mr. STAFFORD took a memorandum at the time, and I will ask him if his memorandum shows that exactly.

Mr. PAYNE. Last year, for example.

Mr. STAFFORD. I can not give offhand the exact amount, but with the increasing deposits it shows a corresponding reduction proportionately of loss.

Mr. MOON. I think it is one-third last year.

Mr. PAYNE. Has the gentleman any estimate of what the additional deposits will be increased if this exceedingly small limit of deposits is taken off and the people are allowed to deposit what they wish?

Mr. MOON. I said a few minutes ago that I had introduced a bill which has been ordered favorably reported, and I will file that report in the House in a few days. It provides for taking off the limit of deposits entirely and fixing $1,000 as the maximum upon which the Government will pay interest. It is hoped by the department that this will bring about such a readjustment of affairs of the postal savings bank as to prevent a loss. Whether it will or not is purely a matter of speculation.

Mr. PAYNE. I am informed by the postmaster at home that people come there with $300 or $400 or $500 or more to deposit, and because they can not deposit the whole they will not deposit at all and do not open an account.

Mr. MOON. Yes; that is true. I do not want to state anything that is not favorable to this institution, if anything can be found. The evidence is that in a number of instances several thousand dollars were offered for deposit at post offices, and because they could not deposit over $500 none was deposited.

Mr. PAYNE. I am also told by him that a large share of the deposits were money that looked as if it had been folded and kept for a long time hidden away, perhaps slept on, under the bed, or something of that kind, that evidently it had been hoarded.

Mr. MOON. Evidently some has been hoarded, but now the great bulk of the wages of foreigners are deposited temporarily in these banks for the purpose finally of taking the certificate and carrying it to Europe. Does the gentleman from Illinois desire some time?

Mr. MANN. I wish 10 minutes, and I may desire a little more time.

Mr. MOON. I yield 10 minutes to the gentleman from Illinois [Mr. MANN].

Mr. MANN. Mr. Speaker, every little while we are regaled with complaints about the use of the so-called franking system. The Post Office Department itself frequently has given enunciations of the idea that the franking privilege was a gross injustice to the Government and the Post Office Department, and I shall later call the attention of the committee to the annual report of Postmaster General Hitchcock of several years ago, which the gentleman from Kansas [Mr. MURDOCK] furnished to me a while ago when I suggested I would like to have him tell me specifically where that recommendation was.

The President's Commission on Economy and Efficiency has spent a good deal of time, and more paper, printing their recommendations that no service of the Government should have the franking privilege. That is to say, that a Member of Congress or a department of the Government, instead of putting on a printed notice or a franked signature, should put on a stamp. The proposition was seriously made to Congress on several occasions by these different bodies that every Member of Congress, for instance, should be provided with stamps and should stamp the envelopes which he sent out on official business, and that every branch of the Government which enjoyed the privilege of the so-called penalty envelopes without stamps should have a special stamp that it should put on the envelope. And they have argued for this in the interest of economy. Those branches of the public who want the pay of the postal employees increased or the rate of postage decreased invariably dwell upon the fact that the Post Office Department would be much more than self-sustaining if the franking privilege were removed. And I have been absorbing this information now for more than 16 years, and never have had a shock like I had this morning when I picked up this bill, reported to the House yesterday and brought in this morning with a report. Here was the great Post Office Department, which for years has been insisting that there should be no such thing as the franking privilege without a special distinctive stamp—and they insisted on it so much that a few years ago, when we created a postal savings bank, we allowed them to use a distinctive stamp with postal savings-bank matter so far as the trustees of the postal savings bank were concerned—saying, without having

courtesy to apologize for their past opinion, that now it is useless, extravagant, and unworkable.

Let me read you just, for instance, first, the report of the Postmaster General for the fiscal year ending June 30, 1910, about the time that the postal savings bill was passed. It was this opinion of the department which caused the insertion in that bill of a provision for a distinctive stamp on mail matter sent out by the trustees of the postal savings bank.

Mr. TOWNSEND. What report is it?

Mr. MANN. I will give it to you. This is the annual report of Postmaster General Hitchcock for 1910:

> The unrestricted manner in which the franking privilege is now being used by the several Federal services and by Congress has laid it open to serious abuses—a fact clearly established through investigations recently instituted by the department. While it has been impossible without a better control of franking to determine the exact expense to the Government of this practice, there can be no doubt that it annually reaches into the millions. It is believed that many abuses of the franking system could be prevented, and consequently a marked economy effected, by supplying through the agencies of the postal service special official envelopes and stamps for the free mail of the Government, all such envelopes and stamps to be issued on requisition to the various branches of the Federal service requiring them, and such records to be kept of official-stamp supplies as will enable the Post Office Department to maintain a proper postage account covering the entire volume of free Government mail. As the first step in the direction of this reform special stamps and stamped envelopes have been provided for use instead of franks in the free transmission of the official mail resulting from the business of the new postal savings system. By properly recording the issuance of such stamps and envelopes an accurate account can be kept of the cost to the Government of handling the postal savings mail, which is certain to become an important item of expense and should be separately determined. In keeping with this plan it is hoped that Congress will authorize the substitution of special official stamps and stamped envelopes for the various forms of franks now used to carry free of postage the vast volume of departmental and congressional mail matter. During the last year methods of accounting similar to those employed in the most progressive of our business establishments have been introduced in the postal service, and nothing has so impeded the department's plans in this regard as the impossibility of determining with exactness how far the various expenses of the business are increased by the present unrestricted use of the franking privilege.

As the first step in the direction of this reform special stamps are going to be used in the postal savings-bank department, but this department, which for years has been insisting that the franking privilege used by Members of Congress and the penalty envelopes used by the departments for the transmission of official mail was an abuse and that they proposed to reform it, now say what? They say this, which is in the report accompanying this bill:

> The use of a distinctive stamp is expensive and entails accounting difficulties which are unnecessary.

Now, my own judgment is that the opinion of the department now, after taking, is much more valuable than it was before taking. After trying it they found that they themselves could not make it work. It not only is more expensive, but they can not keep the account.

The Bureau of Economy and Efficiency of the President took a great deal of time to tell Congress how to run the Government without ever having discovered how to do much of anything properly themselves, so far as their own reports were concerned at least. [Applause.] And they insisted that it would be cheaper for the Government to have every bureau of the Government stamp its envelopes with a distinctive stamp than to have printed the penalty clause which is now printed upon them. I never took any stock in the old recommendation of Postmaster General Hitchcock or any of these recommendations of that kind, because I know that it is cheaper for the Government to use this class of envelope without a distinctive stamp than with a distinctive stamp.

While the Post Office has frequently suggested that it was doing this great amount of business for other branches of the Government without pay, and ought to receive credit for that, I never have heard anyone in the Post Office Department suggest that it was using a great deal of Government property without rent and without charge for rent, and using a great deal of Government property, which was heated and lighted out of other appropriations, without any charge for that. The truth is that the system now in operation, while it is abused sometimes by somebody sending out enormous quantities of matter which ought not to be frankable and which properly is not frankable, but which is nevertheless franked, the present system is much better than the system which was proposed by the Post Office Department, and I am extremely glad that the new administration of the department has reached the conclusion that the distinctive-stamp idea is an expensive luxury, if not an unnecessary fraud. [Applause.]

