

Second Lieut. Larkin W. Glazebrook, jr., Field Artillery, from February 9, 1918.
 Second Lieut. Samuel D. Smolev, Field Artillery, from February 9, 1918.
 Second Lieut. Charles F. Neave, Field Artillery, from February 9, 1918.
 Second Lieut. Robert W. Wilson, Field Artillery, from February 9, 1918.
 Second Lieut. Donald H. Brown, Field Artillery, from February 9, 1918.
 Second Lieut. Ralph de P. Terrell, Field Artillery, from February 9, 1918.
 Second Lieut. Stephen B. Ives, Field Artillery, from February 9, 1918.
 Second Lieut. Robert F. Webb, Field Artillery, from February 9, 1918.
 Second Lieut. William G. Lasch, Field Artillery, from February 9, 1918.
 Second Lieut. Miller H. Pontius, Field Artillery, from February 9, 1918.
 Second Lieut. Fritz A. Nagel, Field Artillery, from February 9, 1918.
 Second Lieut. Adrian J. McDonald, Field Artillery, from February 9, 1918.
 Second Lieut. John E. Hartigan, Field Artillery, from February 9, 1918.
 Second Lieut. John L. Handy, Field Artillery, from February 26, 1918.

TEMPORARY PROMOTION IN THE ARMY.

INFANTRY.

First Lieut. Elmer F. Wallender, to be captain with rank from August 5, 1917.

CONFIRMATIONS.

Executive nominations confirmed by the Senate March 18, 1918.

CIRCUIT JUDGE.

Martin T. Manton to be United States circuit judge, second circuit.

UNITED STATES ATTORNEYS.

Richard H. Mann to be United States attorney eastern district of Virginia.

Richard Evelyn Byrd to be United States attorney western district of Virginia.

UNITED STATES MARSHALS.

John G. Saunders to be United States marshal eastern district of Virginia.

T. G. Burch to be United States marshal western district of Virginia.

PROVISIONAL APPOINTMENTS, BY PROMOTION, IN THE ARMY.

INFANTRY.

To be first lieutenants.

Second Lieut. Frederick M. Vinson.
 Second Lieut. George W. Griner, jr.,
 Second Lieut. Hugh T. Mayberry,
 Second Lieut. Charles D. Pearce, jr.,
 Second Lieut. Edward D. McDougal, jr.,
 Second Lieut. Philip W. Lowry,
 Second Lieut. Charles P. Winsor,
 Second Lieut. John Doble,
 Second Lieut. Moses McK. Darst,
 Second Lieut. Robert R. Smith,
 Second Lieut. Evan C. Dresser,
 Second Lieut. James G. Carr,
 Second Lieut. Daniel E. Farr, and
 Second Lieut. Chester McN. Woolworth.

TEMPORARY PROMOTIONS IN THE ARMY.

INFANTRY.

To be colonels.

Lieut. Col. Fred L. Munson.
 Lieut. Col. Thomas M. Anderson, jr.

To be first lieutenant.

Second Lieut. Bernard M. Barcalow.

POSTMASTERS.

ARKANSAS.

Archibald S. Rogers, Osceola.

SOUTH CAROLINA.

Jean C. Sloan, Pendleton.

Richard W. Adams, Ridgeway.

Robert R. Miley, Walterboro.

HOUSE OF REPRESENTATIVES.

MONDAY, March 18, 1918.

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

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

Our Father in heaven, we find ourselves submerged in almost impenetrable darkness, which covers the earth as the waters cover the sea; and we most fervently pray, that it may presage the dawning of a new day, which shall flood the earth with light, warmth, and beauty; bring to men a clearer vision of the larger life, correct mistakes, right all wrongs, banish war, and establish a lasting peace; fructify and replenish the earth with all good; and unite all men and nations in the bonds of brotherly love: "For as the new heavens and the new earth, which I will make, shall remain before me, saith the Lord, so shall your seed and your name remain."

Our Father, our hearts are touched by the death of a Member of this House who has been taken from the confines of the now to the larger reward in the new life. Comfort us, especially those to whom he was nearest and dearest, by the precious promises of the gospel of the Lord Jesus Christ. Amen.

The Journal of the proceedings of Saturday, March 16, 1918, was read and approved.

MEMORIAL TO ORDERS OF SISTERS WHO SERVED AS NURSES IN THE CIVIL WAR.

Mr. KENNEDY of Rhode Island. Mr. Speaker, I ask unanimous consent for the present consideration of the resolution, which I send to the Clerk's desk.

The SPEAKER. The Clerk will report it.

The Clerk read as follows:

Joint resolution (H. J. Res. 154) authorizing the erection of a memorial in Washington to the memory and in honor of the members of the various orders of sisters who gave their services as nurses on battle fields, in hospitals, and on floating hospitals during the Civil War.

Resolved, etc., That the Chief of Engineers, United States Army, be, and he is hereby, authorized and directed to grant permission to the Ladies' Auxiliary, Ancient Order of Hibernians in America, for the erection on public grounds of the United States of America in the city of Washington, D. C., other than those of the Capitol, the Library of Congress, and the White House, of a memorial to the members of the various orders of sisters who gave their services as nurses on battle fields, in hospitals, and on floating hospitals during the Civil War: *Provided*, That the site chosen and the design of the memorial shall be approved by the Commission of Fine Arts, and that the United States shall be put to no expense in or by the erection of the said memorial.

Mr. KITCHIN. Reserving the right to object, Mr. Speaker, how long will it take to get through with this resolution?

Mr. KENNEDY of Rhode Island. So far as I am concerned, I am willing to forego any privilege of speaking at great length on it, but shall ask to extend my remarks.

Mr. KITCHIN. Has it the unanimous report from the committee?

Mr. KENNEDY of Rhode Island. It has the unanimous report of the Committee on the Library.

Mr. KITCHIN. Does it cost the Government anything at all?

Mr. KENNEDY of Rhode Island. Absolutely nothing.

Mr. KITCHIN. Would it not be better to let the site be selected by the Fine Arts Commission?

Mr. KENNEDY of Rhode Island. That is provided in the bill as it stands. The bill is safeguarded in that respect.

Mr. KITCHIN. It is provided that they shall select the site?

Mr. KENNEDY of Rhode Island. Exactly.

The SPEAKER. Is there objection?

There was no objection.

The SPEAKER. The question is on the engrossment and third reading of the House joint resolution.

The House joint resolution was ordered to be engrossed and read a third time, was read the third time, and passed.

On motion of Mr. KENNEDY of Rhode Island, a motion to reconsider the vote whereby the House joint resolution was passed was laid on the table.

Mr. SLOAN. Mr. Speaker, I had expected to say something in favor of the joint resolution just passed, but in view of the haste of the House I will simply ask unanimous consent to extend my remarks in the RECORD.

The SPEAKER. The gentleman from Nebraska asks unanimous consent to extend his remarks in the RECORD on the joint resolution just passed. Is there objection?

There was no objection.

INDUSTRIAL CREDITS.

Mr. KITCHIN. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H. R. 10608) to provide further for the national security and defense, and, for

the purpose of assisting in the prosecution of the war, to provide credits for industries and enterprises in the United States necessary or contributory to the prosecution of the war, and for other purposes.

The motion was agreed to.

The SPEAKER. The gentleman from Tennessee [Mr. GARRETT] will please take the chair.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union for the further consideration of the bill H. R. 10608, with Mr. GARRETT of Tennessee in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the further consideration of the bill (H. R. 10608), which the clerk will report by title.

The Clerk read as follows:

A bill (H. R. 10608) to provide further for the national security and defense, and for the purpose of assisting in the prosecution of the war, to provide credits for industries and enterprises in the United States necessary or contributory to the prosecution of the war, and for other purposes.

Mr. MOORE of Pennsylvania. Mr. Chairman, I yield one hour to the gentleman from California [Mr. HAYES].

Mr. STAFFORD. Mr. Chairman, I make the point of order that no quorum is present.

Mr. KITCHIN. I wish the gentleman would withhold it.

Mr. STAFFORD. I will withhold it.

Mr. KITCHIN. I hope the gentleman will withdraw the point of order, because it will take half an hour to call the roll. We want to adjourn earlier this afternoon than anticipated on account of the death of one of our colleagues.

Mr. MOORE of Pennsylvania. I trust the gentleman will withdraw the point of order.

Mr. STAFFORD. The gentleman from California is to speak in opposition to the bill, and I thought that a larger audience should be here. But in view of the statement made by the gentleman from North Carolina that we are going to adjourn earlier, I will withdraw the point of no quorum.

Mr. KITCHIN. And the gentleman also knows that general debate closes when we adjourn, and we want to save all the time we can.

Mr. HAYES. Mr. Chairman, I desire first of all to state that this so-called war-finance bill, as it now appears before this House, is a very different proposition from what it was when it was first introduced. I congratulate the Committee on Ways and Means upon the drastic amendments which they have put upon the bill and which, I think, without a single exception, are very desirable and essential changes. I presume we are all animated with one thought in considering legislation of this kind, and that is to do nothing that will interfere with the most efficient prosecution of the war and the bringing of it to a successful termination at the earliest possible moment. So I appear here as a critic of this legislation, not in a carping spirit, but in a friendly attitude, desiring to further the purpose which this House has in passing or considering this legislation, rather than to thwart it. If anything in the line proposed by this bill is to be done it should be done in the best manner possible; in a way to do as much good and as little harm as possible.

As has already been stated, this legislation would never be considered seriously for a moment, in time of peace, by anyone who understood at all the banking and currency systems of the world and the correct principles underlying them. When our banks and instrumentalities of credit are in first-class condition, when there is no general denial of credit to those who are entitled to it, I can not see why just at this time the established principles controlling matters of this kind should be thrown to the winds and a revolutionary proposition like this should be seriously proposed. This bill proposes something different from anything in the world, or, so far as I know, anything that ever was in the world.

In order that we may consider it in its fundamentals it is necessary to tear away the verbiage that seeks to hide the true meaning and intent of the proposition. A very ingenious camouflage has been incorporated in this bill in the provision that creates a corporation. This creation is not a corporation in any ordinary acceptance of that term; it is not proposed to appeal to the public to put up any of the capital stock of this corporation; private individuals are not invited to become directors or officers of it. It is proposed to create the Secretary of the Treasury and four other men to be appointed by the President of the United States and confirmed by the Senate in the manner in which public officials are appointed and confirmed under our system, a corporation for the carrying out of the purposes contemplated by this legislation. In other words, the United States is the corporation. The effect would be essentially the same if a bureau of the Treasury were author-

ized to do exactly what this corporation is authorized to do. It is said, of course, that by the creation of this so-called corporation the Treasury of the United States will not be directly charged with any of the obligations contracted by the corporation. That would be technically correct, probably, but the corporation being managed by the Secretary of the Treasury and four other officials appointed by the Government, the Government certainly would be morally responsible for any of its obligations, and I can not see the advantage in this round-about fashion of putting the United States of America into the loaning business, into the banking business. I do not see the gain in it.

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

Mr. HAYES. Certainly.

Mr. MADDEN. Would it be the gentleman's idea that if we were going to do what this bill authorizes the board to do we should do it direct out of the Treasury of the United States?

Mr. HAYES. Why not? The bill proposes this in substance. The mere legal fiction of appointing a corporation made up of the Secretary of the Treasury and four officers of the Government does not change the real status of things at all. The Government is to put up all the money that constitutes its capital stock; to appoint in the usual way of appointment of Federal officials all of its directors, officers, and employees, and to do all its business.

Mr. MADDEN. Except in the establishment of a precedent, perhaps.

Mr. HAYES. The precedent that will be established will be equally dangerous in either case. I do not know how the gentlemen from Illinois views this sort of thing, but I am objecting, as I always have objected since I have been a Member of this House, to the Government of the United States making loans of the money collected from all the people to private business, big or little, and I am still opposed to it.

Mr. MADDEN. Is it the opinion of the gentleman from California that sooner or later all of the securities that may be taken by this corporation for moneys advanced will find their way into the regional reserve banks and have circulating medium issued with these securities as a basis?

Mr. HAYES. In reply to the gentleman I would say that there would be no possible way that I can see for floating the vast amount of securities proposed by this bill except through the banks and the Federal reserve banks, and I have no doubt that if this bill becomes a law a very large percentage of them will find their way into the Federal reserve banks and notes will be issued upon them—unless, of course, the Federal Reserve Board, as I hope the bill authorizes them to do, although I am a little doubtful about it—should turn their faces sternly against anything of the kind.

Mr. MADDEN. This bill does authorize the Federal Reserve Board to permit the acceptance of the securities taken by the corporations?

Mr. HAYES. It does.

Mr. MADDEN. As a basis for the issue of such circulating medium?

Mr. HAYES. It does, and without any limit.

Mr. MADDEN. The limit, of course, would be the extent of the obligations—that is, the \$2,000,000,000.

Mr. HAYES. Yes; but it does not limit the percentage of the obligations that are issued that may be used for that purpose. Let us not deceive ourselves. I think it is well if we are to support this proposition to know what it is. This bill creates a great central bank. That is all it is. It makes the Government put up the money to run it. It is run by officials of the Government of the United States—a great national central loaning institution, to lend money on the security of such stocks and bonds as may be approved by the corporation to private corporations and to individuals.

Mr. MADDEN. Will the gentleman yield for a further question?

Mr. HAYES. Yes.

Mr. MADDEN. I would like the opinion of the gentleman from California as to the safeguards that surround the public interests through this corporation now as compared with the safeguards that appeared when the bill was first presented.

Mr. HAYES. The gentleman from Illinois was not on the floor when I began. I stated that this bill had been in all respects, where any changes had been made, vastly improved. It is not the same proposition at all as it was when he and I appeared before the Committee on Ways and Means to discuss it.

Mr. JOHNSON of Washington. The gentleman states that this is to all intents and purposes a great central bank.

Mr. HAYES. Yes.

Mr. JOHNSON of Washington. The subterfuge comes in the pretense that it is not a central bank of the United States.

Mr. HAYES. That is it, but it is a central bank.

Mr. JOHNSON of Washington. And the securities to be sent out will apparently appear not secured by the United States itself.

Mr. HAYES. They will not be according to the technical legal fiction attempted by the bill, but the United States will be behind it morally; and should this corporation be a failure financially and incur obligations that it could not pay, I hope that no one in the world thinks for a moment that this Congress would consent, or that the people of the United States would ever consent, with the Secretary of the Treasury and four other directors appointed by the President and approved by the Senate at the head of it, that these obligations should be repudiated by the Government of the United States. Every American, I believe, would blush at such a thought, and I am sure nothing of that kind will ever be done.

Mr. MADDEN. With the further appointment of a board to pass upon the securities that may be issued.

Mr. HAYES. That is a part that I have not time to discuss.

Mr. MADDEN. However, it is part of the scheme.

Mr. HAYES. I have no objection to a proper provision of that kind, but I shall have no time to discuss it. Now, this great central bank is brought forward here and urged upon this House and upon the Congress of the United States by the party in power. I just for a moment desire to call their attention to the history of the Democratic Party and to the history of this country, as affected by that party. I believe it was in 1832 that Andrew Jackson sent to the House of Representatives his famous message vetoing the bill which had passed Congress to renew the charter of the United States Bank, and in that message he pointed out the dangers of that kind of thing. Although the United States Bank at that time had only \$14,000,000 of capital, provided entirely by private individuals, he pointed out the opportunity of using in politics the great power and influence which so much money in the hands of men at the seat of government gave them. He did not charge that up to that time the bank or its officials had corruptly or improperly used that power, but he said it was dangerous to give men, even indirectly connected with the Government in this free land such great powers as the possession and control of such a vast sum of money would give to them. When the bank officials found that their charter was to be taken from them, they proposed that a majority of the directors should resign and Jackson's political partisans appointed in their places. But this did not change the attitude of the incorruptible old hero at all. After the election of 1832 or 1834 he removed the deposits from the United States Bank, and he at that time charged them with improperly using their money or the influence and power that the United States Government had bestowed upon them for political purposes. I wonder what Andrew Jackson would think could he step in here to-day and see his professed followers proposing to create a United States Bank, not with \$14,000,000 capital to be furnished by private individuals, but with \$500,000,000 to be furnished by the Government of the United States; a capital for a bank, the largest that was ever thought of in the history of the world. What would he think about such a proposal? Do you believe that he would think that there was here no opportunity for the abuse of power, no danger of its being used for political purposes? Why, I do not care if an angel from heaven should run this corporation there will be all sorts of criticisms and complaints that not only favoritism has been used, but that political considerations have governed it.

The confidence of some of the people in their Government will be destroyed and their patriotism correspondingly decreased, because all of those who make application can not receive the bounty and assistance of this corporation, and those who are denied will feel that they are just as much entitled to the consideration of the corporation and the Government of the United States as those who are favored. We can easily conjecture what the result would be.

Now, I would not be here criticizing this bill if there were not other and, in my judgment, much better and saner ways to reach the same result.

Mr. GARNER. Does the gentleman have any objection to an interruption?

Mr. HAYES. I would not.

Mr. GARNER. Would it disconcert the gentleman's argument now to state concretely the method the gentleman would use to relieve the situation?

Mr. HAYES. I intend to do so before I am through. I first desire to speak briefly of the purposes of this corporation. It is proposed by this legislation that there shall be loaned to cor-

porations and individuals by this corporation not only the \$500,000,000, which the Government of the United States puts up under its provision, but that the credit of the United States shall be loaned to the extent of \$2,000,000,000 in addition, whereas the Senate bill provides, if it is proper for me to speak of it, for \$4,000,000,000. The committee has cut that down to \$2,000,000,000, but it is reasonable to presume that the bill will come out of the conference with the amount somewhere between the two.

Mr. GARNER. Is that altogether an accurate statement to say that the Government is loaning its credit to the extent of \$2,000,000,000 or \$4,000,000,000 when the Government does not assume responsibility for these loans?

Mr. HAYES. The gentleman was not on the floor when I discussed that. I say the Government must assume the responsibility because the Secretary of the Treasury and four officials appointed by the President and confirmed by the Senate are to administer it, and I can not conceive Congress or the Government of the United States ever trying to avoid its responsibility under those circumstances.

Mr. JOHNSON of Washington. In other words, the Government either nominally must do it or else stand ready at any time to repudiate its part of it.

Mr. HAYES. Absolutely; one or the other. Now, what is the proposition in this legislation? It is proposed, in the first place, that this corporation should loan this money and its credit first to banks and trust companies; secondly, to saving banks and other banks with savings deposits and building and loan associations; thirdly, directly to corporations and individuals. Now, as I said in the beginning or near the beginning, there are ways in which this could be done and all of these things can be accomplished without drawing upon the Treasury for a cent, without creating any camouflage revolutionary corporation like that proposed by this bill. Other nations have done it, they are still doing it, why can not we? The great banks of the country, the commercial banks, are fuller of deposits than they have ever been in our history; fuller than any other banking system in the history of the world ever was. I have studied these statistics and I do not find that the bank deposits are diminishing; on the contrary, since the beginning of the war they are increasing. I do not find that the deposits in the saving banks are diminishing, though they are not increasing at the same ratio as the commercial deposits, but they are not decreasing.

There is nothing in this certainly to give us any financial alarm that I can see. For one, it seems to me that it would be wise to wait before we pass such revolutionary legislation as this until there is pressing and certain need for it. And if out of abundance of caution we think it necessary to do something to strengthen the situation and to give confidence to the public, especially to the investing public, let us do it in a way that will not plague us after the war is over. During the War between the States the national banking act was passed, giving the privilege to the banks to buy United States bonds and to issue currency upon them, something that no nation ever tried before, and a thing that every student of the subject will agree makes a very imperfect currency system. And that unsound legislation has been plaguing us ever since. It is still with us after 50 years and more.

And the legislation before us, in my opinion, if it becomes a law and the Government of the United States proceeds according to it and makes the loans that are provided for to the extent that they are permitted, will be here to plague us for the next 25 years and perhaps longer, when it is not necessary, in my judgment, at all.

Now, so far as loaning direct to individuals is concerned, as all the older Members of the House know, I have always, as a Member of this House and as a member of the Committee on Banking and Currency fought all such propositions. I believe that the Government of the United States should not go into the money-loaning business. I believe that it is not necessary for the Treasury of the United States thus to be opened to any of the business interests of this country in this direct way.

Mr. MOORE of Pennsylvania. Mr. Chairman, will the gentleman yield?

Mr. HAYES. I do.

Mr. MOORE of Pennsylvania. The gentleman is opposed to this bill and is in favor of extending such credits as may be necessary for war purposes through the regular system of Federal reserve banks?

Mr. HAYES. And the banks generally.

Mr. MOORE of Pennsylvania. And the banks generally?

Mr. HAYES. Absolutely.

Mr. MOORE of Pennsylvania. That question was thoroughly discussed before the committee, and it was indicated once, if

I recall, by one of the witnesses who came before the committee, that there were certain banks and bankers who imposed rates of interest so high as to make it impossible for certain industries to obtain loans and continue the business they were doing in connection with the war.

Mr. HAYES. I have heard that statement. But the gentleman, if he will read the daily reports of the business done in New York and other large cities, will see that the rates of interest are not high in any of the commercial centers of this country. Five per cent and six per cent on commercial loans is not excessive. And if anybody has been charged excessive interest it is because their security or personal responsibility are not such as to recommend them to the banks or to those who have money to loan. [Applause.] The Government of the United States can not afford to back up a man or a corporation whose credit is such that 10 or 15 per cent interest must be paid in order to get an accommodation.

Mr. MOORE of Pennsylvania. The gentleman knows that in the vaults of various banks throughout the country there are long-term securities now, some of them liberty bonds, which are not just as liquid as might be desired by the banks for the transaction of current business. Does the gentleman think that any relief should be afforded to those banks by an expansion of credit, as it were, by which they could utilize these long-term securities?

Mr. HAYES. I do, and I am going to state how I would extend that relief. I would extend it just as other nations extend it, and I will explain how that is done.

Now, what is the justification—because I desire to impugn nobody's motive or their good faith in this matter—what is the justification for this revolutionary legislation? The justification is that it is necessary in order to finance the war, in order to loan money that can not otherwise be secured by individuals and corporations who are manufacturing munitions and furnishing supplies for the Government in the progress of the war. And the terms of the bill limit it, if I am not mistaken in my memory, to those concerns that have been going since the beginning of the war—nearly a year.

In the first place, any corporation, manufacturing establishment, or individual who has been furnishing the Government with any supplies during the last year at the enormous profits and prices that they have had and that is in a position where it can not get such accommodations as it needs through the banks of this country, loaded as they are with deposits, are probably not entitled to it at all. They are doing their business in a manner or they are men of a character that should not be assisted by the Government of the United States to carry on or to enlarge their business. I have been in business a great many years, and I never found a time yet, except during the panic of 1893, when, if I had the securities, to say nothing about my responsibility, I could not find a banker in the United States that would loan me the money that I needed to carry on my business, no matter how big it was or how big I thought it wise to make it. And I undertake to say that no man who desires to do a business in the United States in the furnishing of munitions or supplies will go without the necessary assistance if he is entitled to it, and especially if he is to have or has a contract with the Government of the United States at this time to do anything that the Government needs to have done. I say that there will be plenty of men that will be glad to back up such a man and give him all the financial assistance that he needs; and it will not be necessary for the Government of the United States to appropriate \$500,000,000, or any other sum, to induce him to do it. If this is not so, then this country is in a terrible condition; that is all, because other countries do it; and the patriotism and the enterprise and the energy of the United States citizen is not below that of any other citizenship in the world, in my estimation. [Applause.]

Now, when we leave those forms of industries that contribute directly to the prosecution of the war, then we must have in view practically all the other industries of the country, because they all contribute. We can not win this war unless the great industries and the small industries of the country are prosperous.

Unless the people are producing something, how in the world are they to buy these bonds that we must sell? How are they to pay their taxes unless the industries of the country are going forward, at least most of them, with as great energy and success as in time of peace? There never was a time in this country when production was at the high stage that it is to-day. If that is so, where is the pressing need for this great expenditure of money on the part of the Government of the United States to assist independent, energetic citizens of the United States in the conduct of private business in this country?

Mr. WELTY. Does the gentleman know whether other countries loan their credit in matters of this kind by legislation of this kind?

Mr. HAYES. They have not, to my knowledge.

Mr. GLASS. On that point, while I am not insensible to the sane of what my colleague is saying, does he not know, as a matter of fact, that this Government and every other belligerent Government; that is, of the major nations, have loaned directly millions upon millions of dollars, hundreds of millions of dollars, to private contractors before they had ever broken the earth for their plants?

Mr. HAYES. They make advances to those who have contracts with the Government.

Mr. GLASS. On their plants.

Mr. HAYES. Yes; they make advances.

Mr. GLASS. You would not infer so from what the gentleman has said.

Mr. HAYES. That is quite a different matter from making direct loans to corporations and individuals who are not carrying out contracts for the Government. I am now speaking of those that are not directly connected with the prosecution of the war. They make advances to those who are directly connected, it is true.

Mr. STAFFORD. In that connection, will the gentleman yield?

Mr. HAYES. Yes.

Mr. STAFFORD. Is it not a fact that our own Government, through the large funds placed at the disposal of the War Department and the Navy Department, has been making advances to various industries in carrying on the war?

Mr. HAYES. It has.

Mr. STAFFORD. To the extent of millions and millions of dollars?

Mr. GLASS. That is what I said. Great Britain and this country and Germany are doing that.

Mr. STAFFORD. I understood the gentleman to say other countries besides our own. I did not know that he included our own.

Mr. GLASS. Yes.

Mr. HAYES. There is no question about that.

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

Mr. HAYES. Yes.

Mr. BURNETT. Will it not be one of the effects of this bill that these various industries will be better enabled to buy bonds and speed up their industries by securing loans of this kind at low rates of interest? And is not that one of the very purposes of the bill?

Mr. HAYES. I do not see how they will. They can secure all the loans they need now at reasonable rates of interest, and I will show directly, I hope, how this bill will interfere with the prosecution of the war. How are these bonds to be floated? Who is going to take them? Somebody must buy them. Where is this \$500,000,000 that is to be paid by the Treasury to come from? It must come from the taxes or bonds sold by the Government to the people. That \$500,000,000 used in the prosecution of the war would go some distance toward helping to carry it on, and the two or four billions of these securities that would be issued by this so-called corporation will compete directly with the bonds issued by the Treasury; and it is proposed to issue them at a higher rate of interest, so that it is quite likely that investors will be much more ready to take them than they will be to take the bonds bearing a lower rate of interest issued directly by the Government.

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

Mr. HAYES. Yes.

Mr. SWITZER. If they would put the interest rate higher now they would be taken?

Mr. HAYES. These Government bonds?

Mr. SWITZER. Yes.

Mr. HAYES. Certainly; and at a lower rate of interest than they can be sold through this camouflage corporation; and, as I have already pointed out, the moral obligation upon the Government is the same as is the obligation for its own bonds, and this increased rate of interest will cost the Government of the United States a great sum of money before we are through with it, in my estimation. It seems to me, therefore, that instead of this corporation assisting in the prosecution of the war, by putting out bonds bearing a higher rate of interest than the bonds issued and sold by the Government of the United States it will interfere with the prosecution of the war; and this \$500,000,000 that is to be loaned out, instead of being used in the prosecution of the war, after it has been collected from our people in excessive taxes, or by selling bonds to our citizens, will be used for other purposes. In my judgment, it should be used for the purpose for which it was collected, and

that is the direct prosecution of the war, and it should not be loaned out to the great business interests of the country, which, I believe, are amply able to take care of themselves.

Mr. GRAHAM of Illinois. Mr. Chairman, will the gentleman yield?

Mr. HAYES. I do.

Mr. GRAHAM of Illinois. You were speaking of advances to industries filling war contracts?

Mr. HAYES. Yes.

Mr. GRAHAM of Illinois. Have we not already enacted legislation providing that the Secretary of War and the Secretary of the Navy may advance to such contractors 30 per cent of their contracts?

Mr. HAYES. Yes; and they have done it in many cases. I do not mean that they have always done it, but they have done it in many cases.

Mr. SWITZER. Mr. Chairman, will the gentleman yield again?

Mr. HAYES. Yes.

Mr. SWITZER. I have received a great many letters from constituents in my district wanting relief from the excess-profits tax and an extension of time six months longer. I am informed that the Secretary of the Treasury says it can not be granted; that he must have the money in payment in June. Why is it that these small taxpayers must pay promptly while \$500,000,000 of this money is to be used by the big interests of the country? Why must they be given this relief, and no relief given to the citizens who want some temporary relief, although they do not ask for exemption from the payment of their taxes?

Mr. HAYES. The gentleman can answer that question as well as I can. I have already hinted that I think this law could not possibly be administered in a perfectly equitable manner. Some one has to decide which one of the interests will be favored, which individual citizen or corporation shall be allowed the credit it proposes, and which one shall be denied, and there can not help but be inequities in it.