Mr. MOON. Mr. Speaker, it is useless for me to say that I very fully concur in the views of the gentleman from Illinois [Mr. MANN]. I want now to yield to another gentleman from Illinois [Mr. MADDEN], who says he wants to talk strictly on the bill. [Laughter.]

The SPEAKER. How much time does the gentleman yield?

Mr. MOON. I yield five minutes.

The SPEAKER. The gentleman from Illinois [Mr. MADDEN] is recognized for five minutes.

Mr. MADDEN. Mr. Speaker, the bill that is pending has two objects. One object is to authorize the Postmaster General to discontinue the payment of compensation to fourth-class postmasters for work done for the postal savings bank system, and the other distinctive feature of the bill is to do away with the use of the postage stamp or the envelope used in the correspondence of the postal savings bank system.

These are the two objects of the bill. The first reason why the Postmaster General thinks the use of the postage stamp ought to be done away with is that its use charges falsely to the postal savings bank system 2 cents for every envelope used, whereas it costs the Government a very small fraction of the 2 cents to make the stamp; and so if we were to enumerate all the postage stamps used in the correspondence of the postal savings bank system and were to ascertain just what they cost the Government, and then figure up what is charged against the system, the difference between the two would be the amount that ought not to be charged.

And then the other object, being to do away with the payment of compensation to fourth-class postmasters is sought for this reason: There are 4,000 fourth-class post offices in the United States in which the postal savings bank has been established. In only about 3,000 of these has there been any postal savings bank business, and the average compensation allowed according to law to each of the postmasters in the 3,000 offices where they do business would amount to only 27 cents per annum, and the auditing department of the Post Office Department is obliged to keep 4,000 accounts.

Mr. LLOYD. Mr. Speaker, will the gentleman yield?

The SPEAKER. Does the gentleman from Illinois yield to the gentleman from Missouri?

Mr. MADDEN. Sure.

Mr. LLOYD. Would it not be a better way to discontinue the 3,000 offices?

Mr. MADDEN. No; because there is a possibility of their developing business.

Mr. LLOYD. But the gentleman says at the present time they are not transacting business.

Mr. MADDEN. I say 1,000 offices are not.

Mr. LLOYD. Why not discontinue the 1,000 offices?

Mr. MADDEN. Well, that is within the power of the Postmaster General, and that is being done more or less all the time. Wherever they find it is not essential to the welfare of the community to continue one of these offices they discontinue it.

Mr. LLOYD. Now, one other question.

Mr. MADDEN. I would like to finish the statement on the auditing first. At each of these offices they are obliged to keep an account, so that they have 3,000 accounts with 3,000 postmasters, each one of whom has coming to him within the range of a year 27 cents on the average, and, whether that account is closed or not, the account has to be audited every month, or whenever the audit is made; so that it has been discovered that the cost of the audit amounts to very much more than the amount which is coming to the postmaster whose account is being audited.

Mr. LLOYD. Now, in the 3,000 offices which the gentleman thinks ought to remain, why does he say that the postmasters should not be compensated for taking care of the business of the Government?

Mr. MADDEN. I say if it does not amount——

Mr. LLOYD. In the first, second, and third class offices there are clerks provided to perform the work. In the fourth-class office whatever work there is must be paid for by the postmaster himself, and it seems to me that he is the man of all others who ought to have compensation for the service that he renders to the Government.

Mr. MADDEN. But if on an average that compensation has not been more than 27 cents per annum, and it costs more to audit the account of the amount due the postmaster than the payment of the 27 cents amounts to, the gentleman from Missouri can well understand——

Mr. LLOYD. That those offices ought to be discontinued.

Mr. MADDEN. That is all right. I am not making any argument as to whether they should be discontinued or not. I really believe myself that no postal savings bank should be established in any post office where the business of the office does not justify it, or, if it is established, that it ought not to be continued unless the business transacted in that office justifies its continuation.

Mr. BURKE of South Dakota. Will the gentleman yield?

Mr. MADDEN. Yes.

Mr. BURKE of South Dakota. I should like to ask the gentleman if there are any great number of these fourth-class offices that do any considerable amount of business?

Mr. MADDEN. I am not prepared to say just what amount of business any particular fourth-class office does. All I say is that the average compensation due to postmasters in the 3,000 local fourth-class offices where business is done has only amounted under the law to 27 cents per annum.

Mr. BURKE of South Dakota. Does the gentleman know what the average compensation would be in the other 1,000 offices?

Mr. MADDEN. There was no business done in the other 1,000 fourth-class post offices.

Mr. SMITH of Minnesota. Has the committee made an estimate of the cost to the Government of keeping track of the amount of stamps used by the postal savings department?

Mr. MADDEN. No; the committee has no knowledge of how many stamps have been used or how much it costs to keep track of the stamps. All the committee has is the information furnished by the Third Assistant Postmaster General, to the effect that it would be much more economical and more just to the institution known as the postal savings bank system to do away with the use of the stamp, because the charge of 2 cents per envelope used in that system is an unjust and arbitrary charge that is not warranted by the facts.

Mr. SMITH of Minnesota. It is nothing more nor less than a book charge. There is no consideration passing one way or the other?

Mr. MADDEN. That is very true, but the book charge being made, Members of Congress read the statement of receipts and expenditures of the postal savings bank system; and if, perchance, by making an unjust, arbitrary charge, first for one thing and then for another, the expenses of the system are made to appear to be five times what the receipts are, the natural conclusion would be that the system is not justified in existing. What this bill seeks to do is to abolish that arbitrary, unjust system of making charges against the postal savings bank system, so that the actual results may be shown on the face of the returns.

The SPEAKER. The time of the gentleman from Illinois has expired.

Mr. MOON. Mr. Speaker, I move the previous question on the passage of the bill.

The SPEAKER. The gentleman from Tennessee moves the previous question on the passage of the bill.

The previous question was ordered.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was accordingly read the third time and passed.

On motion of Mr. MOON, a motion to reconsider the last vote was laid on the table.

PERSONAL EXPLANATION.

Mr. SLAYDEN. Mr. Speaker, I ask unanimous consent for half a minute or a minute in which to make a brief statement.

The SPEAKER. The gentleman asks for one minute to make a personal statement. Is there objection?

There was no objection.

Mr. SLAYDEN. Mr. Speaker, just before the passage of the resolution commonly known as the Hensley resolution the other day I received a communication, through his secretary, from the gentleman from Virginia [Mr. MONTAGUE] requesting me to have him paired on that resolution as in favor of the resolution.

I am sorry to say that I forgot to discharge that duty to my friend, and I make this statement in order that he may be set right on the record.

LOSSES BY POSTMASTERS.

Mr. MOON. Mr. Speaker, I call up the bill (H. R. 9321) to amend the act approved May 9, 1888, as amended by the act of June 11, 1896.

The SPEAKER. The gentleman from Missouri [Mr. BOOHER] will take the chair. The House resolves itself automatically into the Committee of the Whole House on the state of the Union.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill (H. R. 9321) to amend the act approved May 9, 1888, as amended by the act of June 11, 1896, with Mr. BOOHER in the chair.

Upon taking the chair Mr. BOOHER was greeted with applause.