There will be charges of favoritism. There will no doubt be favoritism, because everybody is human and every man will favor his friend before he will favor his enemy. He will favor those whom he desires to assist rather than those that he is opposed to assisting. Everybody would do it. Everybody knows it. So that is one of the things that this measure will bring into the governmental system of the United States. I believe in leaving the loaning of money to the business interests of the country whose business it is to loan money. The Government of the United States is not organized to make a successful national bank or central bank. They have not the force and personnel, now skilled and ready by years of experience, to administer a great loaning system like this—the force such as the banks of the United States have to administer such a system in a business way. Such a system must be administered by men who have had years of experience, who have come up from the ranks and have had experience all along the line. These are the men who are managing the great banks and loaning institutions of the country, and the Government of the United States has no such force.

Besides all that, there is no public official charged with such vast and numerous responsibilities as the Secretary of the Treasury, and who must now be obliged to spread himself out very thin, that can sufficiently devote himself to this business to make a success of it. It can not be done. It is bound to be expensive to the United States. Inevitably many mistakes will be made. It can not be otherwise. I am not saying this in criticism of the Secretary of the Treasury, and least of all in criticism of the President of the United States, because neither of them can give any personal supervision to the operation of the proposed bank, except in the most cursory and superficial manner.

Some bureaucrat not directly responsible to the people will have to decide the questions that come up for decision in the administration of this great business. He will decide who is to receive the favor of the Government and who is not; and as is done in all similar cases, the Secretary of the Treasury, or even the full board of directors of the corporation will approve his decisions, if these come to them at all, in only the most perfunctory and routine way.

Mr. MILLER of Minnesota. Will the gentleman yield for an inquiry?

Mr. HAYES. I will.

Mr. MILLER of Minnesota. Can the gentleman inform the committee, if it is known, who are likely to compose this board of four men?

Mr. HAYES. I have no more knowledge than the gentleman has.

Mr. MILLER of Minnesota. In the case of the Food Administration bill, we knew beforehand that Mr. Hoover was to be appointed. I thought it might be illuminating if we knew beforehand who were to be the wise four, who were to enlighten the pathway of business.

Mr. HAYES. I have no knowledge on that subject. The truth is, that this Government has been going so rapidly toward paternalism, as it was called in the older days, that it is impossible to estimate the pace at which we are traveling. If we keep on with legislation of this character it will not be long until the Government of the United States will not only be handling the railroads, will not only be handling all the transportation of the country, but will be doing all the other business that amounts to anything in this country. For one, I shall continue to use whatever influence I have against this tendency. I do not believe in paternalism. I do not believe in socialism. I believe that this country is what it is because of the individual liberty and initiative that have been allowed to the individual citizen, and I want to see that system continued. I do not want to see things like this, that will create precedents that will come back to plague us for the next hundred years, put upon the statute books because we are in a state of war and have an emergency upon our hands, when my mind is not convinced that there are not other and better ways to accomplish the desired results.

Mr. JOHNSON of Washington. The gentleman is aware that every one of these new governmental corporations and bureaus publishes and sends out under frank, either daily or weekly, a newspaper which contains what it pleases to print, and at the same time the Government exercises a censorship on privately owned newspapers.

Mr. HAYES. I know that.

Mr. BURNETT. I believe my colleague voted for the Farm Loan System, did he not?

Mr. HAYES. Is the gentleman referring to the last farm-loan proposition?

Mr. BURNETT. I am speaking of the original farm-loan proposition. And was not that passed in time of peace?

Mr. HAYES. Yes; but the Government of the United States does not loan money to the farmer under the Farm Loan System. The Government only established the 12 farm-loan banks, which are to be financed by the sale of their bonds, based upon the real estate mortgages which the banks take from the farmers to secure the loans made to them. That is very different from the bill under consideration. I see no similarity between them.

Mr. LONGWORTH. Will the gentleman yield?

Mr. HAYES. Yes.

Mr. LONGWORTH. The gentleman is making a very strong statement of his views, and he just now spoke of the danger of paternalism in this sort of legislation. May I say to the gentleman that my principal reason for being in favor of this bill is that, in my judgment, it will prevent that kind of paternalism which he fears and which I fear. I fear that without this bill it may be necessary for the Government to take over not only the railroads, but even the private corporations.

Mr. HAYES. I can not discuss that with the gentleman now, for I have not time.

Mr. LONGWORTH. I think that is one of the most important features of the bill.

Mr. HAYES. That is decidedly not my view of it. Now, I have another objection to this bill which to me is very fundamental. That is, that the bill seems to contemplate that the \$500,000,000 to be supplied by the Government of the United States, or so much of it as is actually paid in, is first to be loaned out entirely, and that then the credit of the United States, or of this corporation, may be drawn upon. There is no provision here for any reserve fund by which this corporation would be able to meet its obligations as they mature. If that policy is pursued by the governor and board of directors of the corporation, the result will be that they will be coming here repeatedly for assistance from the Congress of the United States. If this bill is to become a law, I believe there should be a provision in it—and I shall offer such an amendment at the proper time—for a reserve fund to be kept in the treasury of this corporation to meet its obligations as they mature. No loaning institution in the world that I ever heard of was ever successfully carried on unless it had such a reserve fund, and nearly all the statutes in this country which provide for banking or loaning institutions provide for such a fund in order that the corporation may be able upon demand to meet its obligations as demands are made upon it. There is no such provision in this bill.

Mr. WINGO. Will the gentleman yield for a question?

Mr. HAYES. Yes.

Mr. WINGO. I understood the gentleman to make the statement that under the provisions of this bill the corporation has got to loan out its capital stock before it can issue securities. Did the gentleman mean to convey that impression?

Mr. HAYES. No; I did not say that. I said the bill seemed to contemplate that. There is no direct provision to that effect.

Mr. KITCHIN. If the gentleman will permit me, I will say that there is no such provision.

Mr. HAYES. I do not say there is. In fact, I do not understand it that way.

Mr. KITCHIN. Most of the loaning will be by way of buying the bonds; and the amount of bonds to be issued, as provided in the bill, depends on the amount of actual cash paid in. It can issue only an amount equal to four times the amount of capital actually paid in. If the Government should pay in the whole \$500,000,000, then it would be authorized under the bill to issue \$2,000,000,000 of bonds; but if it is paid in in installments of, say, \$100,000,000, when the first \$100,000,000 is paid in it would be authorized to issue only \$400,000,000 of bonds.

Mr. HAYES. But the gentleman from North Carolina [Mr. KITCHIN] individually, at least, would not object to a provision in the bill that would require a certain percentage at least of cash that was paid in to be kept as a reserve fund as a matter of safety?

Mr. KITCHIN. I should not think it was necessary, under the provisions of the bill, for that to be done.

Mr. HAYES. I think it is.

Mr. KITCHIN. That would not be needed, because they would have the securities.

Mr. HAYES. The securities might not be sufficiently liquid so that they could be sold quickly enough to meet the demands that might be made on the corporation.

Mr. KITCHIN. The only thing the corporation would be interested in selling in the first instance would be its bonds.

Mr. HAYES. I know, but they are coming due—

Mr. KITCHIN. In from one year to five.

Mr. HAYES. Suppose they are issued for one year, and the one year rolls around.

Mr. KITCHIN. The notes and securities given for these bonds will be payable in less time than that.

Mr. HAYES. True, but the interest has to be paid.

Mr. KITCHIN. And if the notes are not paid the securities can be foreclosed.

Mr. WINGO. Will the gentleman permit an interruption?

Mr. HAYES. Yes.

Mr. WINGO. Will the gentleman suggest in a general way how he would provide for it?

Mr. HAYES. I am just proceeding to do that now.

Now, I do not want to be here as a critic of this legislation without having something tangible and practical to propose. What I should do if left to me in this emergency would be to amend the Federal reserve act slightly, so that the necessary relief could be handled through that institution. I know that some of its friends—and it has no greater friend on this floor than I am—will object to that, but every central bank in the world extends accommodations to individuals and to corporations upon paper secured by collateral security. Even the central bank in Germany, which insists on its notes being based on short-time commercial paper, makes rediscounts on paper secured by collateral security. So does the Bank of England. So does the Bank of France, and every other central bank or reserve institution in all the world.

The Government of the United States, since I have been a Member of Congress, appointed a nonpartisan monetary commission, having upon it some of the best financial ability from both political parties, provided for the rediscount of loans secured by collateral security.

Mr. GLASS. Will the gentleman yield?

Mr. HAYES. Yes.

Mr. GLASS. Will my colleague state to the House what is the duration of the current loans by the Reischsbank?

Mr. HAYES. I have not seen it lately, but the duration is usually very short.

Mr. GLASS. It is only 28 days.

Mr. HAYES. They discourage that sort of thing.

Mr. GLASS. But I thought that the gentleman said, or I inferred from the tenor of his remarks, that the central bank of Germany encouraged loans of this kind.

Mr. HAYES. No; that is not true. The Reischsbank discourages such rediscounts, but they have always, in time of peace and war, constituted a large per cent of its business.

Mr. GLASS. Is it not a literal fact that the Government of Germany has established just such a system as is proposed

here now, a war finance corporation, under which it has already issued \$5,000,000,000 of national paper money?

Mr. HAYES. It has organized some such corporation, but it is not a Government corporation, financed by the Government; it is a private corporation.

Now, the way to provide for the emergency, in my judgment, is to amend the Federal reserve act so that, during the war only, in a certain contingency the Federal reserve bank might discount at least the direct obligation of the member banks when secured by collateral for a short time only. The provision of the monetary commission was that only when the central bank therein proposed thought that the public interests required it, and when approved directly by the Secretary of the Treasury, should such loans be made. Now, where is the unsoundness to permit this sort of thing to be done whenever the Federal Reserve Board thought that the public interests required it and their judgment is directly and affirmatively approved by the Secretary of the Treasury?

Mr. WINGO. Will the gentleman yield?

Mr. HAYES. Yes.

Mr. WINGO. The gentleman proposes, after stating his opposition to the present plan, to meet the situation by extending the Federal reserve act to permit the issuance of notes—

Mr. HAYES. No.

Mr. WINGO. Well, I withdraw that which proposes to amend it so that the Federal reserve bank can discount the paper with this as a collateral.

Mr. HAYES. That is the proposition.

Mr. WINGO. Will the gentleman explain what will be the difference in effect of doing that and what is proposed by this bill?

Mr. HAYES. I will if the gentleman does not see it. There is a vast difference. I would not permit the banks to issue notes on such paper, but would only rediscount and give a credit balance.

Mr. GLASS. Will the gentleman yield?

Mr. HAYES. Yes.

Mr. GLASS. Could not the credit balance be instantly transformed into currency?

Mr. HAYES. It could not if the law did not permit it.

Mr. GLASS. But it is automatic.

Mr. PHELAN. Will the gentleman yield?

Mr. HAYES. Yes.

Mr. PHELAN. Is there not as much danger from credit inflation as there is from currency inflation?

Mr. HAYES. Yes; and more is to be feared from credit inflation, because such inflation is more insidious; it is not generally known by the people at large, until its evil effects appear.

Mr. GLASS. What is the benefit of it if it could not be transferred into currency?

Mr. HAYES. There is plenty of currency. There is no trouble about that. More currency can be issued than the country would demand, as the law now is. We have \$2,400,000,000 in gold in the Treasury of the United States, more than half of it now belonging to the Federal reserve banks, and another billion outside. Upon that we can base all the currency and credit necessary to do the business of this country. England, with scarcely a quarter of that amount, has been able to do all that it has done; raised and spent \$28,000,000,000 since the beginning of the war, and in spite of that wonderful expenditure the notes of the Bank of England are at par everywhere in the world, and sterling exchanged is at par all over the world. Can we not do as well? They have not been obliged to organize any such "camouflage" proposition as this in order to do it. Neither need we. We can use the agencies and instrumentalities that we have, and with all of this gold in our possession, the like of which was never seen in the history of the world, for no nation in the world ever had a billion dollars in its reserve institutions or central bank, while here in the Treasury of the United States we have to-day \$2,402,000,000 of gold—and can we not, with all that gold, do just as well as England?

Mr. GLASS. But to whom does that gold belong? That does not belong to the Federal reserve banks.

Mr. HAYES. Of course it does not.

Mr. GLASS. It does not belong to the Government of the United States. It belongs to the people who hold the gold certificates.

Mr. HAYES. All right. The gold certificates can be retired and the gold can become the basis of credit, as it should be.

Mr. GLASS. How are you going to get the gold in the United States Treasury except by seizure?

Mr. HAYES. Why, the gentleman knows that the Secretary of the Treasury can put it out any time he chooses.

Mr. GLASS. Put it out for something.

Mr. HAYES. Deposit it with the Federal reserve banks or with any bank he wants to put it, even pay it out on Government contracts. There is no difficulty about that.

Mr. WINGO. Here is one thing that I am trying to get at. As I understand the gentleman, he has gone on and made certain objections to this plan, and among them were these: That you were going to undertake to permit a great reservoir of credit to be absorbed by big business, with the Government backing it up. That is one objection.

Mr. HAYES. Yes.

Mr. WINGO. Another objection is that you have an inflation of credit.

Mr. HAYES. I have not said so, but of course this is a great inflation measure. It may be that in this crisis we shall not be able to prevent inflation, but I want it on the safest basis that we can get it on.

Mr. WINGO. Will there be any difference in the volume of credits outstanding under this bill and under the gentleman's plan?

Mr. HAYES. That all depends on how the corporation is managed.

Mr. WINGO. That applies in every case. If you have it issued under the supervision of one corporation or under the supervision of another corporation, will not the effect on the credits of the country be the same?

Mr. HAYES. No; because under the plan I suggest they will be issued on a business basis, along the regular lines that we have every day in time of peace, and the other will be along extraordinary lines by men who can not be familiar with the great task they will be called upon to perform.

Mr. WINGO. The Federal Reserve System is established for the prime purpose of meeting the credit need of the country. Would not the gentleman destroy that and turn it into a system to furnish credits for the investment of the country instead of the current business?

Mr. HAYES. No; I would not. I would only give short-time loans, as I would in any other case. This Federal Reserve System has been heralded all over the country as a great system, as a great creation, which I also claim, but it is created to meet emergencies as they arise in the history of the country. When an emergency arises, if we have to go outside of the Federal Reserve System in order to finance our industries and keep our corporations and manufacturing establishments running, then this great praise that the Federal Reserve System has received is not fully justified; but I do not believe it. I say that if it is handled right and the gold we have in this country is handled right and our resources and everything that we have in this country are handled as other nations handle theirs there is no need of this sort of thing at all. We can take care of this war and prosecute it and spend any amount that may be necessary, and there will not be any trouble about people getting all of the assistance and all of the credit to which they are entitled. That is my judgment.

Mr. GLASS. The Federal Reserve System I submit was not established to meet emergencies based on absolutely unsound financial operations. And so far from having transactions contemplated by this bill carried through the Federal Reserve System as normal transactions, the Banking and Currency Committee has proposed, and the Ways and Means Committee has accepted, a proposition to apply a differential tax upon these transactions and not let them go into the Federal Reserve System except upon a penalty.

Mr. HAYES. The gentleman knows that I approve of that.

Mr. GLASS. But the gentleman is arguing now directly against that sort of proposition.

Mr. HAYES. No; the gentleman does not understand me. I am not in favor of making loans like the loans made or proposed by this corporation through the Federal reserve banks. I am not in favor of making any loans of that sort through the Government or the Federal reserve banks, either. I do not believe it is necessary, at least it is not now necessary. If the time should come in the prosecution of this war when it is necessary to put the whole force and credit of the Government behind the industries of the country, I should not hesitate to do this, because I feel that every American desires above all things that this Government may bear itself with honor and come out of this war with credit to itself and to its citizenship, and, if possible, secure the results that we are fighting for. [Applause.]

But I think we have not come to the point yet where that is necessary, and I would postpone it to the farthest day; at least I would hesitate to do things that I know are unsound, that I know nobody would think of doing in time of peace, that I know will plague us in the future, no matter how wisely they may be administered, until the pressing need is upon us.

Mr. GARD. But it seems to me that the gentleman is proposing to tie up to the Federal Reserve System the very unsound propositions that he is criticizing.

Mr. HAYES. No; I am not. I am proposing to modify the Federal Reserve System to the extent that will put it upon the same basis with all other reserve systems. I am proposing to grant to them the same privileges only that are granted to all other reserve systems in the world and under the same restrictions and safeguards that the Monetary Commission proposed in its report to the Congress of the United States some eight years ago. I can not see that there will be any different effect upon the Federal Reserve System, whether the Federal reserve banks are allowed to discount the obligations of the banks and trust companies secured by collateral or whether this proposed corporation issues its bonds for these obligations of the banks and trust companies and then such obligations, secured by the bonds of the corporation, are allowed to be discounted by the Federal reserve banks. The difference, so far as the effect upon the reserve banks is concerned, is only a difference between tweedledee and tweedledum. To do it in the direct way that I suggest will remove the necessity for this expensive corporation, with its unsoundness and defects, some of which I have tried to point out. The following is my suggestion in concrete form:

That section 13 of the act approved December 23, 1913, known as the Federal reserve act, be, and the same is hereby, amended by adding at the end of said section the following:

Provided further, That during the period of the present war with Germany and for six months thereafter only, and under such rules and regulations as the Federal Reserve Board may prescribe, whenever in the opinion of such board the public interests so require, such opinion to be expressly concurred in by the Secretary of the Treasury, any Federal reserve bank may discount the direct obligations of member banks when accompanied by adequate collateral security, such obligations having a maturity of not more than 90 days, exclusive of days of grace. Such collateral security shall consist only of such bonds or stocks as shall be approved from time to time by the Federal Reserve Board and shall be accepted as such security at not more than 75 per cent of its actual market value."

The CHAIRMAN. The time of the gentleman has expired.

Mr. MOORE of Pennsylvania. Mr. Chairman, I ask to be advised when I have spoken 30 minutes.

The CHAIRMAN. The gentleman from Pennsylvania is recognized.

Mr. MOORE of Pennsylvania. Mr. Chairman, I do not wonder the committee is concerned over this bill. It is a most unusual measure. It is extraordinary, and would not have been thought of or considered except for the emergency of the war. It could not have had the sanction of the Congress except as a war measure. As to this, at the outset of my remarks, I am obliged to take friendly issue with my distinguished friend from North Carolina [Mr. KITCHIN], the chairman of the Committee on Ways and Means, concerning the "unanimity" with which he said this bill was passed by the Committee on Ways and Means and brought into the House. It is true the Republican minority did not oppose this measure. It labored with members of the majority to bring forth—

Mr. KITCHIN. If the gentleman will permit—

Mr. MOORE of Pennsylvania. I will.

Mr. KITCHIN. The gentleman must either have misconstrued what I said or I must have said something I did not intend to say. But what I did say or intended to say and what is a fact is that this measure was reported unanimously as the wisest measure, in our judgment, under the circumstances. It was voted on and reported out purely as an emergency measure, a war measure, and I think I said that no man on the committee and perhaps no man in the House could favor such a bill or the principles of such a bill in time of peace, and it could only be justified as an extraordinary measure in this extraordinary war. I have not seen anybody here or elsewhere who would indorse the principles of this bill as a permanent measure, as a measure in time of peace. This was the thought entertained by all the committee, both Democrats and Republicans. That was what I intended to say.

Mr. MOORE of Pennsylvania. It is pleasing to have the gentleman from North Carolina make that statement, because, at the outset of his remarks presenting this measure, the impression prevailed that the minority of the Ways and Means Committee had, in a measure, tumbled over itself to be with the majority to secure its passage. That, of course, was not the fact, and I am very glad to have the gentleman from North Carolina confirm my statement.

The truth of the matter is that both Democrats and Republicans on the Committee on Ways and Means felt that a tremendous responsibility was being placed upon them. They

weighed this matter carefully for weeks, doing the best they could as patriotic American citizens to respond to what appeared to be a Government need in this regard. It was a case of doing that which was best; not that which was politic only, but that which was patriotic and best under the circumstances. For such reasons the minority of the Committee on Ways and Means, as I believe, agree to permit this bill to come upon the floor without an adverse report.

I repeat, it is an extraordinary measure. As originally presented to the House by the gentleman from North Carolina, the bill contained a preamble that epitomizes its purposes better, perhaps, than any of the witnesses have done. It reads:

That for the purposes of affording financial assistance, either directly or indirectly—

Bear this in mind and appreciate the significance of it—

to persons, firms, corporations, and associations whose operations are necessary or contributory to the prosecution of the war in cases where such persons, firms, corporations, or associations shall be unable to procure funds—

Unable to procure funds, remember—

on reasonable or practical terms from the general public or through the regular banking channels, and for the purposes of regulating and controlling the sale or subscription of securities hereinafter authorized, and for other purposes in aiding the war—

And so forth. It was in the minds of the gentlemen at the Treasury Department who framed this bill that the corporation to be created should have the power to raise money to be loaned, to banking institutions, yes; to Federal reserve banks, yes; and private bankers, and also to individuals, firms, and corporations who could not obtain funds through banking channels in the ordinary way to conduct business for the purpose of promoting the war. There is the statement of the case and therein is the answer to the gentleman from California [Mr. HAYES], who has just spoken and who is insisting that this business should be done through the Federal Reserve System.

The gentlemen who framed this bill had that very question in mind, and in this preamble, which has been stricken out of the House bill as being not altogether proper legislative form, they set forth their purpose which frankly and boldly was to enable a corporation, to be known as the "War Finance Corporation," through an appropriation to be made by the bill, an appropriation of \$500,000,000, and through funds to be raised through the selling of bonds, to do what? To lend money on transactions coming up through Federal reserve banks, to lend money to private bankers, to lend money to banking corporations, and, further than that, to lend money to individuals or to corporations who are unable to obtain money through the regular banking channels if such individuals, corporations, and so forth, are conducting business contributory to the war. The gentleman from California may be right that the Federal Reserve System is capable of handling all this business. I had hoped that that was the situation and brought that question up. The answer of the Secretary of the Treasury and the answer of the vice governor of the Federal Reserve Board is in the hearings.

These gentlemen have spoken upon that subject, and it is their opinion that this business, which is new war business, should be disassociated from the Federal Reserve Bank System.

Mr. CAMPBELL of Kansas. Will the gentleman yield?

Mr. MOORE of Pennsylvania. Yes.

Mr. CAMPBELL of Kansas. Do the hearings disclose the number of industries that have encountered difficulty in financing their enterprises?

Mr. MOORE of Pennsylvania. No; they do not disclose those industries in number.

Mr. CAMPBELL of Kansas. Were there any business enterprises appearing before the committee that showed the necessity for this legislation?

Mr. MOORE of Pennsylvania. Certain hypothetical cases were stated by the Secretary of the Treasury.

Mr. CAMPBELL of Kansas. Were any business men or heads of enterprises before the committee?

Mr. MOORE of Pennsylvania. There were no business men, except several Members of Congress who are business men, before the committee, but the committee was informed that the chairman had extended general invitations to the bankers and other people interested to come before the committee and be heard. There was no response, I will say to the gentleman, from any banker of any distinction. They seemed to prefer not to appear before the committee, and to that extent the committee was at a disadvantage, but the impression was that the banking interests of the country favored this measure.

Mr. CAMPBELL of Kansas. Did the business interests of this country request this measure?

Mr. MOORE of Pennsylvania. Judging from certain statements made; yes.

Mr. CAMPBELL of Kansas. By business men?

Mr. MOORE of Pennsylvania. By the Secretary of the Treasury and the vice governor of the Federal Reserve Bank System, speaking for bankers and business men.

Mr. CAMPBELL of Kansas. Did their examination show that business concerns required capital that they could not get through regular banking channels?

Mr. MOORE of Pennsylvania. Their testimony certainly did show that there was need for this legislation.

Mr. CAMPBELL of Kansas. Hypothetical or actual?

Mr. MOORE of Pennsylvania. One case was mentioned in confidence; it has since been referred to in the public prints. It was stated to the committee that the railroads would need more assistance. If I have time I will go into that more fully. I shall narrate some of the instances in which assistance was desired, but, speaking broadly, I will say that it was contemplated that assistance should be rendered not only to railroads, not only to munition establishments, not only to public utilities generally, not only to concerns including water-power companies, but also to individual concerns and to farmers, if need be. The assistance proposed was to run down the line, according to the business and banking judgment of the gentleman who should be in control of the corporation. They were to take into account the war emergency need of these various interests and concerns that sought assistance.

Mr. SWITZER. The Secretary of the Treasury requested \$4,000,000,000 for extension of credits, did he not?

Mr. MOORE of Pennsylvania. He did. Eight times the amount of the capital.

Mr. SWITZER. And your committee reduced that to \$2,000,000?

Mr. MOORE of Pennsylvania. It did.

Mr. SWITZER. Now, upon what facts before the committee did it take such action to reduce the \$4,000,000,000 to \$2,000,000?

Mr. MOORE of Pennsylvania. Because it was stated to the committee that perhaps the entire eight times \$500,000,000, which was \$4,000,000,000, plus \$500,000,000 in the aggregate, might not be needed.

Mr. SWITZER. Did the Secretary of the Treasury say anything about assisting farmers?

Mr. MOORE of Pennsylvania. Yes. I will come to that.

Mr. PLATT. I have read the hearings over and I was present at some of them here as well as in the Senate, and I do not recall seeing anything in them where the Secretary of the Treasury or anybody representing the Federal reserve bank said that the Federal Reserve System could not handle this business.

Mr. MOORE of Pennsylvania. I might as well refer to that now as at some other time, because the gentleman from California [Mr. HAYES] has left that matter in the minds of the gentlemen present. The Secretary of the Treasury said:

The Government's borrowings, particularly during the period immediately preceding and following each liberty loan, have tended to preempt the credit facilities of the banks and often to prevent them from giving needed and customary help to quasi-public and private enterprises. Many instances have been brought to the attention of the Secretary of the Treasury and of the Federal Reserve Board where industrial plants, public utilities, power plants, railroads, and others found it difficult, if not impossible, to obtain the necessary advances to enable them to perform vital service in connection with the war, because essential credits ordinarily available to them are being absorbed by the Government itself.

Now, there is a fact that I hope to leave with you for a moment, that the Federal Government which is lending money to our allies, which is making vast expenditures on war account in this country, is draining the financial resources of the country, of the banks, of the trust companies, and of the savings funds, in order to place the liberty loan which is to keep the wheels going, and that it is about to place a third liberty loan, the drive beginning on April 6, when new demands, for an amount not yet stated, but estimated to be upwards of \$3,000,000,000, will be required from the banks already having numerous Government bonds in their vaults. That drive will necessarily contract the power of many of the banking institutions to lend.

Mr. PLATT. That, of course, is true; but the reason why the Federal Reserve Bank System can not handle it is because the Federal reserve banks are not allowed to discount notes based on collateral security. Suppose they were allowed to do it, has anybody said they would not be able to handle the situation? I do not say that I am in favor of that, but nobody has said distinctly that they could not do it if allowed to do so.

Mr. MOORE of Pennsylvania. I will quote the Secretary of the Treasury a little further on that:

The Federal reserve act does not provide for these and the War Finance Corporation is designed as a war emergency to fill this gap. The provisions of the Federal reserve act which permits Federal reserve

anks to rediscount and purchase commercial paper and paper secured by the Government's obligations have had the effect of forcing the banks to discriminate against loans on ineligible paper—

Now, bear in mind that matter of discrimination.

Mr. PLATT. Suppose the law was changed so that they were not forced to do so.

Mr. MOORE of Pennsylvania. Wait a moment until I finish what the Secretary says:

Even where such loans are vitally necessary for war purposes in favor of loans on commercial paper; even where they represented activities or enterprises not related to the war and which might well be curtailed during the period of the war. It is believed that the proposed bill has been widely and conservatively conceived as a war measure to give relief from this condition during the war.

Mr. PLATT. The point I want to make is just this: The Federal reserve members, including Mr. Warburg and others who appeared before the committee, and the Secretary of the Treasury himself, gave this their indorsement as a separate war institution because they did not want the business to be thrown into the Federal reserve bank. But they did not say that the Federal reserve bank could not take care of it.

Mr. MOORE of Pennsylvania. They intimated that it would be very dangerous to throw this business into the Federal reserve banks, and Mr. Warburg indicated that it would destroy the system.

Mr. PLATT. But it was shown that the banks in Europe did that.

Mr. MOORE of Pennsylvania. Oh, that is worrying the gentleman—what the banks in Europe have done?

Mr. PLATT. I share Mr. Warburg's view on this point, but I do not think that anybody has said that the Federal reserve bank could not handle this business.

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

Mr. MOORE of Pennsylvania. I will in a moment. In committee I asked Mr. Warburg this question:

Mr. MOORE. The Federal reserve bank is undoubtedly a fixed institution, and some of us are inclined to think it is as close to a central bank as even the United States Bank was.

Mr. WARBURG. None of this should ever go into the Federal reserve banks. Indeed, all that we provide now is that during the war, and as long as these obligations are outstanding, the Federal reserve banks may discount the paper security of these banks. We have not given the Federal reserve banks any larger powers than that. If this corporation wishes to go out of business, there will not be any other instrument that can do this business. I am very much opposed to having any of these powers go into the Federal Reserve System.

Mr. MOORE. You make that statement as a financier?

Mr. WARBURG. Yes. I want to be quite clear in regard to that proposition. The rediscounts, as proposed, I am in favor of. But the power to grant loans on bonds and stocks, and make direct loans to corporations in need, that I do not want the Federal reserve banks to enjoy.

Mr. MOORE. That would have an unfortunate effect upon the existing banking institutions throughout the country, would it not?

Mr. WARBURG. If it were done, or not done?

Mr. MOORE. If this corporation were to do a direct discount business with the public.

Mr. WARBURG. It would be more than a discount business, because it would be buying securities; it would be making permanent five-year loans. If we were to put that power into the Federal Reserve System we would destroy it.

In other words, if I understand this proposition at all, it is to give relief to the Federal reserve banks so that they may hold on to their present business and expand their credits.

Now, I want the gentleman from New York [Mr. PLATT] and the gentleman from California [Mr. HAYES], and the gentleman from Pennsylvania [Mr. MCFADDEN], who is going to oppose this bill, to bear that in mind when discussing this bill in their own time. My understanding is that in order to give the Federal reserve banks the power of expansion—I will not say inflation; that may come along in due course—it is proposed to organize a corporation that will create a larger circulating medium and afford relief to war industries the banks can not or will not accommodate.

Mr. SNYDER. Now, will the gentleman yield?

Mr. MOORE of Pennsylvania. Yes.

Mr. SNYDER. Has not the gentleman overlooked the fact that within the next few months or so we must pay \$2,500,000,000 of taxes into the Government, and is it not fair to propose that this is to assist that operation?

Mr. MOORE of Pennsylvania. Yes. It has a great deal to do with it. We are approaching, I will not say a money crisis, but a money stringency, as things are now going in connection with our war demands.

Mr. SNYDER. We are approaching a money crisis unless this bill or some other similar bill is passed whereby this vast amount of tax can be paid in on the basis of one or two or three or more payments in the year.

Mr. MOORE of Pennsylvania. That is a matter that the Committee on Ways and Means will no doubt take up in due course. The question of paying taxes in installments has been discussed, and there may be a great deal of merit in it. I do not want to be diverted to that question at this time, however. It

is true that men in business, even those who are supposed to be making vast sums of money in the manufacture of munitions, are having difficulty in getting all the money they want for furthering war enterprises.

Mr. SNYDER. On Saturday I spoke with a banker in the city of New York, and was told by the vice president of a bank that he had a friend across the way who had a large business and had a million dollars to pay in taxes, and that he had been in there that morning endeavoring to raise the whole amount on a loan.

Mr. MOORE of Pennsylvania. The gentleman has cited one case. I will cite another, because of the speech made by my distinguished friend and colleague from Michigan [Mr. FORDNEY], who had the floor on Saturday. The gentleman from Michigan stated his impression that the sole purpose of this bill was to lend money to the railroads. Mr. FORDNEY may not have stated it quite so strong, but the impression left here was that railroads mostly were to be favored by this legislation.

Now, the gentleman from New York [Mr. SNYDER] cites a case wherein a business man has difficulty in securing money to pay taxes. I could fill the Record with cases of this sort, but I am going to call attention to the very important matter of the maturing obligations of the New York, New Haven, and Hartford Railroad Co. For present purposes I do not care whether somebody unloaded on the company or not. There are plenty of utility companies in this country, perhaps, which have had bonds put out on the market and sold below par that might now be in position to derive some advantage from this bill. I am not excusing their faults, but if any such companies are doing war service I do not want any of them to go into the hands of receivers at this critical time. I do not care what the impression of the public is regarding the New York, New Haven & Hartford Railroad Co. at this particular juncture of the war, I would prefer not to see it go into the hands of receivers. I would prefer that the banks that are supporting it now should be supported, because if one bank goes, another goes, and here in the midst of a war crisis we would have trouble on our hands approaching a financial panic if relief was not afforded.

The New York, New Haven & Hartford Railroad Co. has been constantly referred to as one of those concerns that might be assisted by this new corporation. I do not know whether it will be or not, but it is interesting to note as we go on just how these things develop. There was a meeting in New York on Saturday last—

Mr. JOHNSON of Washington. It could be assisted under the railroad bill just passed, could it not?

Mr. MOORE of Pennsylvania. It could, and it could be assisted under this bill. This bill will assist railroad corporations as well as other corporations that are contributing toward the success and progress of this war. A meeting was held in New York City on Saturday and reported in the newspapers on Sunday. Among those who attended the conference, if the newspaper reports be true, were Howard Elliott, representing the New York, New Haven & Hartford; Thomas W. Lamont, representing J. P. Morgan & Co.; Robert Winsor, of Kidder, Peabody & Co.; and A. J. Sheldon, of Lee, Higginson & Co. Those gentlemen, you understand, are all distinguished bankers.

"It was ascertained after the meeting," the report goes, "that no plans were being made by any banking syndicate to take up the maturing New Haven notes." That was no small matter in the banking world. Now, in yesterday's newspapers appears another report. I quote the following newspaper dispatch from Washington:

WASHINGTON, March 16.

Means of meeting the New Haven Railroad's \$43,000,000 one-year notes maturing April 15 was taken up to day with John Skelton Williams, director of the railroad administration's division of finance, by Howard Elliott, of the New Haven, and a committee of directors. No conclusion was reached and the conference will be continued.

Director General McAdoo is anxious to have the New Haven meet the obligations on its own responsibility without specific Government aid, but also wishes to maintain the company's credit.

Here is a great railroad conferring with the greatest bankers of the world, and receiving no encouragement, according to this announcement. What is it? Is it extraordinary rates of interest? Is it lack of securities? What is it? After conferring with these gentlemen in New York the president of the railroad comes to Washington and meets the Comptroller of the Treasury, and the matter is there discussed. Now, I am not sure whether this bill is intended to meet a situation like that, but I assume it is, and I assume that if the New York, New Haven & Hartford Railroad Co., or any other railroad company doing an essential war business, as this road does, and without which this country would be in great distress to promote the war, could qualify under this bill it would obtain assistance.

Mr. WINSLOW. Will the gentleman yield?

Mr. MOORE of Pennsylvania. I yield to the gentleman from Massachusetts.

Mr. WINSLOW. If I am correct, the gentleman stated a little earlier in his remarks that the country was approaching a financial stringency, to put it mildly.

Mr. MOORE of Pennsylvania. By that I meant to throw out no scare. I am not authorized to do that, and would not do it. I said that very soon there will be a new issue of liberty loan bonds, that necessarily will call in a great deal of money, and make those bankers who prefer liquid assets move about rapidly to get the necessary funds to do ordinary business, and especially war business.

Mr. WINSLOW. Accepting that as the gentleman has stated, in view of the great amount of liberty bonds now in the banks of the country on loans, and in view of the new issue about to be sold, would it not be to the advantage of the country if payment of this tax money, due next June, could be made in partial payments?

Mr. MOORE of Pennsylvania. I have just answered that question. I do not see how that can be done easily. There would have to be legislation on the part of Congress, and I see no indication on the part of the Ways and Means Committee to amend the revenue law for the present. My personal judgment is that it might be well to permit the payment, at least of the heavy taxes soon to be due, in installments, spreading them over a period of time, rather than have them all come together at one time.

Mr. WINSLOW. Now, to go a step further, and based on the gentleman's remark, would he feel that the fact that the Ways and Means Committee had not yet considered it and that it needed legislation to bring about such a result would be any considerable hindrance, in view of the way we take up legislation these days?

Mr. MOORE of Pennsylvania. As one member of the Committee on Ways and Means I have no objection to taking it up. Bills have been presented to the House, and there is quite a propaganda now favoring the passage of a bill permitting the payment of taxes in installments.

The CHAIRMAN. The gentleman has consumed 30 minutes.

Mr. MOORE of Pennsylvania. I yield to myself 10 minutes more.

Mr. JOHNSON of Washington. Will the gentleman state why when these bonds are issued by this great corporation they should not have the absolute O. K. and guaranty of the United States Government.

Mr. MOORE of Pennsylvania. Yes; I will tell the gentleman why they ought not to have it. This is a new and separate financial enterprise, in which the Government invests \$500,000,000. The Government thus does its part in starting the enterprise. It should not be responsible for these corporation bonds any more than it should be responsible for the bonds of the Philippine Railroad. And the purchasers of the bonds, who get a higher rate of interest than is paid for liberty-loan bonds, should be so informed.

Mr. JOHNSON of Washington. It is a Government enterprise, however.

Mr. MOORE of Pennsylvania. It is not a Government enterprise except as the Government appropriates \$500,000,000, which is all it should be called upon to lose, if it loses anything. I will say to the gentleman that in the judgment of the Secretary of the Treasury the Government will not only not lose anything, but will actually make money through its investment in the War Finance Corporation. He so expressed himself to the committee.

Mr. JOHNSON of Washington. One more question. The gentleman has mentioned a certain railroad likely to be in need of financial assistance by this corporation, and there will be other railroads. Why is not this great corporation likely in a short time to become the holding company for the railroads now in the hands of the United States and to stay that way?

Mr. MOORE of Pennsylvania. I think not. This new corporation is to have a temporary existence, and I give notice that at the proper time I shall offer an amendment cutting down the life of it from 10 years to 8 years. Its bonds are to mature in five years.

Mr. JOHNSON of Washington. Is not that the blind part of this bill?

Mr. MOORE of Pennsylvania. I do not think so. If I get time, I will show just how far it is proposed to go in this matter.

Mr. WINSLOW. May I interrupt the gentleman for one question?

Mr. MOORE of Pennsylvania. I yield to the gentleman from Massachusetts.

Mr. WINSLOW. I want to ask if in the gentleman's judgment the sale of the next issue of liberty bonds would not be

enhanced if the people of the country who have to pay these taxes next June felt that they could pay them in installments rather than in a lump sum?

Mr. MOORE of Pennsylvania. I would commend that suggestion to the Secretary of the Treasury. If he has the power to permit the payment of these taxes in installments it might be a good thing for him to do it; that is my individual judgment.

Mr. WINSLOW. And if he has not the power, would it not be a suitable subject for legislation?

Mr. MOORE of Pennsylvania. It would be a suitable matter for legislation.

Mr. MADDEN. Will the gentleman yield?

Mr. MOORE of Pennsylvania. I yield to the gentleman from Illinois.

Mr. MADDEN. Does not the gentleman think we could easily pass the legislation sufficiently early to avoid the necessity of paying all the taxes in a lump sum on the 15th of June?

Mr. MOORE of Pennsylvania. That might be. I commend the suggestion to the Secretary of the Treasury.

Mr. WATSON of Pennsylvania. Will the gentleman yield?

Mr. MOORE of Pennsylvania. Yes.

Mr. WATSON of Pennsylvania. The gentleman says this corporation has the power to take care of the railroad notes. Does the gentleman think that the corporation has the power to take care of the railroad bonds that will soon mature?

Mr. MOORE of Pennsylvania. Yes; this, and the railroad-control bill.

Mr. WATSON of Pennsylvania. Would it come under the terms of this bill?

Mr. MOORE of Pennsylvania. Such relief could be granted. Yes.

Mr. WALSH. Will the gentleman yield?

Mr. MOORE of Pennsylvania. I will.

Mr. WALSH. I want to ask the gentleman if he does not think that Congress might pass legislation providing for the installment payment of taxes without having the bill drawn by the Secretary of the Treasury.

Mr. MOORE of Pennsylvania. The fact that this bill has been so broadly amended is an indication that Congress is passing this legislation on its own account. I do not know of a single measure that has come before the Ways and Means Committee, since I have been a member of that committee, that has been so cut up and modified.

Mr. WALSH. It could be done by the passage of a joint resolution.

Mr. MOORE of Pennsylvania. That might be. I commend to the gentleman the suggestion that he offer such a resolution.

Mr. MORGAN. Will the gentleman yield?

Mr. MOORE of Pennsylvania. I will.

Mr. MORGAN. I have a question I would like to ask the gentleman for information. I notice in reading the hearings that the remark was made several times that in Europe through the central banks they are doing just what it is proposed that this War Finance Corporation should do. I do not know what these central banks in Europe are. In England, as I understand, there is no central bank except the Bank of England, and the Bank of England does all of this kind of business, and so in France.

Mr. MOORE of Pennsylvania. They do it there.

Mr. MORGAN. But if the gentleman will yield.

Mr. MOORE of Pennsylvania. I get the gentleman's point, I want to get along. I will answer the gentleman. In England they have a capital issues committee, and that committee practically controls the situation. This bill provides for such a committee except that this particular bill, as amended, takes away the compulsory power to issue licenses and makes licensing voluntary, as it really is now under the Federal Reserve System.

Mr. MORGAN. Does the Bank of England discount notes secured by collateral?

Mr. MOORE of Pennsylvania. I refer the gentleman to the experts on foreign banking.

Mr. MORGAN. I thought the gentleman from Pennsylvania was an expert.

Mr. MOORE of Pennsylvania. I am not. If I was I would be better able to answer the gentleman's questions. The gentleman from Oklahoma is an expert on farm credits and if he examines it closely he may find a look-in in this bill.

Mr. MORGAN. It may come along, but I have read all the hearings.

Mr. MOORE of Pennsylvania. If the gentleman had asked the gentleman from Tennessee, Judge HULL, who is an expert on foreign banking, he would doubtless have received an answer. As I said, this business is done in England through what they call a capital issues committee, which restricts the issue of securities and practically dominates the capital situation as to essentials and nonessentials.

I desire now to quote what the Secretary of the Treasury said with regard to the loan of money to railroads. This colloquy is from the printed hearings:

Mr. MOORE. Railroads will not be covered by this bill?

Mr. MCADOO. Well, the licensing feature does not apply to them at all. But this corporation is designed to help them if necessary. I say to you gentlemen frankly that one reason why the appropriation in the railroad bill is only \$500,000,000 is because I expect this corporation to help railroads as well. Of course, \$500,000,000 is not going to take care of the needs of the railroads even during this coming year.

Mr. MOORE. That's important. I wanted to get at a possible misuse of the power conferred upon the proposed War Finance Corporation. It is only fair and right for a legislator to make such inquiry.

Mr. MCADOO. Certainly; I think such inquiry is proper. It is my judgment that one effect of the existence of this corporation would be to make it possible for such concerns to get aid from the War Finance Corporation in case of necessity—that is, in an exceptional case. Such exceptional cases would probably not arise to a great extent as long as bankers know if they furnish credit to such concerns—they can discredit the paper with the War Finance Corporation. Therefore I think the fears of some gentlemen are not well founded, unless they fear that the existence of the corporation will have the effect of cutting down excessive interest charges, and I think that very necessary.

Mr. MOORE. Electrical companies would come within the scope of the activities of the War Finance Corporation?

Mr. MCADOO. Oh, yes.

Mr. MOORE. And water-power companies?

Mr. MCADOO. Yes.

Mr. MOORE. And public-utility companies generally, including trolley lines?

Mr. MCADOO. Yes.

Mr. MOORE. They would all be considered contributory to the war?

Mr. MCADOO. I should say directly contributory.

Mr. MOORE. And they may properly apply to the War Finance Corporation for relief in case the banks do not help them in the usual way?

Mr. MCADOO. Yes. But my theory of this War Finance Corporation is, as this bill provides, that direct assistance would only be extended in exceptional cases. I think such applications would have to be accompanied by a showing that the applicants were not able to get credit through the ordinary channels in the usual way and upon the usual terms.

Mr. MOORE. Exactly. Munition plants would be included, quite naturally?

Mr. MCADOO. Yes.

Mr. MOORE. And those plants contributing parts for munitions of war, such as ordnance and things of that kind?

Mr. MCADOO. Precisely.

Mr. MOORE. Would those independent concerns that I referred to a little while ago be considered if they should present a good case?

Mr. MCADOO. Certainly.

Then the questions take up the farm-loan proposition and the possibility of the farmer obtaining assistance in addition to that already extended to him, and the Secretary admits that in exceptional cases he also must be considered as eligible. It is a long story and intensely interesting and requires careful handling.

Mr. DARROW. Will the gentleman yield?

Mr. MOORE of Pennsylvania. I will.

Mr. DARROW. I notice that my colleague has quoted from the Secretary of the Treasury frequently in his remarks here. Do I understand that he agrees with all that the Secretary has said about this corporation?

Mr. MOORE of Pennsylvania. I simply accept as truthful the statements made by so high an official as the Secretary of the Treasury. He tells us that the business interests of the country are in such shape in regard to their ability to obtain loans and transact war business as to make this War Finance Corporation expedient; that many of them can not obtain sufficient money from the banks to continue their war business in this crisis. That statement deserves our attention. I am legislatively affected by the Secretary's statement of fact that corporations and railroads needing money are unable to obtain it for war purposes. That statement comes from the Secretary of the Treasury, who ought to be informed, and it is backed up by the vice governor of the Federal Reserve Board, the very institution that is supposed to be complaining. It has great weight with me at this time.

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

Mr. MOORE of Pennsylvania. I yield to myself five minutes more. Answering generally these gentlemen who have put questions, and very properly so, I wish to say that I had very grave doubts as to the propriety of this bill. In committee I offered suggestions and joined with others in making suggestions calculated to perfect and modify its provisions. I think we have greatly improved it. We required in this bill what the original bill did not require, namely, that the appointments of these responsible heads who were to be put in charge of the War Finance Corporation should be made by the President and confirmed by the Senate. We provided that the Capital Issues Committee, which was originally to have compulsory power with regard to the issues of securities, should also be nominated by the President and confirmed by the Senate. From my point of view that was exceedingly important, because it assured publicity so far as it could properly be had in this transaction. I did not want

a wheel within a financial wheel here which would give to five men in the Federal Reserve Board the power to dominate all the industries of this country and to tie up all of its finances. I preferred that the names of these men should be emblazoned out yonder in the spot light, where we could see them and know who they were, and understand they were not working for their own ends, but were working for the Government of the United States or for this corporation which the United States is sponsoring. I preferred that that Capital Issues Committee of seven men—and originally it was proposed that it should be composed of but five, some of them to be members of the Federal Reserve Board—should be nominated by the President in the open, and that their names should come before the Senate, so that we could know who these men were who were to dispense favors on the one hand, if they dared to do it, or to crush industry on the other, if they dared to do it. I wanted to know whether this great corporation which could tie up the industries of the country, on the pretext of conserving capital for war purposes, if we conferred this power upon them, was to be appointed in the open or in secret, and I believe the bill now guards against the possibility of its being done in secret. I do not charge that there is anything which would be done in secret, but some great financiers of this country do not always agree with Congress, and they prefer not to make reports of all their transactions. In a matter so vital to the welfare of the Nation as this, it seems to me they should.

In closing, I wish to say that this bill is in much better form than it was when it came to the committee. It has been modified; it has been vastly improved; but even so, I still desired to know that a bill of this importance, fraught with such danger to the welfare of the Nation on the one hand, or capable of doing so much good on the other, was actually supported by the President of the United States. That seemed to me to be signally important.

Mr. LA FOLLETTE. Mr. Chairman, will the gentleman yield?

Mr. MOORE of Pennsylvania. Yes.

Mr. LA FOLLETTE. I know the gentleman is well posted upon this bill, and I would like to have him explain why it was thought necessary to take out of this corporation's capital the right to purchase Government bonds. We are loaning \$500,000,000 to ourselves—

Mr. MOORE of Pennsylvania. I would say to the gentleman that I have taken more time than I am entitled to, and I know that we are going to get into a controversy if I undertake to answer his question. I can not do it in the time that is left and shall have to proceed.

I wanted to know if the President of the United States stood for this measure. The people of the United States have placed their confidence in the Executive. Congress has gone far out of its way to bestow power upon the President of the United States because of the people's confidence. We have voted him almost absolute direction of our affairs. We have created commission after commission, some of which may not be coming up to our expectations, though they seem to be coming up to his. But the people have confidence in him as the Commander in Chief of our Army and Navy, and I wanted to know if the President of the United States stood for this measure, whether in view of all of the things said about it and against it he believed it to be a measure that ought to pass as a necessary measure of war. I wrote to him the following letter:

"MARCH 6, 1918.

"Hon. Woodrow Wilson,
"President United States,
"The White House.

"DEAR MR. PRESIDENT: So far as I have observed, no Democrat has stated with authority that you approve the war finance corporation bill as a war measure.

"I do not know whether you would care to make a statement to me upon this subject, but I am frank to say I would not want to vote for the transference of such tremendous powers over securities and the business affected by them unless I knew that such a recourse was, in the judgment of the President, essential for war purposes.

"If you feel justified in writing me upon this point, I will appreciate it. Or if this suggestion does not meet with your approval will you not authorize some one to make a positive declaration as to the war urgency of this bill?

"The Ways and Means Committee is now preparing to report the bill, but I have heard many Members of the House inquire as to the President's attitude thereon.

"Very truly yours,

"J. HAMPTON MOORE."

To that letter promptly came the following reply:

"THE WHITE HOUSE,
"Washington, 7 March, 1918.

"MY DEAR MR. MOORE: I am very happy to answer the question contained in your letter of March 6.

"I am entirely in favor of the adoption of the war finance corporation bill. I deem it, in fact, a necessary war measure.

"Very sincerely, yours,

"WOODROW WILSON."

"Hon. J. HAMPTON MOORE,
"House of Representatives."

So the President stands for the bill.

The question, then, that confronts me, as one Member of Congress, is this: The President of the United States, backing up the Secretary of the Treasury and the vice governor of the Federal Reserve Board, indicates his desire to have this bill passed. He regards this war-finance corporation as a necessary war measure. He makes this declaration in the midst of a war which, so far as the United States is concerned, has barely begun. We have spent vast sums of money, we have entered into large transactions the wisdom of which some of us may have questioned, but we have gone along with the President in all essentials thus far. After taking over the railroads, which was authorized by this Congress, after conferring these vast powers upon the President of the United States, we are confronted with this new war measure. The President tells us, in effect, that it is necessary to complete the great war work that we have intrusted to him. He tells us this new corporation is needed. We are told we must provide these additional resources for purposes of war. What are we to do? Shall we grant this request that comes from the administration itself, that comes from the Commander in Chief of the Army and the Navy of the United States, or shall we defeat it and risk setting the Nation back? It is a question of confidence in the President. Therefore I shall vote for this bill. [Applause.]

Mr. KITCHIN. I yield 15 minutes to the gentleman from South Carolina [Mr. BYRNES].

Mr. BYRNES of South Carolina. Mr. Chairman, I regret that the gentleman from Ohio [Mr. LONGWORTH] is not in the House. I looked in the Republican cloakroom for the purpose of inviting him to be present while I made a few remarks with reference to his speech of last Saturday. The gentleman from Ohio made the first partisan political speech made during this session of Congress during the consideration of a war measure. It is true that during the entire speech he waved the flag, but while he energetically waved the flag with one hand he skillfully wielded the stiletto with the other hand. Not content with criticizing the President of the United States and the Secretary of the Treasury, not content with attempting to discredit them in the eyes of the American people as autocrats seeking for vast autocratic powers at the expense of the people, he sought to reflect upon the patriotism and membership of this House on the Democratic side. Realizing it was unfair and improper, he endeavored to justify his conduct by asserting that the gentleman from Oklahoma [Mr. FERRIS] had inserted in the Record an editorial by ex-Gov. Glynn charging that Republicans in this House put politics above patriotism. The gentleman from North Carolina [Mr. POU] challenged the statement. In reply to him the gentleman from Ohio said it was contained in that editorial. I have that editorial. I challenge any man to show a single sentence or a single word mentioning either the Republican membership of this House as a whole or an individual Member of it. Nowhere was it mentioned, nowhere could it be mentioned, for up to the time the gentleman from Ohio [Mr. LONGWORTH] made that speech no partisan political speech had been made during this session of Congress.

That editorial referred to WADSWORTH, to CHAMBERLAIN, to LODGE, and certainly they are not Members of this House. It made reference to Theodore Roosevelt, and Mr. Roosevelt is not a Member of this House. No charge was made there or anywhere else that a Republican Member of this House was endeavoring to put partisanship above patriotism. The gentleman from Ohio contrasted the conduct of Fitzgerald, of New York, and Adamson, of Georgia, in resigning, one to return to the practice of the law and the other to accept an appointment in the Government service, with that of LAGUARDIA, of New York, and with ROYAL JOHNSON, of South Dakota, who entered the military service. Who would have our good old friend, Judge Adamson, 64 years old, enter the National Army? Who would have Fitzgerald, with his wife and eight children, and at his age, enter the National Army? Does it reflect upon their patriotism that they have not enlisted in the military service? No man criticizes or could ever criticize the conduct of Gussie Gardner, of JOHNSON, or LAGUARDIA. I knew Gardner before I came to the

House. I loved him. No man grieved more to learn of his death than I did. The gentleman from Ohio said he had "gone west," and I think Gussie Gardner would have preferred a thousand times to have "gone west" than to have stood on this floor and had his military service used as the basis for reflection upon Democratic Members of the House. [Applause.] LAGUARDIA, HEINTZ, JOHNSON, all deserve credit. In this hour a man can do only that which his conscience dictates it is his duty to do. They were impelled by patriotic motives, I know, and yet I dare say the gentleman from Ohio will never admit that they are more patriotic than he is, and he has not enlisted in the military service. If perchance duty led them to go into the service and retain their membership here, does the gentleman mean to say we should all follow their example? I respect their patriotism, but I do not agree with their judgment, for if this Congress is the important branch of this Government that the gentleman from Ohio would have us believe it is, what would happen if we all resigned, or rather did not resign, but entered the service and retained our membership here?

Mr. DENISON. Will the gentleman yield?

Mr. BYRNES of South Carolina. I can not. I have only 15 minutes, and I want to say something further.

This reference to the Democratic Members who have resigned was a mere diversion from an attack aimed at the Secretary of the Treasury. How startling it was to the American people to learn that this bill as it was presented to the Committee on Ways and Means authorized the Secretary of the Treasury, an ambitious man, as the gentleman from Ohio calls him, to gather unto himself autocratic powers greater than any kaiser or war lord ever sought. That was the language he used. Then he assured us that he succeeded in having eliminated from the bill those features that constituted a menace to the Republic. He saved the Republic, which was about to be wrecked. Saved it how? By taking from the Secretary of the Treasury the power to name the directors of this War Finance Corporation and giving that power to the President of the United States. Did the gentleman believe that the President of the United States would appoint directors who would not work in harmony with the Secretary of the Treasury? What justification is there for the belief that either the President or Secretary of the Treasury would abuse the powers conferred in this bill? If we can give to the President of the United States and to the Secretary of War, acting for him, the power to send our boys over the top and into the trenches of the enemy, must we now hesitate to give to the President or to the Secretary of the Treasury the power to direct this War Finance Corporation, which is nothing but an emergency corporation, to exist only during the war? What power has Mr. McAdoo abused? What abuse of power has he been guilty of that justifies this criticism? Why, as Director of Railroads he has more power than is given him in this bill.

As the Secretary of the Treasury he has powers greater than are proposed in this bill. The Aldrich-Vreeland bill, which the Republican Party presented some years ago, proposed to give to the Secretary of the Treasury far greater powers than were ever contemplated in this bill. Is it fear of incompetency? No; for no man would say so. Six years ago it might have been said by his critics, but during these six years he has so demonstrated his ability that the financial and commercial world, that was then told by the prophets of evil in the Republican Party that he was incompetent, now realize and appreciate his incomparable executive ability. But the fear of the gentleman from Ohio is not that he will NOT make good. His fear is that he WILL make good. The gentleman from Ohio said that he saved the Republic by eliminating this feature that was a menace to our free institutions, and gave to the President of the United States the power to appoint the directors to be associated with Mr. McAdoo. Well, what does he say of the President? He says:

I repeat that this incessant reaching out for legislative functions on the part of the Executive, this inordinate greed for autocratic power is a menace to the very foundations of our system of Government.