The Clerk read the bill, as follows:

Be it enacted, etc., That the act authorizing the Postmaster General to adjust certain claims of postmasters for loss by burglary, fire, or other unavoidable casualty, approved May 9, 1888, as amended by the act of June 11, 1896, be, and the same is hereby, amended so as to read as follows:

"That the Postmaster General be, and he is hereby, authorized to investigate all claims of postmasters for the loss of money-order funds, postal funds, postal savings funds, postage stamps, stamped envelopes, newspaper wrappers, postal cards, postal savings cards, postal savings stamps, and postal savings certificates belonging to the United States in the hands of such postmasters, and for the loss of key-deposit funds, funds deposited to cover postage on mailings, and funds received as deposits to cover orders for stamped envelopes, in the hands of such postmasters, resulting from burglary, fire, or other unavoidable casualty, and if he shall determine that such loss resulted from no fault or negligence on the part of such postmasters, to pay to such postmasters or credit them with the amount so ascertained to have been lost or destroyed, and also to credit postmasters with the amount of any remittance of money-order funds, postal funds, or postal savings funds made by them in compliance with the instructions of the Postmaster General, which shall have been lost or stolen while in transit by mail from the office of the remitting postmaster to the office designated as his depository, or after arrival at such depository office and before the postmaster at such depository office has become responsible therefor: *Provided*, That no claim exceeding the sum of $10,000 shall be paid or credited until after the facts shall have been ascertained by the Postmaster General and reported to Congress, together with his recommendation thereon, and an appropriation made therefor: *And provided further*, That this act shall not embrace any claim for losses as aforesaid which accrued more than four years prior to the date of approval of this act; and all such claims must be presented within six months after such date, and no claim for losses which may hereafter accrue shall be allowed unless presented within six months from the time the loss occurred."

SEC. 2. That it is hereby made the duty of the Postmaster General to report his action herein to Congress annually, with his reasons therefor in each particular case.

Mr. MOON. Mr. Chairman, under the general law the Postmaster General is authorized to adjust the losses for money orders, stamps, and other funds, and the purpose of this act is to add to it the authority to adjust the losses affecting postal savings banks. I therefore ask that the report be read. It is very brief and states the reasons pointedly for the passage of this bill.

The CHAIRMAN. Without objection, the Clerk will read the report.

The Clerk read as follows:

[Report No. 116, by Mr. MOON, to accompany H. R. 9321.]

The act of May 9, 1888, as amended by the act of June 11, 1896, authorizes the Postmaster General to reimburse postmasters for losses of certain funds resulting from burglary, fire, or other unavoidable casualty while such funds were in their custody or in transit to their designated depositories. There is no provision of law, however, for granting such relief in the case of losses of postal savings funds, postal savings cards, postal savings stamps and certificates, key-deposit funds, funds deposited to cover postage on mailings, and funds received as deposits to cover orders for stamped envelopes. The object of the accompanying bill is to remedy this anomalous condition and to authorize the Postmaster General to grant the same measure of relief as to losses of these funds, for which postmasters are equally responsible, as may now be accorded with respect to losses of funds covered by existing law.

Mr. MOORE. Will the gentleman from Tennessee answer a question?

Mr. MOON. If I can.

Mr. MOORE. A loss occurred in my district recently due to a robbery. It was a small amount of $150 in postage stamps, so that this would not apply. But suppose it had been postal savings-bank funds, would this bill authorize the Postmaster General, in his discretion, to settle it?

Mr. MOON. Postage stamps are covered by law now.

Mr. MOORE. Yes; I know; but I am assuming that the loss had been postal savings-bank funds?

Mr. MOON. The Postmaster General has no authority to adjust such a loss. The passage of this bill would give him that authority.

Mr. MOORE. It would give him authority to adjust it without coming to Congress?

Mr. MOON. Yes; it places it on the same basis as the general postal matters.

Mr. MOORE. To what extent does it give the Postmaster General authority to adjust these matters?

Mr. MOON. Up to $10,000.

Mr. MOORE. He could settle claims up to $10,000 without recourse to Congress?

Mr. MOON. Yes.

Mr. BURKE of South Dakota. Will the gentleman yield?

Mr. MOON. Certainly.

Mr. BURKE of South Dakota. Can the gentleman state to what extent there have been losses by reason of the larceny of postal funds?

Mr. MOON. No; I can not. There has been no evidence before the committee as to the number of cases or the extent of the losses.

Mr. BURKE of South Dakota. As I understand it, if there is a loss under existing law of postal savings-bank funds, the

only recourse of the postmaster would be, assuming that it was a loss without his negligence, by a special bill in the nature of a claim?

Mr. MOON. That is true. Mr. Chairman, I ask that the bill be read for amendment.

The Clerk read the bill for amendment.

Mr. MOON. Mr. Chairman, I move that the committee do now rise and report the bill favorably to the House, with the recommendation that it do pass.

The motion was agreed to; accordingly the committee determined to rise, and, the Speaker having resumed the chair, Mr. BOOHER, 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. 9321) to amend the act approved May 9, 1888, as amended by the act of June 11, 1896, and had directed him to report the same back without amendment, with the recommendation that the bill do pass.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. MOON, a motion to reconsider the vote whereby the bill was passed was laid on the table.

PAYMENT OF POSTAL MONEY ORDERS.

Mr. MOON. Mr. Speaker, by direction of the Committee on the Post Office and Post Roads, I call up the bill (H. R. 9317) to regulate the payment of postal money orders.

The Clerk read the bill, as follows:

Be it enacted, etc., That under such rules and regulations as the Postmaster General shall prescribe postal money orders may be issued payable at any money-order post office, and on and after the date upon which such rules and regulations become effective all money orders shall be legally payable at any money-order post office, although drawn on a *specified office*; and that all laws or parts of laws in conflict herewith are hereby repealed.

Mr. MOON. Mr. Speaker, there is nothing in the bill except the proposition to change the law so as to allow money orders issued from one post office to another to be paid in any money-order office in the United States. I ask that the Clerk read the report.

The Clerk read the report (by Mr. MOON), as follows:

The Committee on the Post Office and Post Roads, to which was referred House bill 9317, has considered the same and recommends that it do pass.

The purpose of the bill is to broaden the scope of the postal money order by making it payable at any money-order post office instead of at a specified office, as at present. There is an increasing demand that such orders shall be payable anywhere to meet the requirements of commercial usage. The limitation that a postal money order may be paid only at the office on which drawn has been a great inconvenience to patrons of the system, and the reason for this restriction ceased to exist with the discontinuance of the letter of advice. The facility with which money in this form may be transported and used in clearing accounts will be a distinct aid to commerce, and there appears to be no reason why money orders payable at any money-order office should not be absolutely safe when issued under rules and regulations prescribed by the Postmaster General.

Mr. MANN. Mr. Speaker, will the gentleman yield?

Mr. MOON. Yes.

Mr. MANN. Was this bill referred to the Post Office Department for recommendation?

Mr. MOON. This bill, I will say to the gentleman, is the creature of the Post Office Department itself.

Mr. MANN. I suspected as much, and therefore I wanted to have that fact go into the RECORD.

Mr. MOON. Mr. Speaker, I desire to say to the House, if it is not already so understood, the three bills acted upon this evening are propositions that come from the Post Office Department.

Mr. MANN. Mr. Speaker, I am not certain, and I expect the gentleman is not certain, what the result of the bill will be or whether it will work satisfactorily, but I do not wish the Post Office Department to hereafter blame Congress for this legislation.

Mr. MOON. No. The Post Office Department advised me and the committee that it will work all right.

Mr. BURKE of South Dakota. Mr. Speaker, I would like to ask the gentleman if his attention has been called, in line 7, to the word "legally," appearing before the word "payable," and whether there is any necessity for that word—if it would not be better legislative form to leave it out?

Mr. MOON. I do not know that it would. It never hurts to put in the word "legally" anywhere.

Mr. BURKE of South Dakota. It seems to me that if Congress authorizes that something shall be payable, it ought to be an inference that it is legally payable.

Mr. MOON. Money orders are now legally payable only at the office in which they are drawn.

Mr. BURKE of South Dakota. They are only payable.

Mr. MOON. Well, only legally payable there.

Mr. PAYNE. Mr. Speaker, as I understand it now, when a money order is issued payable at a certain office there is a letter of advice sent to the postmaster at the paying office.

Mr. MOON. That was the law, but it has been discontinued.

Mr. PAYNE. That was for the purpose of safety, I suppose?

Mr. MOON. Yes.

Mr. PAYNE. But if it has been tried and discontinued, and there is no necessity for it, there can be no objection to this.

Mr. MOON. The Post Office Department has not said to us what rules and regulations would be adopted in respect to this; but they do say they can provide rules and regulations that will make these orders legally payable at any office in the United States, with proper safeguards. It is an experiment, of course, but I think one in which there is no possible danger.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. MOON, a motion to reconsider the vote by which the bill was passed was laid on the table.

REGENTS OF SMITHSONIAN INSTITUTION.

The SPEAKER. The Chair desires to announce that he has reappointed Mr. PEPPER, of Iowa, and Mr. FERRIS, of Oklahoma, Regents of the Smithsonian Institution, and Mr. ROBERTS, of Massachusetts, to take the place of Mr. Dalzell, of Pennsylvania. The Clerk will continue the call of the committees.

The Clerk proceeded to call the committees.

RAILROADS IN ALASKA.

Mr. HOUSTON (when the Committee on the Territories was called). Mr. Speaker, I am directed by the Committee on the Territories to call up the bill (H. R. 1739) to authorize the President of the United States to locate, construct, and operate railroads in Alaska, and for other purposes. This is a bill on the Union Calendar.

Mr. DAVENPORT. Mr. Speaker, before the House resolves itself into the Committee of the Whole House on the state of the Union for the consideration of this bill, I desire to state that there is an understanding between the gentleman from Tennessee [Mr. HOUSTON] and myself, inasmuch as I am opposed to the bill, that there would be no agreement reached to-night as to time for debate, but that when the bill comes up on next Wednesday we would then make an agreement as to time to be consumed in the discussion of the bill.

The SPEAKER. The House will automatically resolve itself into the Committee of the Whole House on the state of the Union for the consideration of this bill, and the gentleman from Mississippi [Mr. HARRISON] will take the chair.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 1739, with Mr. HARRISON in the chair.

Mr. HOUSTON. Mr. Chairman, I ask unanimous consent that the first reading of the bill be dispensed with.

The CHAIRMAN. The gentleman from Tennessee asks unanimous consent that the first reading of the bill be dispensed with. Is there objection?

Mr. MURDOCK. Mr. Chairman, reserving the right to object, will this keep the copy of the bill out of the RECORD?

Mr. MANN. It will not be printed in the RECORD unless it is read or ordered in.

Mr. MURDOCK. It seems to me that a bill of this importance and novel character ought to be put in the RECORD.

Mr. MANN. I suggest that the gentleman from Tennessee ask unanimous consent to dispense with the first reading of it and that it be printed in the RECORD as though read.

Mr. HOUSTON. Mr. Chairman, I ask unanimous consent to dispense with the first reading of the bill, and that the bill be printed in the RECORD.

Mr. GARRETT of Tennessee. You do not want the entire bill?

Mr. HOUSTON. The bill as reported from the committee.

Mr. GARRETT of Tennessee. The bill technically includes all.

The CHAIRMAN. The gentleman from Tennessee [Mr. HOUSTON] asks unanimous consent that the first reading of the bill be dispensed with and that the bill as amended by the committee be printed in the RECORD.

Mr. MANN. That the committee substitute be printed in the RECORD.

The CHAIRMAN. That the committee substitute be printed in the RECORD. Is there objection? [After a pause.] The Chair hears none.

The committee substitute is as follows:

That the President of the United States is hereby empowered, authorized, and directed to adopt and use a name by which to designate the railroad or railroads and properties to be located, owned, acquired, or operated under the authority of this act; to employ such officers, agents, or agencies, in his discretion, as may be necessary to enable him to carry out the purposes of this act, such officers, agents, or agencies to be appointed or designated by him or under his direction; to authorize and require such officers, agents, or agencies to perform any or all of the duties imposed upon him by the terms of this act; to detail and require any officer or officers in the Engineer Corps in the Army or Navy, or any official in the civil list of the United States, to perform service under this act without additional pay, but upon allowance of actual subsistence and traveling expenses; to locate and designate a route or routes for a line or lines of standard-gauge railroad in the Territory of Alaska, to be so located as to connect one or more of the open Pacific Ocean harbors on the southern coast of Alaska with the navigable waters in the interior of Alaska, and with a coal field or fields yielding coal sufficient in quality and quantity for naval use, so as best to aid in the development of the agricultural and mineral or other resources of Alaska, and the settlement of the public lands therein, and so as to provide transportation of coal for the Army and Navy, of troops, arms, munitions of war, of the mails, and for other governmental and public uses; to construct and build a standard-gauge railroad or railroads, with the necessary branch lines, feeders, sidings, switches, and spurs along such route or routes as he may so locate and designate; to purchase or otherwise acquire all real and personal property necessary to carry out the purposes of this act; to exercise the power of eminent domain in acquiring property for such use, which use is hereby declared to be a public use, by condemnation in the courts of Alaska in accordance with the laws now or hereafter in force there; to acquire rights of way, terminal grounds, and all other rights; and to exercise all the powers granted to railroad companies under and by virtue of the act of Congress entitled "An act extending the homestead laws and providing for right of way for railroads in the District of Alaska, and for other purposes," approved May 14, 1898, and all amendments thereto; to purchase or otherwise acquire all necessary equipment for the construction and operation of such railroad or railroads for the transportation of freight and passengers; to build or otherwise acquire docks, wharves, terminal facilities, and all structures needed for the equipment and operation of such railroad or railroads; to fix, change, or modify rates for the transportation of freight and passengers subject to the supervision of the Interstate Commerce Commission, as hereinafter provided; to receive compensation therefor, and to perform generally all the usual duties of a common carrier for hire; to make and establish rules and regulations, not in violation of law, for the control and operation of said railroad or railroads; to employ agents and employees for the conduct of the business of said railroad or railroads, and to fix and provide their compensation; to lease the said railroad or railroads after completion upon such terms as he may deem proper, but no lease shall be for a longer period than 10 years, or in the event of failure to lease to operate the same until the further action of Congress; to lease, purchase, condemn, or otherwise acquire any other line or lines of railroad in Alaska which may be necessary to complete the construction of the line or lines of railroad designated or located by him in the first instance, upon such terms as he may deem proper; to make contracts or agreements with any other railroad or with any steamship company for joint transportation of freight or passengers, and to make such other contracts as may be necessary to carry out any of the purposes of this act; to transfer any tools, equipment, or other property belonging to the United States and used in the construction of the Panama Canal or other Government work for the use of such railroad and railroads in Alaska; and no charge shall be made therefor, but credit may be taken for the fair value thereof by the department having them in charge.