So the gentleman from Ohio transfers the power from the Secretary of the Treasury, whose ambition he thinks a menace to the foundations of the Government, to the President of the United States, who according to the gentleman from Ohio possesses a greed for autocratic powers. Was he sincere? I think not, and the same insincerity runs all through his speech. The gentleman says that "there are men in our party who could help to win if you gave them positions on the regular team instead of keeping them on the side lines." Is there any justification for that statement? Can a man go into the departments of the Government without finding there Republican after Republican appointed by this administration to aid in the prosecution of this war? Go down into the Council of National Defense and you could ring a bell and hold a Republican con-

vention in an hour. Go to the Food Administration or the Fuel Administration and see the list of appointees there, and it will read like a list of delegates to a Republican convention. You know that no inquiry was made as to their political affiliations.

Has there been any complaint of being kept on the side lines by ex-President Taft? Has he not gone from one end of the country to the other, forming the public sentiment of the Nation, doing such work as to cause the American people to think more of him to-day than they ever did before? History will record that he loyally supported the Government in its hour of peril, and every Democrat as well as every Republican joins in paying tribute to his unselfish and patriotic service. [Applause.]

But that, my friends, is not the trouble. The trouble with the gentleman from Ohio is that our other ex-President, Mr. Roosevelt, was told by the people of America six years ago to stay on the side lines for a while. Two years ago he was told by the Republican Party to stay on the side lines for still another while. The gentleman from Ohio knows, as all men know, that Theodore Roosevelt would never play on any team unless you made him pitcher, catcher, infielder, and outfielder, and then let him umpire the game.

Mr. MEEKER. Will the gentleman yield for a question?

Mr. BYRNES of South Carolina. I can not.

Mr. MEEKER. Are you not mighty glad he did not stay on the side lines?

Mr. BYRNES of South Carolina. He has to stay on the side lines, so far as captaining this team is concerned. He wants to take charge of the team and oust the man who is captaining the team—Woodrow Wilson. But until the end of his term President Wilson is going to be captain of the team, and no set of men can remove him from that position. You never went to a baseball game in your life that there was not in the grand stand a man of the type of the gentleman from Ohio, who wanted to run the team and yelled to the captain to take the pitcher out of the box. That kind of man never goes to a fire that he does not want to discharge the chief of the fire department and run affairs himself. But the chief of the fire department at this time is Woodrow Wilson. The world is on fire. We must fight our enemy as though we were fighting fire. The people of America are in favor of our thus fighting, and they do not intend to let any set of men hobble-skirt or tie the hands of the chief of the fire department while this fire is on. [Applause.]

The gentleman denounced the Overman bill, and when he referred to it he talked like a United States Senator. The Republic was about to crumble if the President is authorized to reorganize the executive departments. The Constitution was to be set aside. In his opinion all power ought to be placed in the hands of a director of munitions and in a war council. But the President says he wants no director of munitions and he wants no war cabinet. The Commander in Chief of the Army and Navy calls for the passage of the Overman bill, and the Congress is going to pass it.

This is no time for politics, and the people are not going to stand for it. They understand and will follow the issue from now until the end of this war. A man who gets in the way, a man who seeks to play petty politics to promote his own personal political ambitions or the interests of a political party will find when he returns to his home that he is discredited in the eyes of his people and in the eyes of all Americans. We are going to uphold the hands of the President, not as the gentleman from Ohio did on Saturday when he declared the President was "like a Mikado of ancient Japan in his isolation from the common people," not by having the Secretary of the Treasury held up to the people as a seeker after autocratic powers, but we are going to uphold his hands by giving to him those legislative weapons which he believes essential for the successful conduct of this war. [Applause.]

In order to thus loyally support the President it is not necessary that a man be a blind hero worshiper, as the gentleman from Ohio would have us believe. The President does not ask nor does he expect that Congress shall blindly accept, without amendment, the bills submitted to it by the various departments with his approval, but he has the right to ask and to expect that his motives shall not be questioned. With open eyes and without indulging in hero worship I have been able to follow him in his conduct of our international affairs, and to-day we find that his followers are not confined to this country, but that the leaders of thought in all the allied nations acquiesce in his judgment and look to him for an expression of the thought and ideals of the liberty-loving people of the world. He has appealed not only to the intellectual but, with an accuracy almost uncanny, he has read the hearts and expressed the sentiment of the common people of the country. He claims no infallibility and asks no blind submission to his will, but he has demonstrated his unselfish devotion to his country and his unsur-

passed capacity for leadership, and he has the right to ask and to expect that in this hour partisan politics shall be laid aside and that all Americans shall support him in bringing this war to a speedy and successful conclusion.

Mr. MOORE of Pennsylvania. Mr. Chairman, I yield 10 minutes to the gentleman from Iowa [Mr. GREEN], a member of the committee.

Mr. GREEN of Iowa. Mr. Chairman, the gentleman from Tennessee [Mr. HULL] last Saturday made a speech on the bill that was so able, showed such a grasp of the whole situation, and made such a careful analysis of its provisions, that, in view of the fact that there were a very few Members in attendance when the speech was delivered, I want to commend it to the attention of every Member who was not present at the time. I say this partly because I am not able to agree with all the views expressed by the gentleman in that speech. In what little I could say in 10 minutes in reference to the bill, I shall confine my remarks solely and entirely to the measure itself.

As has been stated by every member of the committee who has discussed this bill, it is emergency legislation, pure and simple, and yet there seems to have been a disposition in some quarters to question the fact that an emergency has arisen which should make it necessary that legislation of this character should be passed. It is true that in most respects the financial sky at present is clear. We have had no bank failures and no rumors of bank failures. When I last investigated the number of business failures, they were fewer than usual. Money can still be obtained on the market by certain institutions. I noticed, for example, the other day that the Procter & Gamble Co. was able to obtain \$25,000,000. So that at this particular time it would hardly be correct to say that a crisis in our financial affairs is upon us. But it is necessary at this time that we should look into the future and to consider what has already occurred which might be a sign of portending danger.

The first thing that we observe is that all through last year there was a steady fall in the price of bonds, accompanied also by nearly the same decline in the prices of stocks. The reason for this is perfectly plain. It is a result of what you might call either the universal rise in prices or inflation. The man that gets 6 per cent as the earnings of his dollar during the year finds that it buys for him in fact only what 4 per cent would have bought before the war, or even less. The result of this decline in prices is a great shrinkage in the assets of savings bank, insurance companies, and similar institutions. The aggregate amount is tremendous, running into the billions.

Mr. GRAHAM of Illinois. Mr. Chairman, will the gentleman let me ask him a question?

Mr. GREEN of Iowa. Yes.

Mr. GRAHAM of Illinois. Do you mean all kinds of bonds? Do you include municipals in that?

Mr. GREEN of Iowa. Yes. They have all fallen in very nearly the same ratio. I am not able to go into the details at this time. Money rates are rising day by day. This large loan that I spoke of that was made to the Procter & Gamble Co. was made at a rate exceeding 7 per cent, whereas this company could probably have borrowed before the war at a rate less than 5 per cent. All bonds have shared in the decline. Government bonds and the bonds of the big cities have not lost so much as others, but their market quotations have fallen off heavily.

Mr. COOPER of Wisconsin. Mr. Chairman, will the gentleman yield there?

Mr. GREEN of Iowa. Yes.

Mr. COOPER of Wisconsin. Can the gentleman tell where Procter & Gamble got the \$25,000,000?

Mr. GREEN of Iowa. I have forgotten from whom it was obtained.

Mr. COOPER of Wisconsin. Where was it procured?

Mr. GREEN of Iowa. It was procured in New York City.

A very serious situation prevails with reference to the railroads and the public utilities. It is perfectly obvious that any concern that finds its costs of operation mounting day after day and its income fixed by law must necessarily experience a stringency with reference to its financial affairs, and must also find difficulty in negotiating its securities. The enactment of the bill for railroad control will, I think, sufficiently provide for the railroads; but every public utility finds its needs greater and its borrowing power less.

I shall explain later on, will not have time now, why I think the railroads will be taken care of without the provisions of this bill, but I shall not discuss that now. I will only say that I hope that none of the capital or bonds provided in this bill will be used for that purpose.

There is another matter which we ought to notice at this time, which has its portent for the future, and that is the slow but

steady shrinkage in the amount of deposits in the savings banks in several localities. This shrinkage in deposits and depreciation of securities of these banks constitutes a distinct menace to these banks which unfortunately is sure to be accentuated in the future. All these changes which have taken place have been caused by the large demands for money made by the Government. The enormous amounts which have been taken have been unprecedented in our history and in the history of the financial world. Our appropriations for this year will nearly equal the whole amount appropriated for England during the war, and additional demands are to be made. It therefore behoves us at this time to take account of the future, to observe closely what it has in store for us, and if we do so we must come to the inevitable conclusion that some legislation must be enacted to guard against the perils that threaten our financial system.

Now, what kind of legislation shall it be? I am not prepared to entirely approve this bill. I had thought that it would have been better if a subsidiary corporation had been formed to the Federal reserve bank, private in its nature, not so likely to be influenced by politics or controlled by personal preference. But it is obvious that no such plan would be successful unless it met with the approval of the administration and the assistance of the Treasury. So we must lay anything of the kind aside. What other plans are offered? Only one, so far as I know.

The gentleman from California [Mr. HAYES], in a very able argument which he presented this afternoon, advocated giving the reserve banks the power to loan on that class of security not known as liquid security; in other words, on long-time security, which he thought would remedy the difficulty and enable sufficient funds to be acquired. I am not satisfied that this ought to be done.

We have in the Federal Reserve System a tower of strength at this time. Its solidity is unquestioned. Its power to sustain the banks in all ordinary commercial transactions has never for a moment been doubted, and I believe we ought to keep it in that condition and not have it loaded down and its stability, if not impaired, at least made subject to question or doubt by empowering it to loan money upon a class of securities which must be handled by this institution which is provided for in this bill.

But obviously, gentlemen, whatever is to be done must be done soon. We can not stand here arguing at this time. We must not wait until the foundations of our financial system are shaken, until our savings banks and great financial corporations are tottering on the verge of ruin. It is a time for action. Important and great as these measures are, far-reaching as they are, we must to some extent take our chances on the issue. The administration says that it wants this kind of a measure; that it wants this bill passed. We have taken it in our committee, given it study and preparation and care, and have pruned here and trimmed there, modified here and restricted there, until we believe we have safeguarded both the Government and the public as far as is possible and retain the bill in its essential features. When once we set out upon this untried and uncharted sea no one can entirely predict what results will follow, but we have undertaken to lay the course as safe as we could and adopt this bill at all.

I can not in my limited time explain the changes in the bill from its original form, but I want to speak of some. Gentlemen have asked why we have limited the amount involved in the bill, for example. We did that because we could plainly see that it would take considerable time, at least, to absorb \$2,000,000,000, and if the necessity comes upon us further on requiring a greater amount, then it can be provided. We had hoped by some of its provisions to eliminate anything of a political nature or political bias in its action. We had hoped that its benefits, such as they are, would be fairly distributed among all portions of the community. It is perfectly obvious that the success or failure of this plan must depend on the good faith and ability of those who have it in charge, and of necessity we are compelled, in the first instance, to commit any plan of this kind to the guidance of the administration, and it must ask for its support. The administration must work out any plan that is successful, and I am willing to a large degree to subordinate my own views to those of the Government.

Now, I would like to have taken up another topic, but as I have only a minute left I can not do so.

Mr. JOHNSON of Washington. Will not the gentleman explain, as he promised, his views to the effect that the railroads can be handled in some other way than by this legislation?

Mr. GREEN of Iowa. I will undertake to do that under the five-minute rule.

Mr. JOHNSON of Washington. I believe some gentlemen have another view.

Mr. GREEN of Iowa. Yes. There is one other phase, for which I would like to have three minutes more.

Mr. MOORE of Pennsylvania. I yield to the gentleman three minutes.

The CHAIRMAN. The gentleman from Iowa is recognized for three minutes more.

Mr. GRAHAM of Illinois. Mr. Chairman, will the gentleman yield?

Mr. GREEN of Iowa. Yes; I yield to my friend from Illinois. Mr. GRAHAM of Illinois. Is it not true that this measure, like all other measures that we pass, if honestly and carefully administered, will result in good, and if wrongly administered it will result in the opposite?

Mr. GREEN of Iowa. The gentleman is correct. It is especially true of this measure, which, if wrongly administered will wreck the country, if properly managed protect it from disaster.

Mr. GRAHAM of Illinois. After all, it is very largely a question of administration?

Mr. GREEN of Iowa. Yes. It is very largely a question of administration.

Now, the gentleman from Tennessee [Mr. HULL], by inference, somewhat criticized the remarks of the gentleman from Ohio [Mr. LONGWORTH], which were also still more severely criticized by the gentleman [Mr. BYRNE] of South Carolina who just preceded me. I shall not review the remarks of the gentleman from South Carolina, as I think they were purely political. But there was an intimation contained in the remarks of the gentleman from Tennessee, however kindly it was made, that did not seem to me to be completely justified. The intimation was that in discussing the concentration of power which is created by this bill, the gentleman from Ohio was not really discussing the terms of the bill. If it was intended, I think it was not justified.

One of the most serious questions in this bill arises over the power that it confers to make or break anyone who is engaged in business anywhere in this broad land. For that reason I would have been much more favorably disposed to some plan that came out of and through the Federal Reserve System, controlled and operated in the first instance by those who manage that system and who represent every portion of the country and are supposed to represent every kind of business.

Now, it is a fact that one of the great dangers in this country has been this concentration of power and control over credits. In the discussion in the British Parliament with reference to the British Trade Corporation, which was intended to have a purpose somewhat similar to this one, although much smaller and less far-reaching, a member of Parliament, Mr. Lough, quoted President Wilson as follows:

The great monopoly in this country is the monopoly of big credits. The financial resources of the country are not at the command of those who do not submit to the direction and domination of a small group of capitalists. When a small group of men approach Congress in order to induce the committee to concur in certain legislation nobody knows the ramifications of the interests which those men represent. I merely say that there has come about an extraordinary and very sinister concentration in the control of business in the country.

Those are the words of President Wilson. Now, this measure fairly administered will tend to disrupt and break down that control by these sinister forces, or, if the law was wrongly or improperly administered, it might set up a control that was a thousand times more dangerous.

Mr. GLASS. May I suggest to the gentleman that that control no longer exists and has not existed since the Federal reserve act went into effect, and the words of the President which the gentleman has quoted were uttered before the Federal reserve act was passed.

Mr. GREEN of Iowa. Let me suggest to the gentleman from Virginia that his remarks only apply to commercial credits and not to funding operations. The statement has been made on this floor and has been uncontradicted that a large public utility corporation was obliged to pay in New York City 13½ per cent interest in order to obtain the necessary funds to carry on its business. That statement shows first that it could not get the money at the banks. We find, first, that the banks told it that they did not have the money to loan; second, that somebody else, presumably the gentlemen who were controlling the banks, took the money either out of the banks or obtained it in some other place, and then told them they might have it at 13½ per cent. I am inclined to think that that control over the funds of this country still exist, and I believe, as Mr. Warburg stated in the hearing, that one great object of this bill is to control the rates of interest, to make them more equitable, more fair, and more reasonable. It ought to destroy profiteering in interest rates, which is as dangerous to the safety of the country as any other kind of profiteering at this time.

Mr. GLASS. I suggest to the gentleman that the incident he has mentioned was in the nature of an investment in a refunding scheme and not in current commerce. Current com-

merce is absolutely unrestricted since the passage of the Federal reserve act.

Mr. GREEN of Iowa. That is quite true, but this bill is intended to apply to refunding operations which are so necessary at this time, and provide for loans which the reserve banks could not make—in fact, are not permitted to make.

Mr. MOORE of Pennsylvania. I yield one hour to the gentleman from Pennsylvania [Mr. McFADDEN].

Mr. McFADDEN. The American people are largely responsible for the present condition which prompts the suggestion for such legislation as is now proposed by this measure.

As individuals we have been thrifless in our public duties and exactions. We have been content to go along from time to time in a false sense of security, and have been wasteful, with no regard for the future. The future has now arrived, and we are about to see the folly of the past.

Thrift is now a national necessity, and the quicker the American people realize that the quicker will the war be won. Our production must be increased, but we are taxing increased production and asking people to economize, but no tax is levied on over consumption. The great losses occasioned by this war, such as loss of property, productive power, and disorganization of business can only be met by thrift and conservation of our remaining resources, and by more efficient methods in all lines and vocations, including operation of the Government and our war machine.

I have seen no proof as yet that the paper to be issued by this proposed War Finance Corporation and made eligible for rediscount with the Federal reserve banks would be a different kind of paper than would be created by broadening the basis of eligible paper to include outstanding corporate securities, except the fact the United States will subscribe \$500,000,000 to the stock of the corporation.

I contend that the main source of relief lies solely in the Federal reserve banks, who will continue to carry the burden of relief supposed to be afforded by this new corporation.

The operation of this new system will be to clog the Federal Reserve System. The enacting of this legislation means that the Federal Reserve System has failed to stand the very test that its advocates said it was intended to serve and would serve, and the men who were the most responsible for the enacting of the Federal reserve law, which law bears their names, Owen-Glass, and who are still chairmen of the Banking and Currency Committees of the Senate and House, are both fearful of this legislation and the resulting effect it will have on the Federal Reserve System.

I do not hesitate to say that if this legislation had been considered by the Banking and Currency Committees of the two Houses of Congress a very different bill would have been reported than the bill we are now considering.

Mr. MOORE of Pennsylvania. Does the gentleman intend during the course of his remarks to show how the Banking and Currency Committee would have improved it?

Mr. McFADDEN. I may do that.

Mr. MOORE of Pennsylvania. If the gentleman has any improvement to suggest upon the action taken, I wish he would offer it.

Mr. McFADDEN. I think the gentleman will be satisfied when I have finished.

Mr. GREEN of Iowa. I hope he does not mean that the Banking and Currency Committee would not have done anything.

Mr. McFADDEN. I did not intend to cast any reflection on the Ways and Means Committee. I raised the question of the proper reference of this bill when it was referred to another committee, both on the floor of the House and in the Banking and Currency Committee, but without avail. This bill as drawn still has in it unheard-of powers, and places those powers in the hands of five men, a majority of whom I feel satisfied are now overburdened with other governmental responsibilities and duties, but will be named to serve upon this board to further concentrate the power and control in the hands of a few. Oh, your Pujo investigation of the Money Trust! Where are you now?

THE SHERMAN LAW AND PUBLIC-SERVICE COMMISSIONS.

A great deal of our present trouble is due to the enforcement during the past few years of the Sherman law, the creation of the Interstate Commerce Commission and their narrow vision of the needs of the railroads "looking to the future," and the failure to make the railroads make the necessary economies, and give them an increase of rates which would have permitted the railroads to meet the demands upon them occasioned by the growth of our industries and the country generally. The creation and almost similar action of the public-service commissions in the various States, to say nothing as regards price-

fixing by the Government of 90 per cent of their requirements for extensions and improvements, has affected seriously the public utilities of the country. The railroads, with a capitalization of nearly \$17,000,000,000, and the public utilities, with over \$10,000,000,000 capitalization, form a most vital part of our wealth at this time, and should now be a source of great strength, but are both appealing for aid from our already overburdened Government, due almost entirely to the reasons I have just given. Now, in addition to this, the savings banks, State banks, and trust companies are appealing, fearing withdrawals because of the fact that the United States is monopolizing the money market in the sale of liberty bonds to bear an increasing rate of interest. My answer to these institutions is, come into the Federal Reserve System and help this system carry this burden which is upon them, but they say we do not like the management of the Federal Reserve System. We do not like the Comptroller of the Currency and his attitude toward the member banks. I say to such it is your patriotic duty to join this system, and if the officers of the system fail to function properly public opinion will be so strong against them that they will be removed. If all the banks were under this Federal Reserve System now, no legislation of this kind would be here.

THE CAPITAL ISSUES COMMITTEE.

The power to be invested in the capital issues committee are very great and might, if manipulated by designing men, be the means of utter disaster and ruin to many business concerns in this country who are capable of rendering aid to the Government by diverting from the manufacture of nonessentials to help win the war and thus save the Government a vast amount of capital outlay by converting many of these factories and utilizing their complete existing organizations. We, of course, must assume that this committee will function honestly and capably. Their greatest work will be first to cut down unnecessary public expenditures, including that of anything but for temporary use in the war, and then all other State and municipal town and township improvements not immediately necessary to win the war and then pass upon all capital issues and renewals. This is a power that must not be passed over lightly because it has strangulation powers to any business or interest that is not in favor with this board.

ADDITIONAL POWERS.

I would not pass over the authority given to the board to buy and sell any class of securities, including stocks and bonds or bonds of the United States. I would have you consider the vast and unheard of power that this right conveys on five men, and the fact that they will have a fund at their disposal of two and a half billion dollars and four and a half billion dollars under the Senate bill. Think what this power means coupled with the powers conveyed to the capital issues committee, and the power given under the railroad bill, including that of placing embargoes on concerns that can not be reached by the other two powers. You have in these bills, this bill and the railroad-control bill, complete power and domination over all finance and industry in this country, and you can count the men in control on the fingers of one hand.

OUR FAVORABLE TRADE BALANCE.

We have a trade balance now of over \$3,000,000,000 in our favor, and we are loaning our allies over \$7,000,000,000 more. Is this going to be paid back to us in money at the close of the war? No; it is not. These countries then will have no money to spare, but will pay us back in goods that they will sell us so cheap that we can not afford to resist. This opens a very interesting subject, upon which I will not enter at this time.

FALLACY OF INFLATION.

The argument is made that it will be necessary to inflate because of the vast needs of the country at this time. I would ask you what becomes of the money that the United States is using? It is not leaving the country nor is our credit being used to any great extent abroad. Why, it all goes right back into our financial system to aid business or industry to function. And as our wealth is shot away the Government fills the gap in our balance sheet by bonds which the future must pay or carry the resultant burden. A surplus of credit always causes extravagance and lessens the purchasing power of the dollar, evidenced by an increase in the cost of living.

I quote from John Stuart Mill as proof of this, "and no better authority exists":

Other things being the same, an increase of the money in circulation raises prices; a diminution lowers them. If more money is thrown into circulation than the quantity which can circulate at a value conformable to its cost of production, the value of money, so long as the excess lasts, will remain below the standard of cost of production and general prices will be sustained above the natural rate.

But we have now found that there are other things, such as bank notes, bills of exchange, and checks, which circulate as money and

performs all the functions of it, and the question arises, Do these various substitutes operate on prices in the same manner as money itself?

I apprehend that bank notes, bills, or checks as such do not act on prices at all. What does act on prices is credit, in whatever shape given, and whether it gives rise to any transferable instruments capable of passing into circulation or not.

REPORT OF THE SELECT COMMITTEE OF THE BRITISH TREASURY.

I want to call your attention also to the report made last December of the select committee of the British Treasury as to the cause of high prices in England, which has just recently been made public in this country:

The chief causes are (par. 17, p. 4):

"The expansion of credits during the war.

"The demand for commodities exceeding the supply and the inadequacy of Government action to control prices.

"Increase of wages and consequent increase of the cost of production.

"Increase in the rates of profit.

"Unfavorable rates of exchange in some of the countries from which supplies are imported."

Mr. JOHNSON of Washington. The gentleman is not quoting now, is he? He is drawing an inference from the quotation.

Mr. McFADDEN. No; I am still quoting.

On the first of these factors the committee has this to say (par. 18, p. 4):

"The Government, through the Bank of England and the joint-stock banks, has created large new credits to enable its contractors to expand their production. It has also borrowed from the Bank of England large sums on ways and means advances, and in so far as these advances have not been offset by equivalent borrowings from the market on the part of the banks, which has always been the case, this operation has been a pure creation of credit. * * * These measures may not in any way affect the soundness and stability of our financial institutions, but they have had the result of creating new purchasing power on a large scale. The new purchasing power, distributed over the greater part of the nation, in so far as it spends itself in investment in Government loans, does not take the form of additional demands for goods and does not send up prices. But in so far as the new purchasing power comes into the market for commodities and takes the form of additional demands for goods it does send up prices."

So when the committee makes its recommendations as to what may be done to keep the cost of living from going higher and higher what is the very first of its proposals? It is this:

"1. Whatever measures are possible should be taken by the Government to avoid the creation of new credits in financing the war."

For "new credits" read for America "credit and currency expansion," and the conclusions would perfectly fit the situation here.

Mr. FESS. Will the gentleman state the recommendations of the committee?

Mr. McFADDEN. I have not them here with me.

Mr. FESS. The first and foremost recommendation was that credits should be contracted instead of expanded.

Mr. McFADDEN. The gentleman is correct in that. That was the main recommendation of that committee. Their report made special mention of the fact that in England early in the war credits were permitted to become inflated, which now was becoming a serious menace—and the committee urged in the strongest terms that a contraction should be had at once—as such expansion was a very serious matter and should be stopped. We should certainly profit by their experience.

Mr. JOHNSON of Washington. The gentleman wishes the House to infer that something similar to that would have happened here under the tremendous issues of this corporation?

Mr. McFADDEN. That is the idea; yes.

PREMATURE REGULATION DEDIMENTAL.

I believe that the administration has by its premature attempt to regulate prices and take over practically the entire management of our industries, finances, food, coal, and other necessities impaired the greatest source of our strength—individual initiative—and that our greatest ability to produce and increase production necessary to meet the demands upon industry by war laid in the increase of these facilities in the hands of the men patriotically inspired to greater effort who have made the United States industrially what it is to-day.

INFLATION AND EXPANSION.

Any person who starts out to study finance with the belief that a piece of paper is money must do his share of rambling until he gets that false theory out of his mind. Money must possess a value of and in itself. The same thing is true respecting the quantitative money theorist. It is not the quantity of money in the country which causes an advance of prices, but the use to which money is placed—that is the telling factor. Prices of commodities are governed by the inexorable law of supply and demand. The great philosophers of credit have always contended that gold and credit have precisely the same influence on values, and MacLeod also says that "it has been shown by authentic statistics that in modern times gold only forms about 1 per cent of the circulating medium of currency; and to suppose that a variation to the small extent of a fraction of 1 per cent in the amount of the circulating medium, or measure of value, could produce the effect so popularly at-

tributed to it is wholly beyond reason." The German credit system, as I shall proceed to show, is based on the quantitative theory of money. One of the best illustrations combating this theory I gave before the Ways and Means Committee the other day on this bill, and I ask your indulgence while I repeat it:

A good illustration combating the quantitative theory of money could be taken from this country in 1914, at the outbreak of the war. At that time the cotton spindles of Germany, Belgium, and northern France were in the control of the German Army, the allies controlling the seas and establishing an embargo which prevented the importation into Germany of our raw cotton. Consequently we found the cotton farmers here ruined, as cotton was selling below the cost of production. The amount of money and credit in this country was abundant at that time. It was a question of a large cotton crop—16,000,000 bales—which could not be utilized during that year on account of the spindles in the territory controlled by the German Army being rendered idle, and as that commodity could not be placed in a commercial state without the use of those spindles, the supply was so much greater than the demand the price fell below the cost of production.

At the present time we find cotton selling four or five hundred per cent above the 1914 price, due to decreased production and increased demand for its use in the manufacture of munitions of war. Profiting by their experience in 1914, the cotton planters began to diversify their crops, and now they can not procure the labor to produce the yield of 1914.

In the parlance of finance there are two words which pretty accurately characterize the contrast between the German and British systems of credit. I refer to the words "inflation" and "expansion," the former applying to the German system and the latter to the British system.

I want to define the meaning of these words. "Inflation" is the act of advancing the price of an article already created without doing anything to increase its productive power. Credit or gold used to purchase a permanent investment produces inflation. In a speech before this body on January 4 last I made this plain by calling your attention to the inflation in the land values in the West from 1900 to 1910. The land values of Iowa, Illinois, and Indiana increased during that decade from \$3,458,504,310 to \$7,209,582,325, or 108 per cent, whereas the land values of the district I represent in this body, a strictly agricultural district, decreased during the same time from \$26,228,240 to \$22,909,425, or 12 per cent. But the census reports give the yield of those lands for 1909, which for those three States aggregated \$801,146,580, or 12 per cent of their 1910 values, as against an aggregate yield of \$8,786,903 for the four counties of my district, which was 38 per cent of the 1910 values.

The correct standard of arriving at the worth of a permanent investment is its net income-producing ability, for under that standard we can ascertain the amount of labor required to become its owner and possessor. So by deducting 50 per cent of the gross yield of those lands we find that the farm lands of those three Western States are nearly a 17-year purchase, whereas those of my district are a 5-year purchase. The important question is, Why such a disparity between two sections of the same country? To my mind the answer is easy. The inflation in the land values of those Western States is due to the activity of the "blue-sky" operators, or real estate agents, and the easy facilities afforded by the banks of that section for mortgage loans. That is the combination which caused the inflation in the lands of those States, and the lack of such a condition in my district is due to the absence of such forces therein.