SEC. 2. That the Interstate Commerce Commission shall have as full power and authority over all matters connected with said railroad or railroads as it has by law over other railroads, and nothing in this act shall in anywise limit its powers or duties in respect to sail railroad or railroads.

SEC. 3. That the Secretary of the Treasury, upon the order of the President, is hereby authorized to borrow, on the credit of the United States, from time to time as the proceeds may be required to defray expenditures authorized by this act (such proceeds, when received, to be used only for the purpose of meeting such expenditures) the sum of $35,000,000, or so much thereof as may be necessary, and to prepare and issue therefor coupon or registered bonds of the United States in such form as he may prescribe in denominations of $100 or some multiple of that sum, redeemable in gold coin at the pleasure of the United States after 10 years from the date of their issue and payable 30 years from such date, and bearing interest, payable quarterly in gold coin, at a rate not to exceed 3 per cent per annum; and the bonds herein authorized shall be exempt from all taxes or duties of the United States as well as from taxation in any form by or under State, municipal, or local authority: *Provided*, That said bonds may be disposed of by the Secretary of the Treasury at not less than par under such regulations as he may prescribe, giving to all the citizens of the United States an equal opportunity to subscribe therefor, but no commission shall be allowed or paid thereon; and there is hereby appropriated, out of any money in the Treasury not otherwise appropriated, the sum of $1,000,000, to be used for carrying out the provisions of this act, including the expense of preparing, advertising, and issuing the bonds herein authorized, to continue available until expended: *Provided*, That so much of the said sum of $1,000,000 as shall have been expended shall be reimbursed to the Treasury out of the first proceeds of the sale of said bonds.

SEC. 4. That there is hereby created a redemption fund in the United States Treasury to be known as "The Alaska Railway Redemption Fund," into which shall be paid 50 per cent of all moneys derived from the sale or disposal of any of the public lands in Alaska or the coal or mineral therein contained, or the timber thereon, and into which fund shall be paid the net earnings of said railroad or railroads above maintenance charges and operating expenses. The said redemption fund, or any part thereof, shall be used from time to time, upon the order of the President, to pay the interest on the bonds authorized and issued under the provisions of this act, and to redeem, cancel, and retire said bonds under such rules and regulations as the President may establish in accordance with the provisions of this act.

SEC. 5. That the officers, agents, or agencies placed in charge of the work by the President shall make to the President annually, and at such other periods as may be required by the President or by either House of Congress, full and complete reports of all their acts and doings and of all moneys received and expended in the construction of said work and in the operation of said work or works, and in the performance of their duties in connection therewith. The annual reports herein provided for shall be by the President transmitted to Congress.

SEC. 6. That it is the intent and purpose of Congress through this act to authorize and empower the President of the United States, and he is hereby fully authorized and empowered, through such officers, agents, or agencies as he may appoint or employ, to do all lawful acts and things in addition to those specially authorzed in this act necessary to enable him to accomplish the purposes and objects of this act.

Mr. HOUSTON. Mr. Chairman, I merely called up this bill to get the bill under headway, and I now move that the committee rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. HARRISON, 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. 1739 and had directed him to report that it had come to no resolution thereon.

ELECTION TO COMMITTEES.

Mr. UNDERWOOD. Mr. Speaker, I desire to move the election of members of committees at the request of the gentleman from Illinois. I ask that the letter which I send to the Clerk's desk be read.

The SPEAKER. The Clerk will report the letter.

The Clerk read as follows:

DECEMBER 5, 1913.

Hon. OSCAR W. UNDERWOOD,
Chairman Committee on Ways and Means.

DEAR MR. UNDERWOOD: I beg to make the following recommendations concerning appointment of Republican Members on committees to fill vacancies:

JOHN A. PETERS, of Maine, to the Committee on Claims and the Committee on Insular Affairs.

CALVIN D. PAIGE, of Massachusetts, to the Committee on Patents, Committee on the Revision of the Laws, and Committee on Railways and Canals.

SAMUEL WALLIN, of New York, to the Committee on Industrial Arts and Expositions.

Mr. WALLIN resigns from the Committee on Railways and Canals, which leaves a vacancy there.

Yours, very truly,

JAMES R. MANN,
Chairman Conference Minority.

Mr. UNDERWOOD. Mr. Speaker, at the request of the gentleman from Illinois, I move that the gentlemen who are named in the letter be elected to the committee places as named, and on that I move the previous question.

The previous question was ordered.

The question was taken, and the motion to elect was agreed to.

REPORT OF NATIONAL FORESTRY COMMISSION (S. DOC. NO. 307).

Mr. LEE of Georgia. Mr. Speaker, the chairman of the National Forestry Commission has made a report to Congress, through the Secretary of War, who asks that a thousand extra copies of that report be printed.

The SPEAKER. The gentleman from Georgia [Mr. LEE] asks unanimous consent that a thousand extra copies of the report of the National Forestry Commission be printed.

Mr. MANN. Mr. Speaker, reserving the right to object, when was this submitted?

Mr. LEE of Georgia. It was submitted to-day.

Mr. MANN. Does the gentleman know what it will cost to print it?

Mr. LEE of Georgia. Very little; it is a very short report, and there is a very great demand for the information which this report contains, and the Secretary of War requests it.

Mr. MANN. Has it matter that is illustrated?

Mr. LEE of Georgia. I think not; there are no cows in it, or trees.

Mr. HUMPHREY of Washington. Mr. Speaker, reserving the right to object, I would like to ask the gentleman what is the character of the report?

Mr. LEE of Georgia. It is the report of the commission for the past year, which report is required by Congress annually. This report is made through the Secretary of War.

Mr. HUMPHREY of Washington. Is this in relation to the Appalachian Reserve?

Mr. LEE of Georgia. The Appalachian and White Mountain.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none, and it is so ordered.

ADJOURNMENT.

Mr. UNDERWOOD. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 5 o'clock and 2 minutes p. m.) the House adjourned to meet to-morrow, Thursday, December 11, 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 Secretary of the Interior, transmitting a statement showing in detail what officers or employees (other than special agents, inspectors, or employees who in the discharge of their regular duties are required to constantly travel) of the Department of the Interior have traveled on official business from Washington to points outside of the District of Columbia during the fiscal year ended June 30, 1913 (H. Doc. No. 464); to the Committee on Expenditures in the Department of the Interior and ordered to be printed.

2. A letter from the Secretary of Agriculture, transmitting information regarding the study and investigation of the boll weevil and hog cholera plagues, as directed in House resolution No. 254, dated September 16, 1913 (H. Doc. No. 462); to the Committee on Agriculture and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. FINLEY, from the Committee on the Post Office and Post Roads, to which was referred the bill (H. R. 3393) to authorize the carrying of mail by aeroplane or any similar device, reported the same without amendment, accompanied by a report (No. 126), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. IGOE, from the Committee on the District of Columbia, to which was referred the bill (H. R. 10158) to amend an act entitled "An act making appropriations to provide for the expenses of the government of the District of Columbia for the fiscal year ending June 30, 1895, and for other purposes," which act was approved August 7, 1894, reported the same with an amendment, accompanied by a report (No. 125), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. CLAYTON, from the Committee on the Judiciary, to which was referred the bill (H. R. 8734) to amend an act entitled "An act to prevent the disclosure of national-defense secrets," approved March 3, 1911, reported the same without amendment, accompanied by a report (No. 124), which said bill and report were referred to the House Calendar.