Every real estate agent is an inflationist. Every investment banker is an inflationist. Every German banker is an inflationist, for their principal business is dealing in permanent investments. No industry of Germany can obtain capital without going to one of the five "great banks" of Berlin. Some of those banks have representation on as many as 250 of the great industrial enterprises of Germany. The British banks have nothing to do with the promotion of industries or selling of investment securities, but confine their activities to the sale of "productive" credit, as distinguished from "consumptive" or speculative credit. "Productive" credit is a self-liquidating asset, and the bank which confines its activities to the exclusive sale of such credit becomes an important factor in increasing the wealth of the country, whereas the bank which sells "consumptive" or speculative credit not only produces inflation but will cause the whole credit system of his country to collapse. To illustrate the meaning of "productive" credit I will take the case of a farmer who has a quantity of corn and roughage but no cattle to feed it to, and that is the only way he can economically convert those farm products into a commercial state, for the people of the world could not consume the 3,000,000,000 bushels of corn produced by us last year. Now, he goes to a bank and buys credit with which to pay for those cattle or "stockers." It will require about four or five months' time for those "stockers" to be placed in a finished state for the market, so he obtains the credit for that length of time.

That is termed a self-liquidating credit transaction, because the farmer must sell the cattle which consumed his products to liquidate that transaction, for if he keeps them after they are finished they will eat their heads off and consume the farmer's profit in the transaction. Let us observe the different ways in which that farmer has been benefitted by that credit transaction. In the first place he converted those farm products into fertilizer, thus enabling him to enrich his lands, and experts claim that only 20 per cent of the fertilizer value of such products are lost by feeding them to stock. In the second place he has converted raw materials into finished and salable articles of commerce, commerce which will bring gold from any hiding place, for all beef-eating countries must have it to sustain themselves.

When those cattle are finished that farmer sells them to the packer, who in turn goes to his bank and buys its credit and pays the farmer. Now, that is also a "productive" credit transaction, as the people of that farming community can not consume all that beef. The packer in turn sells it to the retail dealer or butcher and that is also a "productive" credit transaction, and it continues to be a "productive" credit transaction until finally a person comes along and buys a piece of that beef to eat, then it becomes a "consumptive" transaction. Where "consumptive" credit is sold, as is the case in this country, people will over-consume and waste, and every economist knows that we are the most wasteful people in the world, and it is due to the fact that too many of our banks sell "consumptive" credit.

Bear with me while I give an illustration of speculative credit. Suppose that the farmer, instead of buying cattle to eat his corn, should buy land, even improved farm land. If it be located in one of those three Western States it will require something like 17 years for it to liquidate itself, and 5 years if it be located in my district, according to the census statistics which I have given you. But those are not liquid transactions, for that is too long a time for any sound bank to lock up its borrowed capital, besides the bank which becomes a party to such a transaction is guilty of fostering an act of inflation, as I have shown you. So that farmer when pay day arrives must either sell that farm or some other security to raise the money with which to pay off that bank debt. And it is the use of the borrowed capital of a bank, its deposits, which causes the whole credit system to break down. In proof of that I cite to you the testimony of Mr. George M. Reynolds—one of the foremost bankers of this country—before the Senate committee when the Federal reserve bill was under consideration. He said:

The man who borrows money on stock-exchange collaterals in New York, and who wants to realize on them quickly, must depend on the ability of the borrower to reborrow that money immediately elsewhere or upon the sale of the same. Now, if the condition is so bad that the banks in the city of New York are unable to extend accommodations the result is that there is a very violent break in the values of securities and we are in the midst of a panic.

As Mr. Reynolds said, that was just what happened in 1907 when our credit system broke down, and there is no safer banker in this country than he, and I quite agree with the conclusion of his, just quoted. If Mr. Paul M. Warburg, deputy governor of the Federal Reserve Board, is not the author of this bill presented to Congress by the Treasury Department he has been put forward to furnish the testimony to support it. I must therefore ask your indulgence while I quote from the testimony before the Senate Finance Committee. I give the answers and questions:

Senator LODGE. Could you take these bonds to the Federal reserve banks as security and have currency issued on them?

Mr. WARBURG. A bank could. A bank having made a loan on it, it could. The Finance Corporation could not.

Senator GORE. I wish you would describe how that could be done.

Mr. WARBURG. How that could be done?

Senator GORE. Yes; what the process would be.

Mr. WARBURG. Well, let us take the public-utility corporation again, that has received these bonds. They might go to the City Bank and say, "I need \$250,000. Here is my 90-day note secured by these bonds." The City Bank would endorse this \$250,000 90-day paper to the Federal reserve bank and the Federal reserve bank would take it; it might put it up with the Federal reserve agent as collateral for notes, and it might not. In the latter case the note issue would not increase in the least through the transaction. Again, the City Bank might draw the equivalent by check and may not take out any currency at all.

Senator GORE. It could only be used by the Federal reserve banks as collateral?

Mr. WARBURG. Yes, sir.

Senator SMOOT. Let me cite a case to you which I think is going to happen after the organization of this corporation with a capital of \$500,000,000. There is authorized an issue not to exceed eight times the capital stock of that corporation, which is \$4,000,000,000. Then you issue a billion dollars of notes and obligations to this corporation. Now, they go onto the market, and we will say that half of them go into the hands of the investing public and the other half goes into the banks.

Mr. WARBURG. Yes, sir.

Senator SMOOT. Now, when the banks take \$500,000,000 of those bonds they no doubt will go to the Federal reserve bank and get the currency on that \$500,000,000.

Mr. WARBURG. They might not get currency. They might want credit.

Senator SMOOT. Suppose they get it?

Mr. WARBURG. Yes.

Senator SMOOT. Suppose they do get it. Then, when issued, there is that much inflation of the currency.

Mr. WARBURG. Expansion.

Senator JONES. Mr. Warburg, a while ago you used a term "expansion," and, if I understood Senator Smoot, he rather thought it was a distinction without a difference; and I wanted to ask you if there is not a vast and substantial difference between expansion and inflation? In other words, is all expansion properly designated as inflation?

Mr. WARBURG. When expansion becomes extreme and unhealthy we term it inflation. I should say that, as far as the world's general banking and credit situation is concerned and the price level of things, we are on an inflated basis. So far as our currency situation is concerned, we are far from inflated. It is about the most conservative the world has ever seen.

Senator LODGE. It is not yet inflated?

Mr. WARBURG. Not yet. That is the point. The Federal reserve banks have still a gold reserve of 65 per cent of notes and deposits, which is more than the Bank of England had in its palmiest days.

Before attempting to reply to Mr. Warburg's distinction between inflation and expansion, I wish to call attention to another statement made by him at the hearings before the Senate committee. I again quote the questions and answers:

The CHAIRMAN. Mr. Warburg, I notice one or two cases in which a rather vigorous statement was made on the part of certain national banks, and I believe the National City Bank of New York, against the section which authorizes the Secretary, through the corporation, to issue notes.

Mr. WARBURG. I do not agree with that statement at all. I think it is utterly unwarranted. The writer of it appears to indicate that he considers it the better way to go back to the other method of putting out Aldrich-Vreeland notes rather than securities. Now, this war corporation will issue securities, not notes. That expression "notes" ought to come out.

Senator LODGE. "Notes" should come out entirely?

Mr. WARBURG. It ought to come out entirely. It ought to be "short-term bonds." They must be at least one year long. As far as these bonds go to the public, they are not at all going to tend to what you would call inflation, because they would not go into the hands of member banks or the reserve banks, and no notes therefore issued against them by the Federal reserve banks. Only when the investment market is filled and when the banks are full, then the banks may come to the Federal reserve banks for relief; and then, along with their commercial paper, they may rediscount some 15-day or 90-day paper, which would be secured by these short-time bonds of the corporation to the extent and at the rates at which Federal reserve banks may be prepared to discount that paper. Now, to say that this is going to create inflation is true only to that extent as every issue of Government bonds create in itself inflation, because if the Government, instead of the corporation, would itself issue these long and short time bonds the effect would be just the same as that produced by the issue of these short-time bonds. Now, liberty loan bonds have no circulating privilege. No more have these short-term bonds. They can only be used as collateral for member banks' notes or paper, which may be rediscounted when the banks get into a position where they have to take recourse to the Federal reserve banks.

I might discuss this question until the close of this session and I could not possibly produce evidence more convincing than that of Mr. Warburg himself before the Senate committee which proves that he is an inflationist of the highest type. He tells the committee that the "notes" should come out. "It ought to come out entirely," he says. "It ought to be short-time bonds," he continues. If that testimony is worth anything, it proves that he believes that name counts for everything and the nature of the credit instrument counts for nothing.

Inflation does not result from the issuance of bank notes or any other kind of paper, but the use to which it is placed. It would be just as silly to contend that a person dies of poison because the prescription from which he obtained poison from a drug store was written with red ink instead of black ink. The prescription is only one of the evidences that the person died of poison, but it is not the best evidence; the best evidence in that case would result from a chemical analysis of the contents of the stomach. And so it is with the paper of this proposed corporation. It matters not what you call that paper, "short-time notes," "short-time bonds," currency, or whatnot, because if they, or either of them, be used to purchase a permanent investment or the production of waste they will produce inflation, whereas if they be used for the production of essential articles of commerce or agriculture the effect would be just the opposite. And the effect would be just the same whether the war material, the production of which is to be the essential business of this corporation, be paid for with the "short-time bonds" of this corporation or gold realized by the Government from the sale of its long-time bonds, but if the Government pays for that war material in the latter way and such long-time bonds are not made eligible for rediscount at the banks, that would be the end of the inflation through that credit instrument. But if you clothe the credit paper of this corporation with a special privilege, as is proposed, and to which it is not entitled, then you create an endless chain for many other acts of inflation which will encourage extravagance and waste, and thereby defeat the very purposes of the bill—that is, the use of capital and credit for essential purposes only.

Let me show you just how this corporation will become the instrumentality of the worst sort of inflation, if the corporation is to enjoy the special privilege of issuing two or four billions of credit paper. In the first place the corporations would pay the munitions factories or other industries in that paper. Now, the banks of the reserve and financial centers of the country will virtually be forced to carry a large line of that paper and they can get it only from the munition factories or industries necessary to war. So the banks of these centers will exchange some of their gilt-edged long-time investments, which are far superior intrinsically to the paper of this corporation, but which do not enjoy such special privileges as will the paper of this corporation. Take the National City Bank of New York for example. And I take it simply because it is the largest in the country and is located in the financial center of the Western Hemisphere. Its management would be foolish not to buy a large line of the credit paper of this war finance corporation, a line running into the tens of millions. The National City Bank is the exchange agent for thousands of banks scattered all over the country. State banks and trust companies as well as members of the Federal Reserve System. Every bank in the country must carry a balance with some New York City bank so as to be able to sell exchange in that great financial center, and the New York City bank which can furnish the greatest accommodations to the banks all over the country would naturally get established the largest line of exchange balances.

What will be the result of that? Naturally it would ease up the credit at the banks all over the country, and whenever credit is easy at the banks the public will overconsume and contract extravagant habits which they would not contract if they had to pay the gold for them, especially so when the banks were telling them money was tight, and those people would know that they should hold on to that gold, and thereby be in a position to aid the Government in financing the war. And this would be the result whether one dollar of currency was ever issued by the Federal reserve banks against the credit paper of the proposed corporation, for the National City Bank could use that paper to maintain its large legal reserve at the Federal reserve bank and with its reserve intact it could accommodate with loans its correspondents throughout the country, which use it as their exchange agent in that financial center. Mr. Warburg said in the Senate Finance Committee hearing, in reply to a question propounded by Senator Smedrup, which I have quoted, and I now repeat his reply: "They," meaning the banks which collected the paper of the war finance corporation and presented it to the Federal reserve banks for rediscount, "might not get currency. They might want credit." Very few of the banks would get currency. They would prefer credit at the reserve banks, and with such credit they could accommodate their customers in the gratification of their extravagant desires.

That is the way the inflation will occur, and that is the way the expected purposes of the bill will be defeated. For the man who uses \$6,000 of bank credit for the purchase of an automobile to give his family a vacation will have \$6,000 less to invest in liberty bonds. The only way we can win this war is to economize and invest every dollar of our savings in Government bonds. This country must start a publicity campaign against extravagance of every sort. Make the patches on trousers badges of honor. That is the way the British are financing this war.

TRADE CONDITIONS IN ENGLAND.

I want to call your attention to an article appearing in one of our leading journals of recent date by the owner of the largest department store in London, England, in which he says that business is good in London, but the war has revolutionized it; that it is no longer stylish for people, however wealthy, to dress elegantly. We must do the same thing and adopt the same style. The Government should spend several millions yearly for advertising, for it must be borne in mind that it is the retail merchant who supports the daily and weekly press, and it is unreasonable that those papers should go to work and revolutionize the customs of the people when by so doing they would be fighting some of their best customers—the retail merchants. The British banks are aiding in that campaign of economy. It should be borne well in mind that the British and French banks have learned by sad experience the curse of selling "consumptive" credit. They learned that lesson generations ago in times of peace, a lesson we have never learned, and a very bad practice which has cost us much. The facilities for speculation and "consumptive" credit are too easy. Remember that the bank deposits "guaranteed cash-surrender values" of policies of our life insurance companies and similar cash-surrender values of our building and loan associations aggregate the stupendous sum of about \$32,000,000,000, as compared with only about

\$3,000,000,000 for the same institutions of England and Wales. Furthermore, there are but 29 banks in England and Wales—banks with large capital and numerous branches and able and experienced managers in control—whereas we have some 30,000 banks with small capital and controlled by men who have not learned the science of credit and the danger of selling "consumptive" credit.

As proof of this fact, I desire to call your attention to the fact that at the present time 70 per cent of the capital of the banks is invested in long-time securities of the public-service corporations in the United States, and in addition to this the banks are carrying at the present time short-time notes of these same companies to the extent of \$300,000,000, secured by the deposit of bonds of this same class at a margin, I suppose, of about 75 to 80 cents on the dollar.

A PARADOX.

Give me your attention while I state a paradox; and the reason I ask your undivided attention is that this paradox is the crux of the whole proposition. Listen! This paradox proves that a war machine controlled by an autocrat may be made so effective that it thwarts the operation of all other laws, and that includes the law of finance and credit. Brute force ruthlessly exercised always has and always will surpass moral suasion, supported by reason, in the immediate accomplishment of its purpose. All that saves Germany from financial ruin is her war machine, and none know that better than the great financial thinkers of Germany. But woe unto German credit when the German people begin to exercise some authority. Germany has violated the teachings of all the philosophers of credit and finance, and such violation includes the creation of the identical corporation proposed to be created by this bill, while our great democratic ally, Great Britain, has observed those teachings, yet the price of many of the essentials of life are as low in Germany as they are in Great Britain, according to the most reliable reports we have from those two countries. That is a paradox easily explained when conditions are understood in both countries.

GERMANY AND SLAVERY.

Another situation might be used to illustrate this situation—the condition of the black in the South before the War; and I make this illustration not for any invidious purpose or any spirit of sectionalism. Housed in hovels, fed on rough, simple food, clothed in shoddy and denim, worked from sunup to sundown, and the products of their labor sold and utilized by an all-powerful owner for the particular benefit of the owner. Generally speaking, the only regard for the black was to keep him fit for his toil and to see that he was commercially profitable. Considering the investment and the cost of operation, there was utilization of man power to the highest efficiency in so far as conditions prevailing at that time would permit.

It is true that the German people to-day are the slaves of the German war lord, and that they will be made to sacrifice practically all that life holds dear, in order that the will of the Government may be carried out. For a time it will prevail, for a time it will be an apparent success, but in the end they must reap absolute disaster and ruin.

Germany, with her financial system violating all the laws of finance, does not crack because of the strength of her Government, which is now dominated by her war machine. But woe to Germany when the day of reckoning comes. How does Germany's war machine prevent her from cracking under the strain? First, she has taken into the State all the material wealth of the people and given a receipt for the same—a mere scrap of paper—redeemable after the war, and you know how Germany regards scraps of paper. Second, she has mobilized every man, woman, and child above the age of 14 or 15 years into the service of the State for war—the State is everything and the individual is nothing. After having mobilized all the population for war, the strong arm of the war machine is thrust out, and the word goes forth not for any purpose whatsoever shall you work or consume except for the purposes of war, and that you may be fit for war. I, the war god, will feed you like animals, will house, warm, and clothe you like animals, and you shall work to the utmost of your strength for the glory of the Government and the god of war. That is the reason why Germany does not crack; that is the power that permits Germany for a time to violate all economic laws, all credit laws, all laws of money and finance, and for a time escapes the reaping of the whirlwind.

Germany, you will notice, has kept down the prices of the essentials of life in two ways: First, by putting every living creature to work as hard as they could stand it, and that is especially true respecting her prisoners of war, in the working

of whom she has surpassed any acts of savagery known to history. In the second place, she has accomplished this by conservation, by enforcing her bread and fat card system, and from reliable reports there can be no question but that that card system has been effective. Why should not it be effective, with her system of spies, whose barbarity is a disgrace to civilization? Money is worthless in a country where you can not buy what you want and what your heart craves. There is no obstacle in Germany on the use of credit for production, but for consumption it is "verboten"—forbidden. It is worthy of mention here that Germany has a rural-credit system through which the poorest farmer in that country may obtain funds at low rates of interest, but every mark of it must be used for production. That was the cardinal principle of the system when founded 56 years ago, and that principle has been religiously observed ever since. It is the soundest thing in the whole German credit system, and without it the German Army never could have been sustained as long as it has been. There is still another method of conservation adopted by the German war machine since the war began, and it is the most inhuman method ever adopted by a civilized people. That is her system of murdering the old and very young by starvation—those who consume and can not help the war machine at this time. The last statement, while illustrative of my proposition showing how monetary laws have been arrested in Germany through her effective and brutal war machine, is too grave a charge to be made against a supposed civilized people without some proof to sustain it. I have read many accounts in the press of such practices in Germany, but my attention was specially attracted to it by an article which appeared in the Washington Post of last Sunday, which was written by Ignatius Kinast, who, the Post says, is "a German socialist who has just returned to Zurich after six months' travel throughout Germany."

I wish you would bear with me while I read an excerpt from that article. The writer says:

"In the district of Munchen during the period of 1917 the death rate between the ages of 55 to 75 was 21 per 1,000. I was authoritatively informed by a Bavarian official that this was nearly 9 per 1,000 more than the peace-time average death rate during the past 10 years, allotting to Munchen district a population of 1,000,000 souls; this death rate means that during the year of 1917 9,000 more people died between the ages of 55 and 75 than did in the years before the war. Judging from this rate and assuming that Germany has a population of 80,000,000 souls, it must be concluded that 720,000 more people between the ages of 55 and 75 died in the year 1917 than died during the years before the war. It made my heart sad, and I tried to refute it. But these were not my own speculations. These were the findings of a well-known Bavarian scientific investigator, and the conclusions were the result of anxious searchings after the truth. Some time later, when I broached this painful subject to a high health official, I became struck with surprise when that dignitary smiled reassuringly and informed me that the authorities were well aware of the fact. Then, you admit, Excellency, that we are in a process of extermination? I inquired agitatedly. Once more he smiled serenely and assured me that there was no cause for alarm. And this was the way he reasoned. Admitting that the 720,000 abnormal death rate is correct, it proves that every day the German power is increasing. Men between the ages of 55 and 75 do not create food or any other commodities. If it is true that during the year of 1917, 720,000 more people died than in the year of 1913 or 1914, it is an incontrovertible proof that in 1918 the food reserve of the Empire will be that much more. He went on to prove to me by the 'gramme' that in 1918 the food ration of the German people would be so much increased. The more people upward from 55 and below 10 years of age died the more invincible would become the fatherland. I had to admit that his heathenish and cynical reasonings were too true. If the life and happiness of a nation must be judged from its power of resistance during a blockade, then he was right. The extermination of the nonproductive ages would leave the remaining population unimpeded in the unhampered conduct of destructive warfare. Nevertheless these are the reasonings of a desperate and defeated race. Germany is defeated, but can not be persuaded to acknowledge it."

GERMAN AND BRITISH SYSTEM CONTRASTED.

I must not comment on that terrible arraignment of the German rulers by a German writer, though I believe every word of it, for I must stick to my proposition of contrasting the differences between Germany and Great Britain in financing the war. As I have already said, Great Britain in financing the war has pursued the only effective policy which a democratic country can carry out, namely, by refusing to issue credit instruments which may be used for consumption and inaugurating a campaign for the people to economize in all essentials and save every penny and invest them in long-time Government securities. Let me call your attention to some of the important items in the German Reichsbank statements of July 23, 1914, and December 31, 1917. During those periods the circulating notes of that bank increased from \$472,725,000 to \$2,866,935,000, or more than 500 per cent. Its deposits during the same period increased from \$236,000,000 to \$2,012,600,000, or more than 754 per cent, and the notes of the Darlehnskassen—the German War Finance Corporation—held by it increased from nothing to \$326,125,000, while the gold increased only from \$339,225,000 to \$601,645,000, or less than 100 per cent.

Contrast those statements of the German Reichsbank with the statement of the Bank of England from July 22, 1914, to January 16, 1918. During those periods the Bank of England's circulating notes increased from \$146,585,000 to \$226,625,000, or less than 55 per cent; its deposits increased from \$279,600,000 to \$815,025,000, or less than 200 per cent. The British Government did not create a Darlehnskassen or German War Finance Corporation, and consequently the Bank of England holds no such paper. During that period the gold in the Bank of England increased from \$200,815,000 to \$293,840,000, or 46 per cent.

Observe what a small gold reserve the Bank of England holds. That institution is the reserve agent for all the British banks, but those banks do not sell "consumptive" and speculative credit as do the German and United States banks. She could come here any day and get enough gold to increase her reserve money by 100 per cent if she needed it. John D. Rockefeller owns more wealth than the Bank of England; but does anyone think for a moment that he carries a gold reserve of \$293,000,000? No; for the simple reason that he has no demand obligations to meet. It is expensive to carry idle gold, and that is why it does not carry it. But it has short-time bills of exchange representing "productive" credit, transactions which will always bring the gold when needed. Mr. George M. Reynolds at the Senate hearings on the Federal reserve bill said that the average maturity of the Bank of England paper was from 7 to 8 days, and that of the Bank of France 14 days, and yet Mr. Warburg would have us believe that the five-year "short-time bonds" of the American Darlehnskassen should be made eligible for rediscounts at the Federal reserve banks.

Are we the only people who can not learn from experience? I direct attention to the war-savings stamps experience. The Secretary of the Treasury has issued an appeal through the press for the people not to sell these stamps, for the simple reason they are producing inflation. Many people not accustomed to the saving habit denied themselves for a few days some luxuries in order to get one of the liberty-bond buttons, and afterwards sold the bonds or stamps to some merchant. Few merchants are capitalists, so they in turn sold them to the banks or procured loans on them as collateral. A man who denies himself one meal and acts the glutton at the next is not going to win the war. It is only by persistent effort by all in economizing foodstuffs and denying themselves the luxuries of life and investing their savings in Government securities that will win the war. I want to call your attention to the experience of the banks of Paris, France, during the Revolution of 1848, when every bank in that city, except the Bank of France, failed. And their failure was due to no other cause than that they were practicing the German system of finance. That is, they were loaded down with investment securities. Like the German banks, those French banks were financing the railroad industry. Commerce was at a standstill, and the distress was so great, due to those bank failures, that the French Parliament created a bank charter and the French Government supplied all the capital, and that new bank enabled the commercial and industrial enterprises to resume business. Suppose the French Parliament had organized a German Darlehnskassen, as is proposed by this bill, and had the Bank of France rediscount its paper, as Mr. Warburg says the Federal reserve banks are going to do, then the Bank of France would have failed also. You can not make a sheep out of a goat by a mere declaration of Congress, and if you do you will find your congressionally created sheep walking the fences and eating tin cans. And so it is with the paper of the proposed American Darlehnskassen. That paper represents consumption and should never go into the credit system, and the only way it can be made eligible for rediscounts at the Federal reserve banks is for Congress to make it so by a solemn declaration to that effect, and I am one who refuses to stultify myself, because I know it will mean ruin to the country.

THE FEDERAL RESERVE BOARD STATEMENT.

Since the officials of the Federal Reserve Board appeared before the committees holding hearings on this bill they have completely reversed themselves and condemned a transaction which was not near so bad as that which they ask us now to enact into law. Last November a banking syndicate disposed of \$25,000,000 American Tobacco Co. 90-day 6 per cent acceptances, renewable up to two years. And that is the transaction I refer to and which the board has condemned so severely in a lengthy statement given to the press last week. Let me quote some of those criticisms which sustain my argument in every particular. They say:

Ninety-day notes made under a definite renewal agreement at a fixed rate is a camouflage for the convenience of the banker to enable him to finance himself by using the 90-day form as a mask to conceal what is in effect an ineligible note. When a credit is required for two years it should be regarded as an unsound basis for commercial borrowings on 90-day paper.

The board's statement continues thus:

Without a guaranty for renewals it would be dangerous for the borrower. With such a guaranty it would be an unsound banking credit. A demand for one or two year money, except for special contracts, indicates a need for greater working capital, which ought to be obtained by increase of capital or by sale of obligations in the investment market.

I seek no stronger argument than advanced by the board to support the whole trend of my own argument against authorizing the proposed corporation. Let us contrast that tobacco transaction and the business which this corporation is to do. There is no sort of question but that the tobacco transaction involved a real productive transaction. The only question was the time involved. The tobacco company doubtless believed it was a favorable time to buy raw tobacco and it could have raised the necessary money by selling stocks or bonds. The lowest point its common stock touched last year was \$168.50 per share and the highest \$220. But those in control of the corporation did not wish to sell some of that stock, as the market for stocks was depressed, and they would have to pay too high a rate for money, so it induced the banking syndicate to "camouflage" the public by floating its "short-time notes" in the credit stream, and that is precisely what the advocates of this bill propose to do, "camouflage" the public, just as the German Government has been doing all through the war, until they have now reached the breaking point, for I do not believe it possible for the German credit system to hold up another year, notwithstanding the effectiveness of their war machine.

Instead of having our own Government go to the capital market and sell its long-time bonds, the advocates of this American "Darlehnkassen" propose to issue its "short-time bonds" in payment of war materials and give them a special privilege to "camouflage" the banks and general public into the belief that they are not what they are.

But listen, while I quote further from the board's criticism of that tobacco transaction. They say:

It may be argued that there is at present no investment market, and that therefore these renewal transactions are necessary. But does the abrogation of the investment market afford a reason for the destruction of the commercial-paper market also? Some plan must and will be developed to restore to a certain extent, at least, the security market. But even if this restoration can not be effected, should we not look upon credit as a commodity of which only a limited supply is available? If we have approached the limit, would it not be wise to conserve credit and apply it only in those directions where its use will most benefit the country? In the case of the tobacco company, if it had not secured the full credit it sought it would have bought less tobacco and might have advanced its selling price. What if it had reduced its inventories and the consumption of tobacco? Would not this have been just what is at present required?

HEARINGS BEFORE THE WAYS AND MEANS COMMITTEE.

I ask those of you who read the hearings before the Ways and Means Committee on this bill to bear witness to the fact that that is precisely the same argument I advanced against this corporation issuing any sort of credit instruments. But I wish to repeat that there is absolutely no comparison between the paper which the board was criticizing and that paper which the proposed "Darlehnkassen" will create, for the former represented production, while the latter will represent waste. The board in the last-quoted paragraph of its long criticism states the very gist of my argument, namely, that when you make credit cheap or easy you will cause overconsumption. This American "Darlehnkassen" paper will make credit easy at the banks, and that will allow them to accommodate their customers in the gratification of their luxurious desires. If that criticism could be published in every paper in this country it would do more good than any statement issued by the Federal Reserve Board during the past year. It would teach both the banks and the public to conserve credit, and that would mean that we would have less waste and more money with which to aid the Government in winning the war, and thus preserve our civilization.

THE SUGGESTED REMEDY.

I say, let the United States make such loans as are absolutely necessary to win this war direct to the public utilities, railroads, and industry—supervised by the best brains that this country affords, and thus instill into the public mind an air of confidence instead of suspicion. This confidence when thus acquired by the people will respond in a patriotic manner in the payment of an equitable amount of taxes and subscribe for bonds of the United States on long time, bearing a proper rate of interest. Stop the profiteering and the 10 per cent plus contracts. Convince the public that the billions are being used wisely, honestly, and efficiently to win the war and the best people on the face of this earth, the American people, will respond in the granting of all the credit that is necessary to win this war, if it takes the last dollar that America possesses.

ANSWER TO THE HOLDEN ARGUMENT.

In conclusion, I desire to observe the ingenious argument advanced by the gentleman from Tennessee [Mr. HULL] on this

door on Saturday in advocacy of this bill. He starts out by quoting from Sir Edward Holden, who, for years, has been the most pronounced and persistent advocate of the German credit system among the London bankers, but he has made no headway either with the London bankers or the British Parliament. The sum and substance of the gentleman's argument may be found in Sir Edward Holden's report of this year to his board of directors of the Midland Bank.