REPORTS OF COMMITTEES ON PRIVATE BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, private bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the Committee of the Whole House, as follows:

Mr. ADAMSON, from the Committee on Interstate and Foreign Commerce, to which was referred joint resolution (H. J. Res. 165) for recognition of the services of the late David Du B. Gaillard, lieutenant colonel, Corps of Engineers, United States Army, as a member of the Isthmian Canal Commission, and for the relief of Mrs. Katherine Davis Gaillard, reported the same with amendment, accompanied by a report (No. 122), which said joint resolution and report were referred to the Private Calendar.

Mr. HAYDEN, from the Committee on the Public Lands, to which was referred the bill (H. R. 3638) providing for the issuance of patent to George W. Wolf, reported the same with amendment, accompanied by a report (No. 123), which said bill and report were referred to the Private Calendar.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. LENROOT: A bill (H. R. 10233) for the purchase of a site and the erection thereon of a public building at Ladysmith, Wis.; to the Committee on Public Buildings and Grounds.

By Mr. BORLAND: A bill (H. R. 10234) to provide for the cost of street paving in the District of Columbia; to the Committee on the District of Columbia.

By Mr. HAYES: A bill (H. R. 10235) making appropriations for the printing and publishing of maps and reports relating to the kelp beds on the Pacific coast; to the Committee on Agriculture.

Also, a bill (H. R. 10236) providing for the payment of certain claims of the State of California growing out of the Indian wars; to the Committee on Claims.

By Mr. REILLY of Connecticut: A bill (H. R. 10237) ratifying the establishment of the boundary line between the States of Connecticut and Massachusetts; to the Committee on the Judiciary.

By Mr. McGILLICUDDY: A bill (H. R. 10238) to donate to General Knox Chapter, Daughters of the American Revolution, Thomaston, Me., the tract of land known as the Old Fort St. George Military Reservation; to the Committee on Military Affairs.

By Mr. KINKAID of Nebraska: A bill (H. R. 10239) to amend section 4 of the reclamation act approved June 17, 1902; to the Committee on Irrigation of Arid Lands.

Also, a bill (H. R. 10240) to amend section 3 of the act approved August 9, 1912, providing for issuance of patents on reclamation entries, and for other purposes; to the Committee on Irrigation of Arid Lands.

By Mr. WALLIN: A bill (H. R. 10241) for the purchase of a site and the erection of a Federal building at Canajoharie, N. Y.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 10242) for the purchase of a site and the erection of a Federal building at St. Johnsville, N. Y.; to the Committee on Public Buildings and Grounds.

By Mr. MOORE: A bill (H. R. 10243) authorizing an appropriation for a dry dock at the Philadelphia Navy Yard; to the Committee on Naval Affairs.

By Mr. FOWLER: A bill (H. R. 10244) appropriating $100,000 to improve the harbor and Ohio River and levee at Shawneetown, Ill.; to the Committee on Rivers and Harbors.

Also, a bill (H. R. 10245) providing for the increase of compensation and wages of the officers, employees, and servants in the various departments of the United States Government; to the Committee on Reform in the Civil Service.

By Mr. PORTER: A bill (H. R. 10246) authorizing the purchase of a site and the building of a post office in Pittsburgh, Pa.; to the Committee on Public Buildings and Grounds.

By Mr. MOTT: A bill (H. R. 10247) authorizing the Secretary of War to donate to the Fort Oswego Chapter, Daughters of the American Revolution, of Oswego, N. Y., two bronze or brass cannon or fieldpieces; to the Committee on Military Affairs.

By Mr. WINGO: A bill (H. R. 10248) to prohibit interference with commerce among the States and Territories and with foreign nations, and to remove obstructions thereto, and to prohibit the transmission of certain messages by telegraph, telephone, cable, or other means of communication between States and Territories and foreign nations; to the Committee on Agriculture.

By Mr. HAYES: A bill (H. R. 10249) to regulate the coming into and the residence within the United States of certain classes of aliens, and for other purposes; to the Committee on Foreign Affairs.

By Mr. HAWLEY: A bill (H. R. 10250) to provide pensions for the officers and soldiers of the Indian wars of the United States which occurred prior to the year 1880; to the Committee on Pensions.

Also, a bill (H. R. 10251) to create the Oregon Caves National Park; to the Committee on the Public Lands.

By Mr. EDWARDS: A bill (H. R. 10252) preventing interstate shipment, shipment into foreign countries, of heifer calves under age of 18 months, slaughtered, or for the purpose of being slaughtered; to the Committee on Interstate and Foreign Commerce.

By Mr. STEPHENS of Texas: A bill (H. R. 10253) to amend sections 39 and 111 of the act approved March 4, 1909, entitled "An act to codify, revise, and amend the penal laws of the United States"; to the Committee on Indian Affairs.

By Mr. TRIBBLE: A bill (H. R. 10254) to provide for the erection of a public building in the city of Covington, Ga.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 10255) to provide for the erection of a public building in the city of Eatonton, Ga.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 10256) to provide for the erection of a public building in the city of Madison, Ga.; to the Committee on Public Buildings and Grounds.

By Mr. LINTHICUM: A bill (H. R. 10257) to provide for an examination and survey of the Baltimore Harbor and entrances thereto, with a view to increasing the depth and width of the channels to the Chesapeake Bay; to the Committee on Rivers and Harbors.

By Mr. FERRIS: A bill (H. R. 10258) authorizing the Secretary of the Interior to sell to the city of Lawton, Okla., a tract of land to be used for watershed and water-supply purposes; to the Committee on the Public Lands.

By Mr. CULLOP: A bill (H. R. 10259) to increase pension for total blindness; to the Committee on Invalid Pensions.

By Mr. GOLDFOGLE: Resolution (H. Res. 338) providing information on the income-tax law; to the Committee on Printing.

By Mr. MACDONALD: Resolution (H. Res. 341) directing the House to determine whether certain officers and agents of the National Association of Manufacturers have not been guilty of practices rendering them liable to punishment for contempt; to the Committee on the Judiciary.

Also, resolution (H. Res. 342) directing the House to determine whether, under the report of the Select Committee on Lobby Investigations, Representative JAMES THOMAS MCDERMOTT has not been shown to be guilty of disgraceful and dishonorable misconduct and venality rendering him unworthy of a seat in the House, and justly liable to expulsion from the same; to the Committee on the Judiciary.

By Mr. ROGERS: Joint resolution (H. J. Res. 167) to enable the Government of the United States to hold in 1915, in connection with the Panama-Pacific International Exposition, the Second Pan American Scientific Congress; to the Committee on Foreign Affairs.

By Mr. HOBSON: Joint resolution (H. J. Res. 168) proposing an amendment to the Constitution of the United States; to the Committee on the Judiciary.

By Mr. REILLY of Connecticut: Memorial of the Legislature of the State of Massachusetts, requesting approval by Congress of the boundaries between the States of Massachusetts and Connecticut established by legislation in said States; to the Committee on the Judiciary.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ADAIR: A bill (H. R. 10260) granting an increase of pension to Richard S. Hutchings; to the Committee on Invalid Pensions.

By Mr. ANTHONY: A bill (H. R. 10261) granting a pension to Francis M. Brown; to the Committee on Pensions.

Also, a bill (H. R. 10262) granting an increase of pension to Michael Cavanagh; to the Committee on Invalid Pensions.

By Mr. ASHBROOK: A bill (H. R. 10263) granting an increase of pension to James Whyde; to the Committee on Invalid Pensions.

By Mr. BOOHER: A bill (H. R. 10264) granting an increase of pension to John P. Bischoff; to the Committee on Invalid Pensions.

By Mr. BYRNS of Tennessee: A bill (H. R. 10265) granting an increase of pension to Nancy E. Robinson; to the Committee on Pensions.

By Mr. BARTHOLDT: A bill (H. R. 10266) granting a pension to Elizabeth Maurer; to the Committee on Invalid Pensions.

By Mr. CARY: A bill (H. R. 10267) granting an increase of pension to Peter W. Flood; to the Committee on Pensions.

By Mr. ESCH: A bill (H. R. 10268) granting an increase of pension to Henry Sickels; to the Committee on Invalid Pensions.

By Mr. FIELDS: A bill (H. R. 10269) granting a pension to Lula A. Bentley; to the Committee on Pensions.

Also, a bill (H. R. 10270) granting a pension to Wilburn Hall; to the Committee on Invalid Pensions.

By Mr. FITZGERALD: A bill (H. R. 10271) to remove the charge of desertion from the record of Edward Whiteside; to the Committee on Military Affairs.

By Mr. GEORGE: A bill (H. R. 10272) granting a pension to Nana E. Sears; to the Committee on Pensions.

By Mr. HELVERING: A bill (H. R. 10273) granting a pension to Mary C. Windsor; to the Committee on Invalid Pensions.

By Mr. JACOWAY: A bill (H. R. 10274) for the relief of W. M. Middleton; to the Committee on Military Affairs.

Also, a bill (H. R. 10275) granting an increase of pension to Samuel R. Price; to the Committee on Pensions.

By Mr. KREIDER: A bill (H. R. 10276) to place the name of Findlay I. Thomas upon the unlimited retired list of the Army; to the Committee on Military Affairs.

By Mr. LEWIS of Maryland: A bill (H. R. 10277) to remove the charge of desertion from the record of George Patterson; to the Committee on Military Affairs.

By Mr. LLOYD: A bill (H. R. 10278) to correct the military record of William A. Viles; to the Committee on Military Affairs.

By Mr. MAHAN: A bill (H. R. 10279) granting an increase of pension to Margaret McGrath; to the Committee on Invalid Pensions.

By Mr. MOSS of West Virginia: A bill (H. R. 10280) granting an increase of pension to William B. Miracle; to the Committee on Invalid Pensions.

By Mr. O'SHAUNESSY: A bill (H. R. 10281) granting an increase of pension to Racheal E. Ripley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10282) granting an increase of pension to William L. Collins; to the Committee on Invalid Pensions.

By Mr. PETERS of Maine: A bill (H. R. 10283) granting a pension to Ellen H. Russell; to the Committee on Invalid Pensions.

By Mr. RUSSELL: A bill (H. R. 10284) granting an increase of pension to William G. Files; to the Committee on Invalid Pensions.

By Mr. SELLS: A bill (H. R. 10285) granting a pension to Mollie N. Cape; to the Committee on Pensions.

Also, a bill (H. R. 10286) granting a pension to Harrison Large; to the Committee on Pensions.

Also, a bill (H. R. 10287) for the relief of the heirs of D. C. Dunn; to the Committee on Claims.

By Mr. SHACKLEFORD: A bill (H. R. 10288) granting a pension to Geneva Beha; to the Committee on Invalid Pensions.

By Mr. SHERWOOD: A bill (H. R. 10289) granting a pension to Lizzette Hichborn; to the Committee on Invalid Pensions.

By Mr. SHREVE: A bill (H. R. 10290) granting a pension to Mary A. Hird; to the Committee on Pensions.

Also, a bill (H. R. 10291) granting a pension to Marinus N. Allen; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10292) granting an increase of pension to Josiah Hadlock; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10293) granting an increase of pension to Henry W. B. Mechling; to the Committee on Pensions.

Also, a bill (H. R. 10294) granting a pension to Alice Randall; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10295) granting an increase of pension to J. J. Lyons; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10296) to place the name of Maj. D. H. Strickland upon the unlimited retired list of the Army; to the Committee on Military Affairs.

By Mr. SPARKMAN: A bill (H. R. 10297) granting an increase of pension to Bertha Roesch; to the Committee on Invalid Pensions.

By Mr. TALBOTT of Maryland: A bill (H. R. 10298) granting a pension to William Hinker; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10299) granting an increase of pension to William Flynn; to the Committee on Invalid Pensions.

By Mr. TAYLOR of New York: A bill (H. R. 10300) for the relief of the dependent mother of Henry Sloat, deceased; to the Committee on Claims.

By Mr. WILLIS: A bill (H. R. 10301) granting an increase of pension to Jonathan Lydick; 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 the SPEAKER (by request): Petition of the National Wholesale Druggists' Association, of New York City, favoring an appropriation by Congress for legalizing reasonable trade agreements; to the Committee on Appropriations.

Also (by request), petition of the Kansas City (Mo.) Association of Credit Men, favoring the appointment of a national flood commission to devise a way of controlling the floods of Mississippi River; to the Committee on Rivers and Harbors.

By Mr. ANSBERRY: Petition of Cotton Belt Lodge, No. 204, Brotherhood of Locomotive Firemen and Enginemen, Jonesboro, Ark., favoring the passage of bill (H. R. 103) relative to the regulation of electric headlights on locomotives; to the Committee on Interstate and Foreign Commerce.

Also, petition of the Portland (Oreg.) Chamber of Commerce, favoring the passage of legislation to increase the force of the Office of the Supervising Architect in the Treasury Department for the purpose of relieving the present congested condition; to the Committee on Public Buildings and Grounds.

By Mr. BARTHOLDT: Petition of Tenth Ward Improvement Association of St. Louis, Mo., favoring an investigation into the contract of the Mississippi River Power Co., of Keokuk, Iowa, which furnishes electric power for St. Louis; to the Committee on Interstate and Foreign Commerce.

By Mr. BOWDLE: Resolution of the Business Men's Club of Cincinnati, Ohio, approving the resolution (H. Res. 298) relat-

ing to a suspension of naval construction programs; to the Committee on Naval Affairs.

By Mr. BYRNS of Tennessee: Papers accompanying a bill granting increase of pension to Nancy E. Robinson, widow of Tyre Robinson; to the Committee on Pensions.

By Mr. DALE: Petition of the Floersheimer Co., New York, N. Y., favoring the passage of the 1-cent letter postage rate; to the Committee on the Post Office and Post Roads.

Also, petition of Local Union No. 96, Journeymen Plasterers' International Association, Washington, D. C., favoring the passage of legislation to regulate plastering in the District of Columbia; to the Committee on the District of Columbia.