Like Mr. Warburg, Sir Edward Holden and every other advocate of the German system, the gentleman from Tennessee compares the strongest point of our system with the supposedly weakest point of the British system, namely, the gold reserves. But none of them ever make mention in such comparisons with the weak points of our system or the strong points of the British system, and everyone will agree that any comparison which does not include the whole is fallacious and misleading.

Let me quote from the gentleman's speech. He said:

The credit-lending and note-issuing power of the Federal reserve banks is still more than two billions.

He arrives at that conclusion by taking as a basis our legal reserve arbitrarily fixed by Congress in creating the Federal Reserve System. That legal reserve is pure guesswork and grossly misleading, as no two economists have ever been able to agree as to the amount of gold required under a credit system which violates well-recognized scientific law. But Congress may next week reduce the reserve requirements of the Federal Reserve System by 50 per cent, and then the gentleman would contend that we were much stronger than we were the week before. Germany has done that ever since the war began, but she did it only to have the people believe she was sound, when in fact she was unsound.

If we refuse to profit by the experience of such countries as Great Britain and France, we should turn to the experience of one of our neighbors. Conant, in his "Banking in Mexico" written for the Monetary Commission, says that the Monte de Piedad, the largest bank of Mexico, had a specie reserve of more than 50 per cent a week before its failure, but the other 50 per cent of its borrowed capital was covered with permanent investments on which it could not realize.

You may call the proposed "Darlehnkassen" the war-finance corporation or any other name you choose, but if you give it the power to issue credit instruments and clothe such instruments with a special privilege, which similar instruments do not possess, you will thereby increase the facilities for inflation, and if our credit system does not break down during the war we will be years in getting to a position where we can push out for foreign commerce after peace is declared. [Applause.]

Mr. MOORE of Pennsylvania. Mr. Chairman, I yield three minutes to the gentleman from Nebraska [Mr. SLOAN].

Mr. SLOAN. Mr. Chairman, I shall support this measure as a war measure, as I have supported every measure in the seven years I have been in this House, to prepare this Nation for such a crisis as we now find ourselves to be in. I shall support it for the same reason that I have voted for every other war measure that has been considered regularly by the proper committees and recommended as important for the prosecution of the war since its declaration. I shall support it as I have supported every proposition, having an opportunity to deliver myself upon, for the protection of American life and rights on land and sea under all circumstances [applause]; and when both were not being or could not be protected I have voted to protect one.

This measure comes before us with the indorsement of the Ways and Means Committee. It comes at a time when a somewhat similar measure has passed the other House. Whatever argument may be submitted, it will not be upon the bases of urging support of the bill generally, because the membership of the House generally expects to vote for this measure.

But I do desire to present a few facts which appeal strongly to me why this bill in its present condition should pass and why the changes appearing in the bill showing difference from the first draft handed by the Secretary of the Treasury to the chairman of the Ways and Means Committee, and introduced by him on the 4th of February, should be supported and retained. Every safeguard that we have agreed upon, every brace that we can possibly bring ought to be maintained in this bill to make it strong, if strong it can be made.

This bill comes as a mighty corporation bill. It is, as I view it in its large sense, the organization of a central banking corporation. I have been at times a critic, although I supported it, of the National Reserve Bank System, because I thought, organized as it was, it was liable to fall short of the expectations of its enthusiastic supporters. I voted for it and called attention at different times on the floor of the House to its apparent

nonworking in times of peace. We hoped that when the crisis came to this Nation it would be given an opportunity to do that which its advocates insisted it could do, if the opportunity was ever presented.

Prior to our entering into the war the Reserve Bank System as a factor in our national finances was almost negligible. About the 1st of March, 1917, before the declaration of war, the total earning assets of the 12 reserve banks were only \$209,000,000. Now, after war has been running nearly a year the total earning assets of the Federal Reserve System are only \$1,097,000,000. I hoped that when this measure was first considered it would take such form in the House that the reserve system which had become the law of the land would be given an opportunity to perform the functions which its supporters believed it would perform and which, with some doubt, I thought it might perform, that it should have the opportunity. It was with great regret that I found the bill has not taken the form of expansion of the functions of the Reserve Bank System.

But the bill is here with present purpose and form. My principal proposition is this, that what we have here is of such a colossal nature and stupendous in its proportions that it is impossible to give it all of the safeguards necessary both in the law granting power and in its administration.

I here present a copy of the bill as handed to Chairman KITCHIN.

A bill (H. R. 9499) to provide further for the national security and defense, and, for the purpose of assisting in the prosecution of the war, to provide credits for industries and enterprises in the United States necessary or contributory to the prosecution of the war, and for other purposes.

Be it enacted, etc., That for the purpose of affording financial assistance, either directly or indirectly, to persons, firms, corporations, and associations whose operations are necessary or contributory to the prosecution of the war, in cases where such persons, firms, corporations, or associations shall be unable to procure funds on reasonable or practicable terms from the general public, or through the regular banking channels, and for the purpose of regulating and controlling the sale and offering for sale or subscription of securities hereafter issued, and for other purposes in aid of the prosecution of the war, the Secretary of the Treasury, together with four additional persons (who shall be the directors first appointed as hereinafter provided), are hereby created a body corporate and politic in deed and in law by the name, style, and title of the "War Finance Corporation" (herein called the corporation), and shall have succession for a period of 10 years: *Provided*, That in no event shall the corporation exercise any of the powers conferred by this act, except such as are incidental to the successful liquidation of its assets and the successful winding up of its affairs after six months after the termination of the war, the date of such termination to be fixed by proclamation of the President of the United States.

SEC. 2. The capital stock of the corporation shall be \$500,000,000, all of which shall be subscribed by the United States of America, and such subscription shall, upon the approval of the Secretary of the Treasury, be subject to call upon the vote of three-fifths of the board of directors of the corporation at such time or times as may be deemed advisable; and there is hereby appropriated out of any money in the Treasury, not otherwise appropriated, the sum of \$500,000,000, or so much thereof as may be necessary for the purpose of making payment upon such subscription when and as called. Receipts for payments by the United States of America for, or on account of, such stock shall be issued by the corporation to the Secretary of the Treasury, and shall be evidence of stock ownership.

SEC. 3. The management of the corporation shall be vested in a board of directors, consisting of the Secretary of the Treasury, who shall be chairman of the board, and four other persons, to be appointed by the Secretary of the Treasury, with the approval of the President of the United States. And director or directors so appointed may be removed by the Secretary of the Treasury, with the approval of the President, and vacancies however arising may be filled by the Secretary of the Treasury, with the approval of the President. Whenever a vacancy shall occur among the directors so appointed, the person appointed director to fill any such vacancy shall hold office for the unexpired term of the member whose place he is selected to fill. Three members of the board of directors shall constitute a quorum for the transaction of business.

SEC. 4. The principal office of the corporation shall be located in the District of Columbia, but there may be established agencies or branch offices in any city or cities of the United States under rules and regulations prescribed by the board of directors, with the approval of the Secretary of the Treasury.

SEC. 5. That the four directors of the corporation appointed as hereinbefore provided shall devote their entire time to the business of the corporation (except such part of their time, if any, as shall be devoted to other governmental business) and shall receive annual salaries, payable monthly, the amount of which shall be fixed by the Secretary of the Treasury, with the approval of the President of the United States, not, however, exceeding the annual salary of the principal officer of an executive department of the United States. Any director receiving from the United States any salary or compensation for services shall not receive as salary from the corporation any amount which, together with any salary or compensation received from the United States, would make the total amount paid to him by the United States and by the corporation exceed the amount fixed as the annual salary of a director of the corporation, as hereinbefore provided. Of the four directors appointed, as hereinbefore provided, the Secretary of the Treasury shall designate two to serve for two years, and two for four years; and thereafter each director so appointed shall serve for a term of four years. No director or officer of the corporation shall continue to be an officer, director, or trustee of any other corporation or member of any firm of bankers; and, before entering upon his duties, each director and officer shall certify under oath to the Secretary of the Treasury that he has complied with this requirement, and shall also take an oath faithfully to discharge the duties of his office. But

nothing contained in this act or in the Federal reserve act shall be construed to prevent the appointment of a member of the Federal Reserve Board or of any other governmental administrative body or of a director of a Federal reserve bank as a director of the corporation.

SEC. 6. The corporation shall be empowered and authorized: (a) To adopt, alter, and use a corporate seal; to make contracts; to purchase or lease and hold or dispose of such real estate as may be necessary for the prosecution of its business; to sue and be sued; complain and defend in any court of law or equity, including courts of the United States; to appoint, by its board of directors, and fix the compensation of such officers, employees, attorneys, and agents as are not otherwise provided for in this act, to define their duties, require bonds of them and fix the penalties thereof, and to dismiss at pleasure such officers, employees, attorneys, and agents; and to prescribe, amend, and repeal, by its board of directors, subject to the approval of the Secretary of the Treasury, by-laws regulating the manner in which its general business may be conducted and the privileges granted to it by law may be exercised and enjoyed, and prescribing the powers and duties of its officers and agents.

(b) To make advances upon such terms, not inconsistent herewith, as it may prescribe for periods not exceeding five years from the respective dates of such advances (1) to any bank, bankers, or trust company which has made and which has outstanding any loan or loans to any person, firm, corporation, or association whose operations shall be necessary or contributory to the prosecution of the war, and evidenced by a note or notes; or (2) to any bank, banker, or trust company which has rendered financial assistance, directly or indirectly, to any such person, firm, corporation, or association by the purchase of its bonds or other obligations: *Provided*, That advances so made by the corporation on the basis of any such loan or loans shall not exceed 75 per cent of the face value thereof: *And provided*, That any advances so made by the corporation in cases where such financial assistance shall have been rendered by the purchase of such bonds or other obligations shall not exceed 75 per cent of the market value of such bonds or other obligations at the time of such advance, as estimated and determined by the board of directors of the corporation: *And provided further*, That all such advances shall be made upon the promissory note or notes of such bank, banker, or trust company, secured by the notes, bonds, or other obligations, which are the basis of any such advance by the corporation, together with all the securities, if any, which such bank, banker, or trust company may hold as collateral for such notes, bonds, or other obligations. The corporation shall, however, have power to make advances (a) up to 100 per cent of the face value of any such loan or loans made by any such bank, banker, or trust company to any such person, firm, corporation, or association; or (b) up to 100 per cent of the market value at the time of such advances (as estimated and determined by the board of directors of the corporation) of such bonds or other obligations by the purchase of which financial assistance shall have been rendered to such person, firm, corporation, or association, provided every such advance shall be secured in the manner described in the preceding part of this paragraph, and in addition thereto by collateral security, to be furnished by the bank, banker, or trust company, of such character as shall be prescribed by the board of directors, with the approval of the Secretary of the Treasury, of market value at the time of such advance (as estimated and determined by the board of directors of the corporation) equal to at least 25 per cent of the amount advanced by the corporation. The corporation shall retain power to require additional collateral security at any time.

(c) To make advances from time to time, upon such terms not inconsistent herewith, as it may prescribe, for periods not exceeding 90 days, to any savings bank or other banking institution which receives savings deposits, on the promissory note or notes of the borrowing institution, whenever the corporation shall deem such advances to be necessary or contributory to the prosecution of the war or important to the public interest: *Provided*, That such note or notes shall be secured by the pledge of securities of such character as shall be prescribed by the board of directors of the corporation with the approval of the Secretary of the Treasury, the market value of which, at the time of such advance (as estimated and determined by the board of directors of the corporation) shall be equal in amount to at least 125 per cent of the amount of such advance: *And provided further*, That the rate of interest charged on any such advance shall not be less than 1 per cent in excess of the rate of discount for 90-day commercial paper prevailing at the time of such advance at the Federal reserve bank of the district in which the borrowing institution is located. The corporation shall retain power to require additional collateral security at any time.

(d) In exceptional cases, to make advances directly to any person, firm, corporation, or association whose operations shall be necessary or contributory to the prosecution of the war, for periods not exceeding five years from the respective dates of such advances, upon such terms and subject to such rules and regulations as may be prescribed by the board of directors of the corporation, with the approval of the Secretary of the Treasury. The corporation shall retain power to require additional collateral security at any time.

(e) To subscribe for, acquire, and own, buy, sell, and deal in bonds and obligations of the United States to such extent as the Secretary of the Treasury may from time to time determine.

(f) To issue and have outstanding at any one time its notes or obligations in an amount aggregating not more than eight times its paid-in capital, such notes or obligations to mature not less than one year nor more than five years from the respective dates of issue, and to bear such rate or rates of interest, and may be redeemable before maturity at the option of the corporation, as may be determined by the board of directors, subject to the approval of the Secretary of the Treasury. Such notes or obligations shall have a first and paramount floating charge on all the assets of the corporation, and the corporation shall not at any time mortgage or pledge any of its assets. Such notes or obligations may be issued at par in payment of any advances authorized by this act, or, for any of the purposes of this act, may be offered for sale publicly or to any individual, firm, association, or corporation, at such price or prices as the board of directors may determine, subject to the approval of the Secretary of the Treasury. Such notes or obligations may be dealt in by Federal reserve banks in the same manner and to the same extent as bonds or notes of the United States not bearing the circulation privilege, and Federal reserve banks shall be authorized, subject to the regulations of the Federal Reserve Board, to rediscount and purchase paper and make advances secured by such notes or obligations in the same manner and to the same extent, and at the same rates, or at such higher

rates as the Federal Reserve Board may approve, as they may purchase or rediscount paper or make advances secured by such bonds or notes of the United States, under authority of the Federal Reserve act. Any Federal reserve bank acquiring by purchase or rediscount such paper secured by the notes or obligations of the corporation may, with the approval of the Federal Reserve Board, use such paper so acquired for any purpose for which it is authorized to use paper secured by such bonds or notes of the United States: *Provided*, however, That whenever Federal reserve notes are issued against the security of such paper the Federal Reserve Board may make a special interest charge on such notes, which, in the discretion of the Federal Reserve Board, need not be applicable to other Federal reserve notes which may from time to time be issued and outstanding. All provisions of law, not inconsistent herewith, in respect to the purchase or rediscount by any Federal reserve bank of paper secured by such bonds or notes of the United States, and in respect to Federal reserve notes issued against the security of such paper, shall extend, in so far as applicable, to the purchase or rediscount of paper secured by the notes or obligations of the corporation and to the Federal reserve notes issued against the security of such paper.

(g) To exercise by its board of directors and its duly authorized officers or agents, all powers specifically granted by the provisions of this act, and such incidental powers as shall be necessary or proper to carry out the purposes of this act: *Provided*, That the powers specifically enumerated herein shall be deemed additional to, and not in limitation of, any implied powers granted by this act: *And provided further*, That it shall not exercise any of those powers or perform any business except such as is incidental and necessarily preliminary to its organization until it has been authorized by the President of the United States to commence business under the provisions of this act.

SEC. 7. For the purpose of assisting in the prosecution of the war and providing for the public security and defense, through the restriction of unnecessary capital expenditures, the corporation may, under rules and regulations to be prescribed by the corporation, with the approval of the Secretary of the Treasury, investigate and license, or refuse to license, the sale, or offering for sale or for subscription, of securities, as hereinbefore provided. No person, firm, corporation, or association shall sell, or offer for sale or for subscription, any issue, or any part of any issue, of securities hereafter issued, the par or face value of which issue shall be in excess of \$100,000, except in accordance with such rules and regulations as the corporation, with the approval of the Secretary of the Treasury, shall prescribe, nor, when required by such rules and regulations, except as permitted by licenses granted by the corporation. The corporation shall, however, grant licenses for any such sale, or any such offer for sale, or for subscription, which it shall determine to be consistent with the foregoing purposes. Shares of stock of any corporation or association without nominal or par value shall for the purposes of this act be deemed to be of the par value of \$100 each. Any securities which upon the date of the approval of this act are in the possession or control of, or have been hypothecated by, the corporation, association, or obligor issuing the same, shall not be deemed to have been issued prior to the date of the approval of this act, within the meaning hereof. Nothing in this act shall be construed to prohibit, or to require any license from the corporation in respect of, any borrowing by any person, firm, corporation, or association in the ordinary course of business as distinguished from borrowing for capital purposes. This section shall not be construed to apply to any securities issued by any railroad corporation the property of which may be in the possession and control of the President of the United States. This section shall not take effect until rules and regulations shall have been prescribed by the corporation, as hereinbefore provided, and may continue in effect until the expiration of six months after the termination of the war, the date of such termination to be determined by a proclamation of the President of the United States. Nothing done or omitted by the corporation hereunder shall be construed as carrying the approval of the corporation or of the United States of the legality, validity, worth, or security of any securities.

SEC. 8. That whoever shall willfully violate any of the provisions of this act or of any license, order, rule, or regulation issued hereunder, or who ever shall willfully violate, neglect, or refuse to comply with any such license, order, rule, or regulation issued hereunder, shall, upon conviction in any court of the United States of competent jurisdiction, be fined not more than \$5,000, or, if a natural person, imprisoned for more than four years, or both; and any officer, director, or agent of any corporation or association, or member of any firm, who shall knowingly participate in any such violation, neglect, or refusal shall be punished by a like fine or imprisonment or both.

SEC. 9. That all net earnings of the corporation not required for its operations shall be accumulated as a reserve fund until such time as the corporation liquidates under the terms of this act. Such reserve fund shall, upon direction of the Secretary of the Treasury, be invested in bonds, notes, or certificates of indebtedness of the United States, or upon like direction may be deposited in member banks of the Federal Reserve System, or may upon like direction be deposited in any of the Federal reserve banks. The Federal reserve banks are hereby authorized to act as depositories for and as fiscal agents of the corporation in the general performance of the powers conferred by this act. Beginning six months after the termination of the war, the date of such termination to be fixed by a proclamation of the President of the United States, the directors of the corporation shall proceed to liquidate its assets and to wind up its affairs. Any balance remaining after the payment of all its debts shall be paid to and become the property of the United States, and thereupon the corporation shall be dissolved.

SEC. 10. That any and all notes and obligations issued by the corporation shall be exempt, both as to principal and interest, from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except (a) estate or inheritance taxes, and (b) graduated additional income taxes, commonly known as surtaxes, and excess-profits and war-profits taxes, now or hereafter imposed by the United States upon the income or profits of individuals, partnerships, associations, or corporations. The interest on an amount of such notes and obligations the principal of which does not exceed in the aggregate \$5,000 owned by any individual, partnership, association, or corporation shall be exempt from the taxes provided for in subdivision (b) of this clause. The corporation, including its franchise and the capital and reserve or surplus thereof, and the income derived therefrom, shall be exempt from all taxation now or hereafter imposed by the United States, any State, or any of the possessions of the United States, or by any local taxing authority, except that any real property of the corporation shall be subject to State, county, or municipal taxes to the same extent, according to its value, as other real property is taxed.

SEC. 11. That if any clause, sentence, paragraph, or part of this act shall, for any reason, be adjudged by any court of competent jurisdiction to be invalid, or in case any court of competent jurisdiction shall adjudge to be invalid any provisions hereof in respect of any class or classes of securities, such judgment shall not affect, impair, or invalidate the remainder of this act, but shall be confined in its operation to the clause, sentence, paragraph, part, or subject matter of this act directly involved in the controversy in which judgment shall have been rendered.

SEC. 12. That the term securities, as used in this act, includes stocks, bonds, notes, certificates of indebtedness, and other obligations.

SEC. 13. That the right to amend, alter, or repeal this act is hereby expressly reserved.

I herewith present that portion of the committee's report showing radical departure from the department's draft:

ESSENTIAL DIFFERENCES BETWEEN THIS BILL AND THE WAR FINANCE CORPORATION BILL AS ORIGINALLY INTRODUCED.

The essential differences between this bill (H. R. 10608) and the bill H. R. 9499 are as follows:

1. This bill provides that not more than three directors of the corporation shall be members of the same political party. The original bill did not contain such a provision.

2. This bill specifies that no director or officer of the corporation shall participate in the determination of any question affecting his personal interests or the interest of any corporation, partnership, or association in which he is interested. The original bill did not contain this provision.

3. Under this bill the directors of the corporation will be appointed by the President, by and with the advice and consent of the Senate. The original bill provided for the appointment of the directors by the Secretary of the Treasury, with the approval of the President.

4. This bill limits the advances to be made to banks, bankers, or trust companies to loans made by such banks, bankers, or trust companies on securities or obligations acquired since the declaration of war (Apr. 6, 1917) and outstanding at the time of the advance, and to loans made to persons, firms, corporations, or associations conducting an established and going business in the United States. The original bill did not contain any limitation of this nature.

5. This bill permits the corporation to make advances to savings banks, banking institutions, or trust companies which receive savings deposits and to building and loan associations for not to exceed one year.

The original bill limited the time for which an advance could be made to 90 days and did not give this privilege to trust companies receiving deposits or building and loan associations.

6. This bill requires the security for advances made to savings banks and similar institutions to be equal to at least 133 per cent of the amount of the advance. The original bill specified that the security should be equal to 125 per cent of the amount of the advance. This change is made in order to make the ratio between the advance and the security the same in all the provisions of the bill.

7. This bill provides that when the corporation makes advances direct—that is, without the advance going through the banking channels—that the corporation must require security equal to at least 133 per cent of the amount advanced by the corporation, and also that the rate of interest charged on such advances shall not be less than 1 per cent per annum in excess of the rate of discount for 90-day commercial paper in the Federal reserve district in which the borrower is located. This bill also contains a limitation as to the amount of advances that can be made under this section at any one time to an amount equal to 162 per cent of (1) the paid-in capital stock of the corporation at such time plus (2) the aggregate amount of the bonds of the corporation authorized to be outstanding at such time. The original bill contained no such limitations. It is believed that these limitations will afford a very valuable safeguard to the corporation and will result in requiring a greater portion of the business of the corporation to be transacted through regular banking channels.

8. This bill limits the aggregate amount of advances that can be made and outstanding under this act at any one time to any person, firm, corporation, or association to an amount not to exceed 10 per cent of the authorized capital stock of the corporation, or \$50,000,000. The original bill contained no such limitations. This provision is also believed to be a very valuable safeguard.

9. This bill requires the corporation to file quarterly reports with the Secretary of the Senate and Clerk of the House of Representatives, giving the name and place of business of each person, firm, corporation, or association receiving advances direct from the corporation, the amount advanced, the terms, and the security accepted therefor. The original bill contained no such provision.

10. This bill limits the power of the corporation to deal in bonds and obligations of the United States to those issued or converted since September 24, 1917 (the time the last bond act became a law). The original bill would have permitted the corporation to deal in any bonds or obligations of the United States.

11. This bill authorizes the corporation to issue \$2,000,000,000 of bonds to mature in not less than one year nor more than five years. The original bill authorized the corporation to issue \$1,000,000,000 worth of bonds.

12. This bill provides that whenever a Federal reserve bank discounts or rediscounts paper secured by the bonds of the corporation that it shall not discount or rediscount such paper at a less interest charge than 1 per cent above the prevailing rates for eligible commercial paper of corresponding maturity. The original bill left the interest rate to the discretion of the Federal Reserve Board. It is believed that this provision will afford a very valuable safeguard to the Federal Reserve System.

13. This bill provides that before paper secured by the bonds of the corporation can be discounted or rediscounted by a Federal reserve bank that the member bank must satisfy the Federal reserve bank that it does not have in its possession for the purpose of discount sufficient commercial paper eligible for discount or rediscount under the regulations of the Federal Reserve Board made under authority of the Federal reserve act. The original bill contained no such provision.

14. This bill contains no provision, as did the original bill, permitting member banks of the Federal Reserve System to deal in the bonds of the corporation.

15. This bill creates a Capital Issues Committee, to be composed of seven members, to be appointed by the President of the United States, by and with the advice and consent of the Senate, to investigate, pass upon, and determine whether or not it is compatible with the public interest that there shall be sold or offered for sale or for subscription any issue or part of an issue of securities the total or aggregate par or face value of which is in excess of \$100,000. The original bill

authorized the corporation to investigate and license or refuse to license the sale or offering for sale or subscription of securities the par or face value of which were in excess of \$100,000. It is believed that the issuance of new securities will be limited, in most cases, under the provisions of this bill, to those compatible with the public interest, as effectively as would have been possible under the original bill which was much more drastic.

16. This bill contains no criminal penalty provision for any sale or offering for sale of any securities issued when the Capital Issue Committee has found the issue of such securities incompatible with the public interest. The original bill provided a penalty of \$5,000 or imprisonment for not more than four years, or both, for any violation of any of the provisions of the act or of any license, order, rule, or regulation issued thereunder.

17. This bill provides that the United States shall not be liable for the payment of any bond or other obligation or the interest thereon issued or incurred by the corporation, nor shall it incur any liability in respect of any act or omission of the corporation. The original bill made no reference to the liability of the United States for the payment of the obligations of the corporation.

18. This bill makes anyone who (1) forges or counterfeits any bond, coupon, or paper in imitation of or purporting to be in imitation of a bond or coupon issued by the corporation, etc.; or (2) embez- zles, abstracts, or wilfully misapplies any money, funds, or credits of the corporation, etc.; or (3) with intent to deceive any officer of the corporation, makes any false entry in any book, report, or statement of the corporation, etc., liable to a penalty of \$5,000 or to imprisonment for not more than five years, or both.

The original bill contained no similar penalty provision.

I shall discuss the measure on the basis of the large scope of the original bill and the Senate measure, each of which provides a capital of \$500,000,000 and an authorized loaning power beyond that of the capital of \$4,000,000,000. I would impress, by way of comparison, because all things in this world are relative, the magnitude of this corporate creature which we are calling into being.

First. It has the stupendous capital of \$500,000,000. That is seven times the amount of the capital of the 12 regional banks of the United States. A recent statement shows their capital \$73,624,000. It has an authorized loaning power of four and one-half billions of dollars. That is more than four times the amount of the loans and discounts, of whatever character they may be, including all earning assets of the reserve banking system at this time, which are \$1,097,822,000.

Second. The capital of this corporation, \$500,000,000, lacks very little of being one-half of the total capital of all the national banks of the United States combined. The figures, which probably should be raised a little as they are the figures for 1916, are \$1,066,000,000. So the capitalization of this corporation, \$500,000,000, lacks little of being one-half of that.

Third. Five hundred million dollars capitalization is greater than that of any 200 national banks in the United States.

Fourth. The loans of four and one-half billion are more than one-half the loans and discounts of all of the national banks of the United States, stated to be \$8,818,312,000.

Fifth. This authorized loaning power amounts to nearly twice the amount of the loans and discounts in the mutual savings banks of the United States, stated at \$2,368,691,357.

Sixth. It amounts to more than all of the loans and discounts in all of the State banks of the United States, which are \$4,111,555,000.

Seventh. The loans and discounts now in all the national, State, private, mutual savings, and stock saving banks, combined with those of the loan and trust companies of the United States, amount to \$20,000,000,000. So the loans authorized by this gigantic corporation are 22 per cent of all of the loans and discounts in all the banks and related institutions in the United States. It seems to me that, large as that is, it should be safeguarded in every possible way, both in the grant of power and in the matter of administration.

Eighth. I call attention to another fact. The loans authorized by the original bill is a larger sum than all of the deposits in all the following great national and international banking concerns combined:

The Imperial Bank of Germany	\$1,131,771,750
The Bank of England	867,495,250
The National City Bank, of New York	735,104,800
The Bank of France	436,339,950
The Credit Bank of Austria	388,310,700
The National Bank of Argentina	319,954,500
The Bank of Montreal	295,432,900
The Commercial Bank of Italy	235,768,200

They had a total of deposits, on the 1st of January, 1917, of \$4,408,178,000, nearly \$100,000,000 less than the authorized loaning power of this great corporation, which was sought to be brought into being through the bill as introduced, which we, of course, have reduced from a basis of 45 to a basis of 25. That is, capital, \$500,000,000, and additional loaning power, \$2,000,000,000.

Ninth. If all these loans were made, and the interest had to be paid in gold, the production of gold in the United States—\$92,000,000 in 1916, the latest figures I could obtain—would pay only 2 per cent on the loan authorized.

Tenth. The loaning power of this corporation or bank, whatever you may call it, is twice as great as the assets of the 22 leading industrial corporations of the United States, hereafter named in the prewar period, use as a basis for war-taxing purposes:

The Bethlehem Steel Co., the Colorado Fuel & Iron Co., the United States Steel Corporation, the American Car & Foundry Co., the American Locomotive Works, the Baldwin Locomotive Works, the American Smelting & Refining Co., the Anaconda Copper Co., the American Sugar Refining Co., the American Telegraph & Telephone Co., the American Tobacco Co., Central Leather Co., Corn Products Co., General Electric, Mexican Petroleum, Pittsburgh Coal, Sears-Roebuck, and United States Rubber companies. Their combined assets amounted to \$2,130,000,000. That is less than one-half the amount of the loaning power of this great corporation.

Eleventh. The loaning power of this corporation perhaps equals one-half of the gold in the world outside of the arts, estimated at \$9,000,000,000.

Twelfth. It would build 12 Panama Canals and buy their respective sites.

Thirteenth. It would buy the United States corn crop of 1917, with millions to spare.

Fourteenth. It would pay practically all of the public debt of this country—National, State, county, school, and municipal—before the war began.

Fifteenth. It would buy, with half a billion dollars to spare, the property of all kinds and character in the State of Nebraska.

Such is the bill that was first proposed in the House, has come from the Senate, and may be urged in conference. The foregoing figures and staggering comparisons suggest potent reasons why we should retain all the changes made by the Ways and Means Committee.

Mr. MOORE of Pennsylvania. Mr. Chairman, may I ask the gentleman a question?

Mr. SLOAN. Yes.

Mr. MOORE of Pennsylvania. I did not get the reference to the State which the gentleman represents. What was the relationship of Nebraska to this national corporation?

Mr. SLOAN. All of the property of Nebraska, estimated at \$4,000,000,000, would be half a billion dollars less than the authorized loaning power of this great corporation.

Mr. MOORE of Pennsylvania. Then, as a matter of fact, the organization of this system would be a mere bagatelle to that great State.

Mr. SLOAN. Oh, no; I should be pleased to say that our State could swallow up a corporation of this kind, but, standing in front of Washington's picture and in the city bearing his name, I can not tell it that way. This corporation has a loaning power of \$4,500,000,000, while the property of Nebraska amounts to only \$4,000,000,000. This corporation overshadows great coal, steel, and oil corporations in the old Keystone State—a State that is honored by the representation of the distinguished gentleman now acting as chairman of the Committee on Ways and Means for the minority.

Mr. MOORE of Pennsylvania. I had intended to say that the State of Nebraska has been so well represented by the gentleman in this House that I assumed its general assets had mounted up so high that the organization of a war finance corporation would be a mere bagatelle to the Commonwealth.

Mr. SLOAN. I have been endeavoring to represent merely a portion of the State, but unfortunately it has not been able to increase in wealth to keep pace with the flat of a Government creating corporations. But in per capita wealth it stands fourth in the Union, which, of course, sets it ahead of Pennsylvania.

Mr. MOORE of Pennsylvania. That is a tribute to the gentleman's faithful service here; he certainly has not enriched himself in this representative capacity, except in the friendship of his colleagues.

Mr. SLOAN. I trust the committee will refuse to take notice of this blush of mine.

Mr. MADDEN. Will the gentleman yield?

Mr. SLOAN. With pleasure.

Mr. MADDEN. I notice the gentleman from Pennsylvania—

Mr. SLOAN. Always truthful.

Mr. MADDEN (continuing). Who sits close to the head of the Republican side in the Ways and Means Committee, on which the gentleman from Nebraska serves with great distinction, seems to be in doubt as to what State the gentleman who is now speaking is from. To what does the gentleman attribute the ignorance of the gentleman from Pennsylvania when he asks such a question as that?

Mr. SLOAN. I refuse even to consider that the gentleman from Pennsylvania is ignorant on any subject. It would be a reflection upon the subject to say that he knew nothing about it.

Mr. MOORE of Pennsylvania. The gentleman is quite right about that and the statement of the gentleman from Illinois upon this occasion is unaccountable. There is no reason for it except to afford an excuse for joining in the compliment which the gentleman from Pennsylvania was endeavoring to pay to the gentleman from Nebraska.

Mr. WALSH. Will the gentleman yield?

Mr. SLOAN. After Illinois and Pennsylvania I yield to the great Commonwealth of Massachusetts with a great deal of pleasure.

Mr. WALSH. I want to ask the gentleman if outside of all this that has been brought out by the gentleman from Illinois and the gentleman from Pennsylvania, he thinks this is quite a worthy measure?

Mr. SLOAN. Notwithstanding anything the gentlemen may have said, it is a measure that will probably obtain the support of nearly every Member of the House, not only those Members who usually vote in a body, but those of independent purpose and character who do not fear to be in the minority if right and might seem not well paired.

Mr. MOORE of Pennsylvania. All of which goes to show that the gentleman from Illinois, the gentleman from Massachusetts, and the gentleman from Pennsylvania agree that while they should very much regret to lose the membership here and the association of the gentleman from Nebraska, they hope he will continue to rise higher and higher until he sits in another body of this Congress, though not quite so distinguished as this.

Mr. SLOAN. To which proposition I do not even reserve the right to object.

Mr. MOORE of Pennsylvania. The gentleman is always modest, but too modest on this occasion for his own good.

Mr. SLOAN. Whatever my good may suffer from whatever cause I know I have friends in this House who will become my champions should occasion ever require.

Mr. WATSON of Pennsylvania. May I call the attention of the gentleman to the fact that a number of the corporations he mentioned with great capital had homes in the great State of Pennsylvania.

Mr. SLOAN. The gentleman from Pennsylvania who has just spoken is always loyal to the Keystone State. It is a great State. I think it is the greatest State on earth for one to have his parents married in. The fact is I selected it for the matrimonial contract of my parents. But, of course, great as it is, whoever having the opportunity to come to Illinois, Iowa, or Nebraska would certainly be derelict to their duty if they did not leave Pennsylvania. [Laughter.]

Mr. MADDEN. Will the gentleman allow me to interrupt him for a moment?

Mr. SLOAN. I am always glad to yield to the gentleman from Illinois.

Mr. MADDEN. I have watched the distinguished statesman from the State of Nebraska during his membership in the House with a great deal of interest, and I recognize in him one of the leading men of the Nation, who would reflect credit upon any State, to say nothing about Nebraska, one who will perform any function that will devolve upon him with ability and distinction. The people of Nebraska have reason to be proud that such a man speaks for them upon the floor of this House.

Mr. MOORE of Pennsylvania. Will the gentleman yield?

Mr. MADDEN. They will be still prouder if they shall take the first opportunity to select him to speak for them on the floor of the Senate. [Applause.]

Mr. MOORE of Pennsylvania. Now will the gentleman yield?

Mr. MADDEN. Yes.

Mr. MOORE of Pennsylvania. In the statement the gentleman has just made on behalf of the great Commonwealth of Illinois he at last agrees with the greater Commonwealth of Pennsylvania.

Mr. MADDEN. It is a great pleasure to know that occasionally Pennsylvania gets into the right line, that it sees straight, that it can recognize good in a man coming from an agricultural region such as that from which the gentleman from Nebraska hails.

Mr. MOORE of Pennsylvania. All of which I take it means SLOAN, of Nebraska.

Mr. MADDEN. And so I want to assure the people of Nebraska that I regret exceedingly to learn that they have commandeered our friend to enter the race for another body, and, having commandeered him, we sincerely hope that they will use the wisdom which they have thus far displayed to the ex-

tent of selecting him and commission him to speak for them in the future. [Applause.]

Mr. SLOAN. One thing I am greatly interested in is to know whether any of my distinguished friends who have "spoken my praise" happens to be the seventh son of a seventh son, because only to them is true prophecy granted.

Mr. WALSH. Will the gentleman yield for a question?

Mr. SLOAN. I yield to the gentleman from Massachusetts with the same readiness that I would to any other delightful temptation.

Mr. WALSH. The gentleman, in making inquiry with reference to prophecy, will recall that some time ago he did me the great honor of asking me to make a speech in his district. I want to assure him that at that time I took occasion to indulge in a prophecy which I find is being substantiated by my colleagues, the gentleman from Pennsylvania [Mr. Moore] and the gentleman from Illinois [Mr. Madden]; and that if I should have occasion to revisit that section of the gentleman's great State it would afford me great pleasure to tell the people of his district, or to say to them when the gentleman shall have been selected for a higher station in the legislative branch of the Government, "I told you so."

Mr. SLOAN. I thank the gentleman from Massachusetts for what he says here and what he said on that occasion. Do you know it is true that he spoke in the heart of my district, and that at the election following my majority was largely increased over what it was at the preceding election.

Much has been said and may be properly said about legislation suggested by heads of departments and by the executive branch. Some good, perhaps, can sometimes be done in that way. I do not here and now join in any particular criticism of that kind of legislation. This is true, that wherever there has been an Executive there has always been a desire to increase his power. It would be unnatural for a man in power not to ask for its increase. This fact was long dwelt upon by the framers of our Constitution. It was as strongly guarded against as seemed possible. But it was left largely with the representatives of each branch to zealously defend its own jurisdiction. The fault lies as fully with those who permit this invasion as those who would invade. We, as a great legislative body, perhaps should not be too seriously critical of those who would ask for grants of power. The criticism should come to us if we unduly grant it.

The bill that has been prepared by an executive department has been adverted to frequently. In order that history may be kept on straight, I shall ask that that bill be made a part of my remarks, so that it will be easy to compare what is finally granted in this bill with that which was originally asked. And I shall also offer the report of the committee showing the important lines of departure from the original bill.

And in addition to that I call your attention to one of the most important State papers issued during this war period. It was written by the Secretary of Agriculture, the Hon. David F. Houston, in which he discussed, and I trust the Members of this House will take occasion to read it at length when the opportunity presents, a system of legislation in a country with which we are now at war. He discusses the Reichstag, and says, among other things:

THE REICHSTAG NOT REPRESENTATIVE.

"But," it may be asked, "how can this be? The Reichstag is the popular house of the imperial parliament, and its members are elected by universal suffrage. Is this not conclusive evidence of popular participation and control?" *

The Reichstag is little more than a debating society. It was intended to be nothing more—to be a "sop" to the progressives. Its powers are great on paper but exceedingly small in reality. It has the constitutional function of passing on the budget, but the principal revenue laws are permanent. The Reichstag can neither increase nor decrease the schedules nor make any change in the existing situation unless the King of Prussia wishes it. This comes about in this way: The Bundesrat is the upper house of the imperial parliament. Its members are delegates from the various States, representing several State governments, and not the people. They vote according to instructions, and one member may cast the vote for any delegation. Fourteen members can defeat any measure, and the Government of Prussia—that is, the King of Prussia—controls 20 votes.

The Reichstag does not really initiate legislation. Important measures are first discussed in the Bundesrat; then they go to the Reichstag and back to the Bundesrat for approval. The initiative, for the most part, comes from the chancellor, who is also prime minister of Prussia. The ruler, as Emperor, may instruct the chancellor to prepare a measure; as King he may order him to introduce it and may direct amendments to be made and prevent changes.

I suggest these three documents as important for the consideration of every Member of the House of Representatives. In saying that I do not reflect upon any executive department or upon any executive, but I wish to call to the attention of the Members of the House that if criticism ever does come it will not be

more upon those who may demand undue power than upon the Members of the body whose duty it is to preserve to the people that power and who supinely grant that which was unduly asked. I think our highest duty is to preserve intact the functions and jurisdictions of this, the greatest and freest deliberative body anywhere throughout the world. [Applause.]

I think, perhaps, gentlemen, my time is nearly up, but I desire to say in closing as a final reason for supporting this measure that when the battle line established by Hindenburg the Hun, under the combined might of America and the seasoned strength of those who fight with us, has been smashed; when the arrogant Hohenzollern whose savagery added to civilization makes him the satanic personification of the century in his mad emulation of the mighty Macedonian, the imperial Roman, and the powerful Corsican, shall fall short of universal dominion; when his degenerate son, crazed by the ghosts of Verdun, shall desperately cling to the crown of a diminished Germany; when the allied powers shall take up the greatest burden of all time in the rehabilitation of continental Europe; and when the statesmen of our own great country shall be solving the problems of our post-war period, there will come a clamorous demand upon us as to why we enacted this colossal legislation. Its proportions, judged by its apparent effects, will be better reviewed and understood then than now. Our only answer in that day will be "We surveyed our circumstances; we considered our national needs; and acting in part upon the advice of those to whom the American people gave executive control, guided by our best judgment and the highest dictates of patriotism, created this weapon of war."

May we hope that it shall be placed in the hands of those who will so wield it that instead of an excuse or defense we may submit a modest boast? [Applause.]

Mr. MOORE of Pennsylvania. Mr. Chairman, I yield 15 minutes to the gentleman from Wyoming [Mr. MONDELL].

Mr. MONDELL. Mr. Chairman, the present paramount purpose of the American people is the winning of the war. To the fulfillment of that purpose within reason all else must for the time be subordinated. The first and compelling duty of the Congress is to enact such legislation, grant such authority, and make such appropriations as in the opinion of those charged with responsibility, in position to know conditions and qualified to judge of them believe to be essential in the carrying out of the Nation's purpose—that of strengthening the Nation's arm abroad and maintaining the best possible conditions at home.

It is from this point of view that I shall consider the legislation now before us. That it is radical, almost revolutionary, there can be no question. That it proposes a grant of power and authority which might be abused none who have carefully considered it can doubt. That under normal conditions it would not be seriously considered no thoughtful person will deny.

In this situation the one vital and controlling question is, Is legislation of this character necessary? Must some such legislation be enacted in order to so support and strengthen the financial and economic structure of the Nation as to enable our people to effectively bring to bear all of the Nation's mighty resources in the prosecution of the war? Must it be enacted in order to maintain the sound and safe industrial and economic conditions necessary to the winning of the war?

On this proposition I confess that after most careful and thoughtful consideration I am by no means free from doubt. The measure as presented to the Committee on Ways and Means was beyond question very objectionable and highly dangerous from any reasonable and legitimate standpoint. The measure as presented to us, after careful and painstaking scrutiny and consideration of the committee, is greatly improved, and I think it susceptible of further improvement when the House shall consider it under the five-minute rule.

It is true that the existence of certain conditions among the industrial and financial institutions of our country, as pointed out and suggested by the Secretary of the Treasury and others who appeared before the House committee, comes to us as something of a shock. It is true that the conditions thus outlined and portrayed raise a question as to the soundness of administration policies. It is true they constitute a serious reflection on the Federal Reserve System, which was purposed and promised to be so adaptable and elastic as to successfully tide us over times and conditions of stress and emergency.

It is true that it ought to be possible to so extend and simplify the provisions of the Federal Reserve System as to care and provide for a situation even as trying as that of the present emergency.

Were the expansion and extension of credit claimed to be necessary attempted or provided through the Federal Reserve System rather than through a new corporation and a new committee, all the machinery and organization of the Federal Re-

serve System could be utilized. It is proposed instead to establish what amounts to a new temporary Federal banking system, appoint a lot of new officers, and go to all the expense of building up a new enterprise of vast proportions. This seems like a rather roundabout and expensive way to secure the desired result.

While all these things are true, and the dangers of credit expansion, of unwise or ill-advised administration, of favoritism, or even worse must be admitted to be ever present in legislation of the scope and character of that proposed, we can not evade or safely disregard the evidence presented on behalf of the measure. Those largely responsible for the conduct of our financial system during the war, those who should be qualified to judge as to the financial, industrial, and economic situation in the country as affected by the war insist that there is a condition demanding the strengthening of industry and the sustaining of credit through some Federal agency. There is an equal insistence that it is not wise or practical at this time to so modify and adjust the Federal Reserve System as to meet the situation.

In view of these facts and argument I feel it my duty to resolve the doubts I entertain in favor of the legislation and support it, reserving the right to carefully consider such amendments as may be offered.

After all is said and done, the success or failure, the good or ill, which flows from a measure like this, largely depends on the character of the men called upon to administer it. That they should be men of sound integrity goes without saying. It is equally true that they should be men of ripe and mature judgment and wide experience. It is of the highest importance that the War Finance Corporation and the capital issues committee, provided for in this legislation, shall be so constituted that the people of the country shall have confidence that their action shall not be colored or tinted by partisanship, favoritism, or local interest. It is in the hope of such wise appointments and of fair and faithful administration that I give my support to the measure, trusting it may aid to sustain the institutions, the labor and the industry of our country to the successful winning of the war, which is the present paramount purpose of the Nation.

Mr. MEEKER. Will the gentleman yield?

Mr. MONDELL. I yield.

Mr. MEEKER. We understand that the original bill was sent in by the Treasury Department?

Mr. MONDELL. I think that was stated by the chairman of the committee in his opening speech.

Mr. MEEKER. And that bill was so absolutely unsound that it could not be considered for a minute?

Mr. MONDELL. Well, I think perhaps that is not entirely a fair statement of it. The committee did, however, change the bill quite radically.

Mr. MEEKER. And we propose to give that same gentleman jurisdiction over the finances of the country in this bill?

Mr. MONDELL. You mean in this bill the gentleman who proposed or suggested the original measure is at the head of the institution proposed to be established?

Mr. MEEKER. Yes, sir.

Mr. MONDELL. Well, that is true, but I do not know that it follows that a man, having sought more authority and jurisdiction than he ought to have, can not be trusted to wisely administer such limited authority and jurisdiction as the Congress sees fit to give him.

Mr. MEEKER. The point is this: Here is the financial representative of the administration. He comes to the committee asking for more with a bill which none of his own party will permit to be brought to the floor of this House, and yet it is proposed to hand everything over to that same man carte blanche under this bill.

Mr. MONDELL. The gentleman refers to Mr. McAdoo, Secretary of the Treasury. All men are human and all seek power and authority and control, sometimes in excess of what they should be given, and it is the duty of the Congress, and that duty has been exercised in this case, to restrict and control in the grant of power. Congress has wisely exercised its authority in that regard in this case, and even then it is granting an authority so broad that it might easily be abused. But in all human affairs we must trust some one, and in this particular crisis we must trust those who have been placed in posts of power and authority. Most people seem to think we need some additional financial legislation. Whether we provide it in this way or through the Federal reserve banks, Mr. McAdoo, as Secretary of the Treasury, will have large influence.

Mr. MOORE of Pennsylvania. Will the gentleman yield before he takes his seat?

Mr. MONDELL. I will.

Mr. MOORE of Pennsylvania. The gentleman has read the bill as reported?

Mr. MONDELL. I have read it very carefully.

Mr. MOORE of Pennsylvania. And he observed, in answer to the question just put to him by the gentleman from Missouri [Mr. MECKER], that the powers of the Secretary of the Treasury have been somewhat curtailed.

Mr. MONDELL. Very greatly curtailed, I should say.

Mr. MOORE of Pennsylvania. And that extension of power which the gentleman from Missouri referred to is not so extensive in the bill as it might have been?

Mr. MONDELL. Not nearly so extensive and all-pervading as it would have been under the legislation as first proposed. No man should have so wide a control over the affairs of the people, even in time of war, as the original bill gave the Secretary of the Treasury.

Mr. MOORE of Pennsylvania. I think it fair that that statement should go into the RECORD.

Mr. MONDELL. The bill has been very greatly improved. In the form in which it was introduced I could not have supported it. In the form into which the committee moulded it, after careful consideration I am glad to give it my support, though I have some doubts and some fears. I am depending somewhat upon the judgment of those who ought to know and who spoke before the committee, and still more on the good judgment of the members of the committee.

We are doing many things in this time of stress and war which we would not think of doing under other conditions. We are confronted by the anomalous situation that, engaged in a war to promote and strengthen and establish and sustain democracy, we are adopting temporarily the methods of autocracy. But we are not doing it because we love autocracy. We are doing it because we believe that only in this way can we bring the mighty forces of the Nation into effective coordination, in order that we may win the war. [Applause.]

Mr. MOORE of Pennsylvania. Mr. Chairman, I yield 15 minutes to the gentleman from New York [Mr. PLATT].

The CHAIRMAN. The gentleman from New York is recognized for 15 minutes.

Mr. PLATT. Mr. Chairman, this bill, apart from the provisions of section 200 to 205, which create and define the powers of the Capital Issues Committee, creates practically a new bank of gigantic proportions, to some extent an independent bank, and, generally speaking, an intermediary between the present commercial banks and the Federal Reserve System.

Now, the Federal reserve banks have a capital, all told, of \$73,000,000; yet this corporation is given a capital of \$500,000,000. I have heard that it was given a capitalization of \$50,000,000 as the bill was originally drawn, but then an extra cipher was stuck on for good measure before it was introduced. It ought to be understood, it seems to me, that there are other ways of doing what this corporation expects to do, and that they would probably be much less expensive. The Federal Reserve System, I believe, could handle this situation, as my friend the gentleman from California [Mr. HAYES] has said. I have seen no direct testimony from the Secretary of the Treasury or from Mr. Warburg, or from anybody connected with the Federal Reserve System, to the effect that it would be unequal to the task of handling the matter, of taking care of the securities and credits that are contemplated to be taken care of under this bill; and, in fact, the only real relief provided by it that I can see, apart from the loaning of the \$500,000,000 of capital, is that the credit issues—the bonds, so-called—of this corporation can be taken by the banks to which they will go as collateral and can be used as a basis for discount in the Federal reserve banks and for issues of Federal reserve notes.

Now, the Federal reserve banks are thoroughly sound. They had combined reserves over both notes and deposits on the 1st of February, 65.2 per cent. At the end of the month they were 66, and on Saturday last, according to the statement published in the New York newspapers, they were 64.5 per cent. A year ago they were 87.6. Gold reserves last Saturday were 62.5 per cent, and a year ago 86.1 per cent. That shows a pretty good-sized drain on the financial system during the year, but a year ago the Federal Reserve System was hardly at all used. The banks had hardly begun to make rediscounts, had not begun to ask relief, except a very few banks in some sections of the country. Of course, now they are seeking loans from the Federal reserve banks, and largely with bonds—Government bonds—as collateral for their notes. It would be a mere extension of power to allow them to loan, under certain conditions, on notes secured by other good bonds.

Mr. GARNER. Will the gentleman yield?

Mr. PLATT. Yes; I yield to the gentleman from Texas.

Mr. GARNER. The gentleman comes from the great State of New York. I want to ask him the question if there is a necessity for some legislation of this character?

Mr. PLATT. I think there is.

Mr. GARNER. The only difference the gentleman has with the committee that reported this bill is that he believes the relief could be given under the Federal Reserve System?

Mr. PLATT. Not the only difference with the committee; but the relief asked for under this bill could be given by the Federal Reserve System. Nobody connected with the Federal Reserve System has said that it could not be. It would be very much simpler and less expensive if it could be given in that way. I am not necessarily contending that it should be so given, but that it could be.

Mr. GARNER. Is it not necessary to pass legislation of this character giving relief to the Federal Reserve System?

Mr. PLATT. I believe some legislation is necessary, but not necessarily this legislation.

Mr. GARNER. You say you would not undertake to give it to the Federal Reserve System at this time, but that if it was necessary you would do it?

Mr. PLATT. I feel, with the chairman of the Banking and Currency Committee, Mr. GLASS, and with gentlemen who are connected with the Federal Reserve Board, that the Federal Reserve System ought to be kept on the basis of handling commercial short-term paper. But you must all admit that the central banks in Europe handle this kind of paper—that is, paper secured by bonds or stocks—and the Federal Reserve System could do it, and I believe with safety.

Mr. GARNER. The gentleman says that he believes that some relief is necessary. The gentleman comes from the great State of New York. I ask him the question whether he did not believe some relief should be had. I ask him now how he would give the relief.

Mr. PLATT. The gentleman does not give me a chance to develop any argument. With one section out of this bill, I do not know that I am greatly opposed to the plan here proposed. But I want to point out that it is a very cumbersome and very expensive system of doing something that could be done in another and much simpler way.

This bill creates another great new institution, another set of commissioners or trustees at \$12,000 a year each. It will be another addition to the tremendous bureaucracy already established, with elaborate offices, and many clerks and stenographers, and it is to do something that present institutions could do with some amendment to the Federal reserve act.

Our national banks all make loans on stock and bond collateral. The big banks, like the National City, the Chase National, the First National Bank of New York, and the Bank of Commerce make a large part of their loans on such collateral. Very often short-time loans are made on stock and bond collateral. Some of those notes are really commercial notes. The merchant puts up collateral that he happens to have because it is handy, and he can get a low rate of interest, perhaps; but those notes can not be taken to the Federal reserve bank and be rediscouted. Consequently the banks are chary in such times as these about making these loans and about furnishing money to be used for the capital requirements of any large corporation. They have done it in large amounts heretofore, and they could do it now if the Federal reserve act were so amended as to allow rediscounts under proper restrictions, such as are provided in this bill, directly through the Federal Reserve System. I share with my friend from Virginia [Mr. GLASS], as I have said, his doubts as to the expediency of doing that. This proposition has the one advantage, and the only advantage, of being a separate thing; it is limited to a certain period and will then go out of existence, while if we allow the relief to be given through direct rediscounts in the Federal Reserve System I am not so sure that you could limit it to any period, certainly not so easily.

Mr. GLASS. I was going to suggest to my colleague that the fact that the National City Bank and other large commercial banks do make extensive loans on stock-exchange collateral does not justify the practice for reserve banks. My friend knows very well that that was the curse of the old banking system. The very fact that these loans were made on stock collateral prevented these banks in times of emergency from responding to the commercial necessities of the business communities of the United States, and their failure to respond was reflected in smaller communities of the United States, and that very thing brought on panics. It was to relieve that situation that the Federal Reserve System was established—to cut the banking community of the United States away from that system.

Mr. PLATT. That is true, generally speaking, but, nevertheless, it is absolutely essential that some banks shall make loans on stock and bond collateral security. At that time the National City Bank and the big banks of New York City were the real reserve banks of the country. They were at the bottom of the

whole system. Now they are not. The Federal reserve banks stand back of them.

Mr. GLASS. I am not opposed to banks making loans on these securities to a limited extent, but what we had before was all the reserve funds of the country thrown into that vortex, and we broke that thing up. I am utterly opposed to an approach to anything like a resumption of that kind of thing.

Mr. PLATT. And I am myself, but I do not feel so sure as the gentleman that we could not authorize some loans from Federal reserve banks on such security with proper safeguards for the period of the war.

Mr. HAYES. I should like to ask the gentleman if he can see any difference between allowing the Federal Reserve System to take care of these obligations direct—that is, through the business channels now provided, with a little amendment—and permitting them to do it through the bonds or obligations of this proposed corporation? Is there any difference?

Mr. PLATT. I really think that there is no fundamental difference, and the only advantage of this thing is that it is self-limiting, and when the war is over it will stop.

Mr. GLASS. Is not that an immense difference?

Mr. PLATT. It is an immense difference, but at a tremendous expense.

Mr. GLASS. We recognize that this is an unprecedented emergency, and we establish an auxiliary method of doing the thing, having it understood, however, that it is not to be regarded as at all normal or as at all permanent. And then I call the attention of the gentleman from California [Mr. HAYES] to the fact that we penalize the privilege here.

Mr. PLATT. That is true.

Mr. GLASS. We do not permit rediscounting, except under penalty, and a pretty stiff minimum penalty of 1 per cent.

Mr. PLATT. Of course we could put that same penalty on for similar direct rediscounts.

Mr. HAYES. Sure.

Mr. PLATT. And have direct loans made from the Federal reserve banks to the member banks on the same kind of paper.

Mr. GLASS. That was not the question asked. The question was if we could not go right along in the usual, normal way and do this thing. I am opposed to doing it at all; but if you have got to do it, I want it done under a penalty. I want it distinctly understood that it is an unprecedented emergency, and that the only justification of it is that it is an emergency.

Mr. PLATT. We have got to do it, and we have got to find some way for the Federal Reserve System to help out, and that is what we are doing. We are putting another institution in between the Federal reserve banks and the business of the country, so that its paper can be substituted for ordinary stocks and bonds and put into the Federal Reserve System. The advantage of it is that it will stop after the war without much difficulty, but it is an enormously expensive way to do it. It would cost much less to do it directly, and I am not sure but that the capital of the Federal reserve banks could be added to by the Government, and in that way let the thing be done directly instead of in this indirect way.

Mr. HAYES. Will the gentleman allow me to interrupt him again? I do not want to annoy him, but I should like to ask him a question.

Mr. PLATT. I am glad to yield to the gentleman from California for a brief question.

Mr. HAYES. I want to ask if we could not put that limitation in an amendment just as well, that would make it apply to the Federal Reserve System, as to put it into this bill?

Mr. PLATT. I am not sure that you could not.

Mr. HAYES. So that automatically it would end with the end of the war.

Mr. PLATT. It seems to me possible to do that, but I think there are certain advantages in doing it this way, apart from section 9 of the bill, which provides for direct loans not going through the banks. I do not believe there is any necessity for that section.