By Mr. GARDNER: Memorial of the Cape Cod Board of Trade, favoring an appropriation to enable the placing of the proper aids to navigation in the navigable waters of the United States from Wings Neck to the western charter limits of the Cape Cod Canal, Mass.; to the Committee on Appropriations.

By Mr. GARNER: Petition of the Young Men's Business League of Palestine, Tex., favoring an appropriation for the construction of a deep-water harbor at the mouth of the Brazos River; to the Committee on Rivers and Harbors.

By Mr. JACOWAY: Papers to accompany bill for the relief of W. M. Middleton; to the Committee on Invalid Pensions.

Also, petition of citizens of Little Rock, Ark., in behalf of the United States Military Telegraph Corps of the Civil War; to the Committee on Pensions.

By Mr. JOHNSON of Washington: Memorial of the Commercial Club of Ilwaco, Wash., favoring an appropriation for an investigation of the rock supply on the Government reservation near the north jetty of Grays Harbor, State of Washington, for use in the improvement of the north jetty on said harbor; to the Committee on Rivers and Harbors.

By Mr. KENNEDY of Rhode Island: Petition of the Business Men's Association of Pawtucket, R. I., favoring the passage of the bill for 1-cent letter postage on first-class matter; to the Committee on the Post Office and Post Roads.

Also, petition of the Business Men's Association of Pawtucket, R. I., favoring the passage of the Nelson-Madden consular bill; to the Committee on Foreign Affairs.

By Mr. LEVY: Memorial of the board of trustees of the Toledo Commerce Club, favoring a revision of existing patent laws; to the Committee on Patents.

By Mr. LONERGAN: Petition of the Hartford & New York Transportation Co., protesting against the passage of the seamen's bill (S. 136); to the Committee on the Merchant Marine and Fisheries.

By Mr. MOTT: Memorial of a mass meeting of the People's Institute in Cooper Union, New York City, favoring the widening of the limits of the parcel post to reduce the cost of living; to the Committee on the Post Office and Post Roads.

Also, memorial of the Portland Chamber of Commerce, of Portland, Oreg., favoring the passage of Senate bill 3063, for employment of more people in the Supervising Architect's Office of the Treasury Department; to the Committee on Public Buildings and Grounds.

Also, memorial of the board of supervisors of Jefferson County, N. Y., favoring an increase in the mobile Army; to the Committee on Military Affairs.

By Mr. RAKER: Memorial of the San Francisco Credit Men's Association, of San Francisco, Cal., favoring action by Congress assisting the people in the flood district of the Mississippi Valley; to the Committee on Rivers and Harbors.

Also, memorial of the Chamber of Commerce of Portland, Oreg., favoring the passage of bill (S. 3063) relative to the employment of more people in the Supervising Architect's office of the Treasury Department; to the Committee on Public Buildings and Grounds.

Also, memorial of San Francisco Typographical Union No. 21, of San Francisco, Cal., favoring the passage of bills (H. R. 1873 and S. 927) relative to making lawful agreements between employers and laborers; to the Committee on Labor.

By Mr. SCULLY: Petition of citizens of the third congressional district of New Jersey, protesting against the passage of bill (S. 136) to increase the equipment and crews on all boats; to the Committee on Merchant Marine and Fisheries.

By Mr. STEPHENS of California: Memorial of Local No. 64, N. P. P. & B., and San Francisco Typographical Union, No. 21, favoring the passage of the Bartlett-Bacon bill to take labor organizations out of the antitrust act; to the Committee on Labor.

Also, memorial of the San Francisco Credit Men's Association, of San Francisco, Cal., favoring the passage of a bill for flood control in the lower Mississippi Valley; to the Committee on Rivers and Harbors.

By Mr. WILLIS: Papers to accompany bill (H. R. 10232) for the relief of Col. Alfred C. Sharpe; to the Committee on Claims.

SENATE.

THURSDAY, *December 11, 1913.*

The Senate met at 10 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

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

The VICE PRESIDENT. The Secretary will call the roll.

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

Ashurst	Gronna	Myers	Smoot
Bankhead	Hollis	Norris	Sterling
Bradley	Hughes	O'Gorman	Stone
Brady	James	Overman	Swanson
Brandegee	Johnson	Owen	Thompson
Bristow	Jones	Page	Thornton
Bryan	Kenyon	Perkins	Townsend
Burleigh	Kern	Pomerene	Vardaman
Burton	La Follette	Reed	Warren
Clark, Wyo.	Lane	Robinson	Weeks
Colt	Lea	Sheppard	Williams
Crawford	McLean	Sherman	Works
Dillingham	Martin, Va.	Simmons	
Gallinger	Martine, N. J.	Smith, S. C.	

Mr. KERN. I desire to announce that the senior Senator from Georgia [Mr. BACON] will be unavoidably detained for an hour or two this morning on account of official business.

I also desire to announce that the senior Senator from Colorado [Mr. THOMAS] is absent on account of illness. This announcement may stand for the day.

Mr. THORNTON. I desire to announce that my colleague [Mr. RANSDELL] is absent on departmental business.

The VICE PRESIDENT. Fifty-four Senators have answered to the roll call. There is a quorum present. The Secretary will read the Journal of the proceedings of the preceding session.

The Journal of yesterday's proceedings was read and approved.

BANKING AND CURRENCY.

Mr. HOLLIS. Mr. President, I desire to give notice that I shall address the Senate upon banking and currency on Friday evening of this week at 8 o'clock.

Mr. ROOT. Mr. President, I submit two amendments to the pending currency bill which I ask to have printed and lie on the table.

I desire to give notice that with the permission of the Senate I shall speak to the amendments, not at any great length, on Saturday morning immediately after the conclusion of the routine morning business.

In submitting the amendments I wish to say that I regard as very good, indeed, a great deal of this bill. I think it will introduce a number of very valuable improvements in our system. I value very highly the assiduity and sincerity and public spirit of the members of the Senate Committee on Banking and Currency, as displayed in the work they have done in considering and preparing amendments to this measure. I think they are entitled to grateful recognition from us all upon both sides, both parts of the committee, and they certainly have it from me. But, sir, I think there are two exceedingly vicious provisions in the bill—one, what I regard as a greenback inflation provision, and the other the provision for the guaranty of bank deposits. Upon these I have submitted the amendments, and shall make some remarks.

The VICE PRESIDENT. The amendments will be printed and lie on the table.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by D. K. Hempstead, its enrolling clerk, announced that the House had passed the following bills, in which it requested the concurrence of the Senate:

H. R. 8667. An act to promote the efficiency of the Naval Militia, and for other purposes;

H. R. 9317. An act to regulate the payment of postal money orders;

H. R. 9318. An act to amend the act approved June 25, 1910, entitled "An act to establish postal savings depositories for depositing savings at interest with the security of the Government for repayment thereof, and for other purposes;

H. R. 9321. An act to amend the act approved May 9, 1888, as amended by the act of June 11, 1896; and

H. R. 10081. An act to make the tenure of the office of the Major General Commandant of the Marine Corps for a term of four years.

PETITIONS AND MEMORIALS.

Mr. WEEKS presented a petition of the congregation of the Methodist Episcopal Church of Blandford and Russell, in the State of Massachusetts, praying for the passage of the so-called antipolygamy bill, which was referred to the Committee on the Judiciary.