Secretary McAdoo spoke of it as being put in there to take care of "those rare cases" where a corporation could not get capital accommodations from the banks, and certain instances of power companies, and so forth, were mentioned in the hearings, and I understand certain other cases were mentioned in executive hearings that were not published. But I want to call attention to the fact that the greatest matter of refunding corporation notes, that of the New York, New Haven & Hartford, \$43,000,000 of one-year notes, that fall due in April, the largest amount of corporation notes falling due on any one day during the year 1918, has already been taken care of without this act, and taken care of by selling new 7 per cent preferred stock, and by some help from the railroad \$500,000,000 revolving fund.

Now, so far as this matter applies to public utilities and railroads—and they were made much of in the hearings—they can all be taken care of by simply treating them in a common sense way. Their rates have been held down while all their expenses have gone up. Their purchasing power has been decreased and they have been starved. All you have got to do is to give them for the service they render the same purchasing power that they had before the war, and that is the common sense, fair, decent way to do it. Then they will take care of their own obligations. The confidence of the investing public will be restored, and that has got to be done. Already the Interstate Commerce Commission, which is about the slowest body on the face of the earth to move, has given the eastern railroads a 15 per cent increase on commodity rates. Why they limited it to commodity rates I do not know, but they did. But that is a good deal, and if they had done it six months ago it might not have been necessary for the Government to take over the railroads. They always fish behind the light. They are always late in doing everything. Now, if public utilities everywhere are treated in the same way, they will not need to be helped by the Government or by any such corporation as this.

The largest flotation of the year has already been taken care of, and unquestionably all these things can be taken care of through the banks if they are treated by common-sense methods. There will not be any necessity of direct loans from this corporation to any industry or corporation, if this corporation can occasionally help out the banks which finance the necessary war industries by rediscounting notes based on bonds or collateral. Neither Mr. McAdoo nor Mr. Warburg made out a very good case for the direct loans provided for in section 9.

Mr. GLASS. May I ask what assurance have we that the 15 per cent advance to the railroads is going to amount to anything? Suppose the demand from the railroad employees should absorb the 15 per cent, then you have got to give them 15 per cent more.

Mr. PLATT. If we are going on to grant every demand that comes along, that is what ought to be done. It ought to be known that the people are going to have to pay for these continued advances and demands by increased rates.

Mr. CHAIRMAN, I had intended to say something about the necessity of providing some relief for the savings banks, but that was sufficiently covered on Saturday by the gentleman from Tennessee [Mr. HULL], and my own statement in the hearings also covers it. I repeat that my chief objection to this bill is to section 9, which I think unnecessary and dangerous. If it can be stricken out, I should vote for the bill with no very serious misgivings, though without feeling entirely sure that it offers the best solution of the problems at hand.

Mr. MOORE of Pennsylvania. Mr. Chairman, I yield to the gentleman from North Carolina [Mr. KITCHIN].

Mr. KITCHIN. Mr. Chairman, I want to make a statement of about a minute. I think we will all agree that at least at 4.30 we ought to adjourn in honor of our deceased colleague. Now, in order to do that, suppose the debate goes along until 4.25, and then I ask unanimous consent, when the committee rises and goes back into the House, that we meet at 11 to-morrow, and that general debate proceed until 10 minutes after 12, and then go into the consideration of the bill under the five-minute rule. I ask if that will be satisfactory.

Mr. MOORE of Pennsylvania. And the remaining debate will be adjusted between those hours?

Mr. KITCHIN. Yes; and your side can have all except five minutes to-morrow.

Mr. STAFFORD. Will the gentleman yield?

Mr. KITCHIN. Yes.

Mr. STAFFORD. Of course there is much demand for time under general debate that will not be accommodated. If we agree to that plan, will the gentleman have it tacitly understood that in the consideration of the bill under the five-minute rule there will be some latitude for debate?

Mr. KITCHIN. If there is to be any hope in that that we can get through to-morrow—

Mr. STAFFORD. We can not forecast the length of time that will be occupied under the five-minutes rule on this very important bill.

Mr. KITCHIN. It is a very important bill, and we have given two days of general debate to it.

Mr. STAFFORD. The most of the debate has been taken up by the committee.

Mr. KITCHIN. The opposition had all the time it asked for. It was understood between us all that the opposition would have two and one-half hours and that that was satisfactory, although they wanted more. We agreed yesterday afternoon that general debate should close when we adjourned this evening at not later

than 5.30. So if we adjourn at 4.30 and have an hour and ten minutes to-morrow it will be what we agreed upon Saturday.

Mr. HAYES. The arrangement was made that those opposing the bill should have two hours and a half or one-third of the time whatever it was.

Mr. MOORE of Pennsylvania. Will the gentleman yield for a moment? With respect to what the gentleman from California has just stated, I want to say that on Saturday night tender of time was made to the gentleman from California and his colleagues opposed to the bill. This morning the first opportunity was afforded them. The gentleman from California [Mr. HAYES] took one full hour. Subsequently another hour was given to the gentleman from Pennsylvania. That made two hours. Then 15 minutes to the gentleman from New York [Mr. PLATT], so that there has been as fair an arrangement as could possibly be made. Now, 15 minutes more are assured to the gentleman in opposition.

Mr. KITCHIN. I will say, too, that I have cut out eight Members who wanted to speak, so that we could give you gentlemen on that side all the time that was possible and adjourn early this afternoon.

Mr. HAYES. We had an understanding that we were to have one-third of the time, and that would take care of us all right.

Mr. KITCHIN. I asked the gentleman if two and a half hours would be sufficient, and I understood him to say that would be satisfactory. I tried to guarantee him that two hours and a half.

Mr. HAYES. Can not we continue general debate to 1 o'clock to-morrow? There are others who will have something to say.

Mr. KITCHIN. That would be all right if we could hurry up and not ask for extensions under the five-minute rule.

Mr. HAYES. This is an important bill and many amendments are going to be offered.

Mr. MONDELL. It does not seem to me that it will be possible to conclude the bill to-morrow.

Mr. KITCHIN. Let us do the best we can. I will say to the gentleman and to the committee that I am not going to cut off bona fide debate on fair amendments to perfect the bill.

Mr. MONDELL. I thought we could reach an agreement better if we realized how impossible it is to conclude the bill to-morrow night.

Mr. GILLETT. Let me suggest that a good many Members who could not get time in general debate wish to state briefly their position on the bill.

Mr. KITCHIN. That would be under the five-minute rule; yes.

Mr. GILLETT. That will take some little time, I am sure.

Mr. KITCHIN. Let us make this arrangement that I suggested, and I will say to the gentleman from Wisconsin [Mr. STAFFORD] and all others that we will not have any disposition to cut it off.

Mr. STAFFORD. That was the purpose of my making that suggestion.

Mr. KITCHIN. This is a very important matter and we should, if possible, quicken the passage of the bill. There are other bills to come after this which should be disposed of as early as possible. We must have another bond-issue act, and we ought to get that through by at least March 26, for the reason that they hope the Treasury Department can start another liberty-loan campaign on April 6, a very psychological time, as we declared war on April 6 a year ago. It will take a week, or about two weeks, to get the advertisements in shape and the machinery going to put this campaign over, and they can not do that until they know exactly the authorization of the bill. That is the reason I am pushing this as much as possible. Will there be any objection to the request I made awhile ago when we get into the House?

Mr. HAYES. I would suggest that the gentleman make it 1 o'clock.

Mr. KITCHIN. Oh, the gentleman will get his half hour.

Mr. HAYES. If the gentleman says that, all right.

Mr. KITCHIN. The gentleman will get it if we have to give it to him under the five-minute rule.

Mr. CANNON. Mr. Chairman, if the gentleman will yield, I have heard two principal speeches and a part of a third one to-day. I have been very busy about other matters. I could not be here constantly, but when I have dropped in for a few minutes at a time there has been present only about the number that is present here now, so that the real consideration of this bill before the House will be under the five-minute rule. If I am here, as I shall probably not be, most of to-morrow, for I shall have to be in conference, I am going to ask that there be a quorum present.

Mr. KITCHIN. The gentleman means when we get into consideration of the bill under the five-minute rule?

Mr. CANNON. Yes; that is the real debate, and I do not believe that you can close this thing or ought to close it to-morrow.

Mr. MOORE of Pennsylvania. Mr. Chairman, I yield five minutes to the gentleman from Massachusetts [Mr. TREADWAY].

Mr. TREADWAY. Mr. Chairman, this measure, known as the War Finance Corporation bill, is so completely at variance with all previous methods of loans on business transactions and with normal methods of doing business that opposition to it from men experienced in banking matters was perfectly natural. I think I am breaking no committee confidences when I say that my personal idea, gathered from various members of the committee in informal conversation, was that when the original bill was introduced the Committee on Ways and Means was not disposed to favor the legislation. To-day the committee is unanimous for its passage, and two things have brought this result. One, an explanation by the Secretary of the Treasury and by Mr. Warburg of the absolute need of the bill, and, second, various changes that the committee has made from the original form.

That the bill is purely within the scope of a war measure was made very plain in Mr. Warburg's testimony, as was stated by the gentleman from Michigan on Saturday. In answer to a question as to how he regarded this kind of legislation in normal times, Mr. Warburg replied it would be "absolutely rotten." The fact that it is war legislation is recognized in the life of the corporation it establishes, whereby the affairs of the corporation cease within a limited period after the close of the war.

The proposed legislation is extremely drastic, but I for one am convinced that it is thoroughly needed. I agree with criticisms that have recently been made on the floor of the House against accepting every piece of legislation desired or proposed by anyone of the executive departments on the plea that forms in which offered carry with them the only possible correct method.

In a recent issue of the Springfield (Mass.) Union appears a striking cartoon showing Mr. McAdoo starting out for work in the morning. He has seven different jobs, and the final one is the general manager of the \$500,000,000 United States corporation. This is further illustrated by the following squib from a Philadelphia newspaper:

Poor Mr. McAdoo!
Think of the jobs he's hitched up to—
The Treasury, the railroad crew,
The income tax, and then a few.
Each week they hand him something new
To tax his time and temper, too.
He has to know when loans are due,
What source to get his billions through,
What fund to pass each dollar to,
Which tax is what, and who is who;
What bonds to sell and what renew,
Which "trust" to coax and which to sue.
He stretches out each day to two
To do the things he has to do.
The job would flounder me or you,
But its a clinch for McAdoo!

[Laughter.]

In the formation of the War Finance Corporation, Mr. McAdoo desired complete authority in the appointment both of the board and of the capital issues committee. This power has been, in name at least, taken away from him in that the appointments must be made by the President and confirmed by the Senate. We have also very much abbreviated the powers of the capital issues committee. Briefly the situation is this. The original bill would not be recognized by its own father. The idea of its need came from the Secretary of the Treasury. The bill giving the necessary machinery to the administration has been framed by the Ways and Means Committee. We recognize that it carries with it huge possibilities of inflation of credits, but this is not the time when normal objections hold good.

Capital must be provided for carrying on the industries necessary in the conduct of the war, and, as the Government is requiring practically the entire business of the country, it is proper that it should furnish the capital with which to carry on the business. All large business requires extension of credit, and that is exactly the foundation of this legislation. The Government is engaged in a stupendous business proposition requiring unlimited capital, and is asking assistance of the going business concerns of the country in carrying on its business. In order to have such business successfully carried on, it must provide the capital through a system of loans and credits. That is what this bill does. It establishes a Government board able to extend cash credit to the banks to the amount of \$500,000,000, with an additional loan of two billions through bonds or notes. It not only puts this amount into cir-

culation, but the amount that this will offer as credit when this is itself loaned through the various channels.

The opponents of the bill argue that an extension of the power of the Federal Reserve Board could provide extension of credits to business. The Federal Reserve Board is recognized as a great success in general methods of banking. One of the basic principles of the organization is it handles only liquid paper, whereas in this bill long-time collateral in the issuing of bonds and stock will be accepted. The marked difference between the two is readily recognized and the two kinds of collateral ought not to be handled under the same auspices.

The willingness shown to pass this bill is another illustration of absolute harmony in the management of the war and the desire of all parties to work together to the one aim of its satisfactory conduct and conclusion. [Applause.]

Mr. KITCHIN. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. GARRETT of Tennessee, 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. 10608, and had come to no resolution thereon.

HOUR OF MEETING TO-MORROW.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock a. m. to-morrow.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that when the House adjourns to-day it adjourn to meet at 11 o'clock a. m. to-morrow. Is there objection?

There was no objection.

ORDER OF BUSINESS.

Mr. KITCHIN. Mr. Speaker, I ask unanimous consent that the former order closing debate this afternoon be rescinded, and that general debate upon the War Finance Corporation bill close to-morrow at 10 minutes after 12 o'clock.

The SPEAKER. The gentleman from North Carolina asks unanimous consent that the former order touching the general debate upon this bill be rescinded, and the general debate proceed until 10 minutes after 12 o'clock to-morrow. Is there objection?

Mr. LONGWORTH. Will the gentleman yield? Suppose somebody should make a point of no quorum, thereby cutting out a portion of the time?

Mr. SISSON. We will not let them do it.

Mr. FESS. Suppose there is some order or—

Mr. KITCHIN. Then, we will make some other arrangement.

Mr. GILLETT. Why not say an hour and 10 minutes for general debate?

Mr. KITCHIN. In order that we may have a certain time? I will ask unanimous consent again if anybody makes the point of no quorum.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none.

EXTENSION OF REMARKS.

Mr. McFADDEN. Mr. Speaker, I ask unanimous consent to extend and revise my remarks.

The SPEAKER. The gentleman from Pennsylvania asks unanimous consent to extend his remarks on the pending bill. Is there objection? [After a pause.] The Chair hears none.

THE LATE REPRESENTATIVE JOHN H. CAPSTICK.

Mr. BROWNING. Mr. Speaker, it is my painful duty to announce to this House the death of my colleague, the Hon. JOHN H. CAPSTICK, late a Representative from the fifth district for the State of New Jersey. Mr. CAPSTICK died yesterday morning at his home, Montville, N. J., shortly after 10 o'clock. I shall not attempt at this time to say anything regarding his good qualities or eulogize him in any way, but I shall at a future date ask that a day be set aside on which to pay tribute to his character and valuable public services. I send to the Clerk's desk the following resolutions:

The SPEAKER. The Clerk will report the resolution.

The Clerk read as follows:

House resolution 286.

Resolved, That the House has heard with profound sorrow of the death of Hon. JOHN H. CAPSTICK, late a Representative from the State of New Jersey.

Resolved, That a committee of 16 Members of the House, with such Members of the Senate as may be joined, be appointed to attend the funeral.

Resolved, That the Sergeant at Arms of the House be authorized and directed to take such steps as may be necessary for carrying out the

provisions of these resolutions, and that the necessary expenses in connection therewith be paid out of the contingent fund of the House.

Resolved, That the Clerk communicate these resolutions to the Senate and transmit a copy thereof to the family of the deceased.

The resolution was unanimously agreed to.

The SPEAKER. The Clerk will announce the committee.

The Clerk read as follows:

Messrs. EAGAN, GLASS, HAYES, PARKER of New Jersey, PHELAN, WOODS of Iowa, SCULLY, BROWNING, HAMIL, DRUKKER, BACHARACH, HUTCHINSON, RAMSEY, GRAY of New Jersey, LEHLBACH, and LINTHICUM.

The SPEAKER. The Clerk will report the additional resolution.

The Clerk read as follows:

Resolved, That as a further mark of respect this House do now adjourn.

The resolution was agreed to.

ADJOURNMENT.

Accordingly (at 4 o'clock and 32 minutes p. m.) the House, under its previous order, adjourned until to-morrow, Tuesday, March 19, 1918, at 11 o'clock.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Acting Secretary of Labor, transmitting a list of useless papers in the Department of Labor (H. Doc. No. 977); to the Committee on Disposition of Useless Executive Papers and ordered to be printed.

2. A letter from the Acting Secretary of the Navy, transmitting a proposed draft of a bill to establish certain new ratings in the Navy (H. Doc. No. 978); to the Committee on Naval Affairs and ordered to be printed.

3. A letter from the Secretary of the Treasury, transmitting copy of communication from the Secretary of the Navy submitting a supplemental estimate of appropriation required by the Naval Establishment for the fiscal year ending June 30, 1919 (H. Doc. No. 979); to the Committee on Naval Affairs and ordered to be printed.

4. A letter from the Acting Secretary of War, transmitting an itemized report of audit of accounts of American National Red Cross for the year 1916, made by the Inspector General of the Army (H. Doc. No. 980); to the Committee on Expenditures in the War Department and ordered to be printed.

5. A letter from the Secretary of the Treasury, transmitting copy of communication of the Postmaster General submitting an urgent estimate of deficiency in the appropriation for public printing and binding for the Post Office Department for the fiscal year ending June 30, 1918 (H. Doc. No. 981); to the Committee on Appropriations and ordered to be printed.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. AUSTIN: A bill (H. R. 10818) to authorize the county of Loudon, in the State of Tennessee, to construct a bridge across the Tennessee River near London, Tenn.; to the Committee on Interstate and Foreign Commerce.

By Mr. NICHOLLS of South Carolina: A bill (H. R. 10819) to amend an act entitled "An act to amend an act entitled 'An act to provide for the appointment of a district judge, district attorney, and marshal for the western district of South Carolina, and for other purposes,' approved September 1, 1916," so as to change the time of holding courts in the western district of South Carolina; to the Committee on the Judiciary.

By Mr. STEENERSON: Resolution (H. Res. 283) requesting the Secretary of the Navy to furnish information regarding the conduct of the crew of the *Tuscania* at the time of the sinking thereof; to the Committee on Naval Affairs.

By Mr. MASON: Resolution (H. Res. 284) requesting the State Department to make an investigation as to the alleged arrest of Jeremiah Lynch, an American citizen, and the circumstances connected therewith and make a report to Congress; to the Committee on Foreign Affairs.

By the SPEAKER: Memorial from the State of Wisconsin, relating to the loyalty and war work of the State of Wisconsin; to the Committee on Military Affairs.

By Mr. DAVIDSON: Memorial from the Legislature of the State of Wisconsin, in reference to excess profits and war revenue; to the Committee on Ways and Means.

Also, memorial from the Legislature of the State of Wisconsin, in reference to the privilege of sending mail without the payment of postage; to the Committee on the Post Office and Post Roads.

PRIVATE BILLS AND RESOLUTIONS.

Under clause 1 of Rule XXII, private bills and resolutions were introduced and severally referred as follows:

By Mr. ASHBROOK: A bill (H. R. 10820) granting an increase of pension to Tyler D. Park; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10821) granting an increase of pension to Isaac Hawk; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10822) granting an increase of pension to Sylvester Peters; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10823) granting an increase of pension to Cornelius Albertson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10824) granting an increase of pension to Francis McCoy; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10825) granting an increase of pension to Oliver M. Remington; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10826) granting an increase of pension to Asa C. Leach; to the Committee on Invalid Pensions.

By Mr. AUSTIN: A bill (H. R. 10827) granting a pension to James C. Lynch; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10828) granting a pension to John H. Smith; to the Committee on Pensions.

Also, a bill (H. R. 10829) granting an increase of pension to Jacob Hamon; to the Committee on Invalid Pensions.

By Mr. BLAND: A bill (H. R. 10830) granting an increase of pension to Daniel L. B. Downey; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10831) granting an increase of pension to William L. Stephenson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10832) granting an increase of pension to William D. Daniels; to the Committee on Pensions.

By Mr. CRAMTON: A bill (H. R. 10833) granting an increase of pension to Ameno Hoard; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10834) granting an increase of pension to Benjamin A. Sturtevant; to the Committee on Invalid Pensions.

By Mr. HULL of Tennessee: A bill (H. R. 10835) granting a pension to Lafayette York; to the Committee on Pensions.

By Mr. KEARNS: A bill (H. R. 10836) granting a pension to Connell O. Jennings; to the Committee on Pensions.

By Mr. KNUTSON: A bill (H. R. 10837) granting an increase of pension to Alonzo Green; to the Committee on Invalid Pensions.

By Mr. SLEMP: A bill (H. R. 10838) granting an increase of pension to Mary A. Lawson; to the Committee on Invalid Pensions.

By Mr. WILLIAMS: A bill (H. R. 10839) granting an increase of pension to Aaron McEndre; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10840) granting an increase of pension to Pleasant Crissip; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10841) granting an increase of pension to William Frailey; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10842) granting a pension to David M. Allen; to the Committee on Invalid Pensions.

PETITIONS, ETC.

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

By Mr. ASHBROOK: Evidence to accompany House bill 5256, for special relief for Corline O. Beum; also evidence to accompany House bill 1775, for special relief of Ezra L. Eckis; to the Committee on Pensions.

By Mr. BLAND: Evidence in the case of William D. Daniels, special pension bill; to the Committee on Pensions.

Also, evidence in the case of Daniel L. B. Downey; to the Committee on Invalid Pensions.

By Mr. CAREW: Resolution of the Chamber of Commerce of the State of New York, favoring the payment of the excess-profits tax in installments; to the Committee on Ways and Means.

By Mr. CARY: Resolution of the Wisconsin Daily League, proposing an amendment on the subject of second-class postage rates; to the Committee on Ways and Means.

By Mr. DALE of New York: Resolution of the Central Federated Union of Greater New York and Vicinity, recommending certain action if the Government takes charge of the railroad land; to the Committee on the Public Lands.

Also, petition of Alan R. Hawley, president of the Aero Club of America, protesting against the proposed reduction of pay of aviators; to the Committee on Appropriations.

Also, memorial of the Bohemian National Alliance of America, showing the attitude of the Bohemian people toward Austria and the future peace; to the Committee on Foreign Affairs.

Also, petitions and resolutions of Travelers' Club of Western Pennsylvania; Kinsley Wowan's Club, Kinsley, Kans.; Travelers' Club, Newark, N. J.; Ida Grove (Iowa) Civic Club; Civic Club of Philadelphia; Delta Shakespeare Club, Lake Village, Ark.; America Wood-Preservers' Association; Woman's Civic Club of Radford, Va.; Tuesday Club, River Falls, Wis.; Kappa Alpha Theta Alumnae Club, Greencastle, Ind.; Widmodians Club, Gordon, Ga.; Luverne Tourist Club, Luverne, Minn.; De Laval Separator Co.; Woman's Press Club, Cincinnati, Ohio; Woman's Council, Akron, Ohio; General Federation Magazine; and Association of National Advertisers, all urging the repeal of the second-class postage provisions of the war-revenue act; to the Committee on Ways and Means.

By Mr. ESCH: Memorial of the Association of National Advertisers, favoring the repeal of the second-class postage provisions of the war-revenue act; also, a resolution of the Wisconsin Daily League, proposing a definite amendment to this part of that law; to the Committee on Ways and Means.

By Mr. FULLER of Illinois: Petitions of Agricultural Publishing Association of Chicago; Ida Grove Civic Club, of Ida Grove, Iowa; Woman's Shakespeare Club, of Fort Worth, Tex.; Kinsley Woman's Club, of Kinsley, Kans.; Pen and Brush Club of New York; Amboy Woman's Club, of Amboy, Ill.; General Federation of Woman's Clubs; Monday Club, of Marshall, Mich.; Dr. A. H. Churchill, of Oswego, Ill.; Mrs. Thomas E. Goode, of Morris, Ill.; Illinois Fireman's Association; Cedar Falls (Iowa) Chapter of Daughters of the American Revolution; and Pierien Club, of Trinidad, Colo., urging the repeal of the second-class postage provisions of the war-revenue act; to the Committee on Ways and Means.

By Mr. HILLIARD: Petition of Nella E. Bradbury, Mrs. V. M. Elston, Helen M. Ames, Mary Sedgley, Mrs. Minnie B. Wade, Miss Sallie Barriger, Mrs. Emma Lane, Mrs. M. L. Parks, Mrs. S. L. McLeese, Mrs. F. M. Montgomery, Guy Cox, Mabel C. Payne, Florentin Ehret, Iris V. Heath, May McCoy, E. E. Shepherd, E. B. Jencks, W. G. Hardy, C. A. Robinson, Mrs. W. A. Whitmeyer, and 46 others, all citizens of the State of Colorado, praying for immediate war prohibition; to the Committee on the Judiciary.

Also, resolutions adopted by the Tuesday Club, of River Falls, Wis.; American Wood Preservers' Association; Kinsley Woman's Club, of Kinsley, Kans.; Woman's Civic Club of Radford, Va.; Thursday Literary Club, of St. Albans, W. Va.; Woman's Century Club, of Nampa, Idaho; Travelers' Club of Western Pennsylvania; Somerset Chautauqua Circle, of Somerset, Ky.; Ida Grove Civic Club, of Ida Grove, Iowa; Peripatetic Club of Brookhaven, Miss.; Civic Club of Philadelphia, Pa.; the Luverne Club, of Luverne, Minn.; Association of National Advertisers (Inc.); Delta Shakespeare Club, of Lake Village, Ark.; Minot Art Club, of Minot, N. Dak.; Seattle Class Journal Publishers' Association; and Woman's Press Club, of Cincinnati, Ohio, protesting against increased postage rates on periodicals; to the Committee on Ways and Means.

By Mr. KENNEDY of Rhode Island: Resolution of Army and Navy Committee of Newport, R. I., urging acquisition of Codington Point, R. I., for Newport Naval Training Station; to the Committee on Naval Affairs.

Also, petitions of A. J. Loepsinger, of Providence, R. I.; R. W. Reid, of Woonsocket, R. I.; and L. D. Burlingame, of Providence, R. I., protesting against withdrawal of House bill 2878 from Committee on Coinage, Weights, and Measures; to the Committee on Coinage, Weights, and Measures.

By Mr. LINTHICUM: Petition of Clayton E. Willard and 236 other employees of the Government Printing Office, urging that the compensation of compositors in the Government Printing Office be increased; to the Committee on Appropriations.

Also, petition of Rev. Charles W. Baldwin, of Baltimore, Md., urging the appointment of an Army chaplain for each 1,200 soldiers; to the Committee on Military Affairs.

Also, memorial and resolutions of Woman's Literary Club of Baltimore; Wednesday Club, Fort Smith, Ark.; Daughters of the American Revolution, Cedar Falls, Iowa; General Federation of Women's Clubs; Monday Club, Marshall, Mich.; Thursday Literary Club, St. Albans, W. Va.; Woman's Civic Betterment Club, Roanoke, Va.; Sorosis Club, Chillicothe, Mo.; Wednesday Morning Club, Cranford, N. J.; Penelope Club, Fort Worth, Tex.; and Pen and Brush, all opposing the zone system for second-class postage; to the Committee on Ways and Means.

By Mr. O'SHAUNESSY: Petition of Dr. Roland Hammond, editor Rhode Island Medical Journal, and resolution of the Providence Medical Association, favoring the Dyer bill (H. R. 9563) and the Owen bill (S. 3748); to the Committee on Military Affairs.

By Mr. REED: Papers to accompany House bill 10809, granting a pension to Isaac Lunham; to the Committee on Pensions.

By Mr. ROSE: Memorial of the Chamber of Commerce of Johnstown, Cambria County, Pa., recommending that the existing revenue law be so amended as to authorize the payment of the total excess-profits taxes in four installments, on the 15th of June, August, October, and December of the year 1918, and each year thereafter; to the Committee on Ways and Means.

Also, memorial of the Chamber of Commerce of Roaring Spring, Blair County, Pa., recommending that the existing revenue law be so amended as to authorize the payment of the total excess-profits taxes in four installments, on the 15th of June, August, October, and December of the year 1918, and each year thereafter; to the Committee on Ways and Means.

By Mr. TEMPLE: Petition of the United Presbyterian Congregation of New Bedford, Pa., to prohibit the manufacture and sale of all intoxicating liquors to conserve food, fuel, shipping space, and men needed in useful employments; to the Committee on the Judiciary.

Also, evidence in support of House bill 10056, increasing the pension of Henry F. Sager; to the Committee on Invalid Pensions.

By Mr. STINESS: Petition of Providence Medical Association, favoring the passage of legislation creating advanced rank for officers of the Medical Corps of the Army; to the Committee on Military Affairs.

Also, petition of Shawmut Lodge, No. 1297, Loyal Order of Moose, favoring passage of the act to incorporate the Supreme Lodge of the World, Loyal Order of Moose; to the Committee on Interstate and Foreign Commerce.

Also, petition of L. D. Burlingame, of Providence, R. I., protesting against the withdrawal of House bill 2878 from the Committee on Coinage, Weights, and Measures; to the Committee on Coinage, Weights, and Measures.

Also, petition of A. J. Loepsinger, of Providence, R. I., protesting against withdrawal of House bill 2878 from the Committee on Coinage, Weights, and Measures; to the Committee on Coinage, Weights, and Measures.

By Mr. YOUNG of North Dakota: Resolutions adopted by the American Society of Equity, favoring Government control of railroads as a war measure; to the Committee on Interstate and Foreign Commerce.

Also, resolution of the American Society of Equity, urging modifications in grain-grading act; to the Committee on Agriculture.

Also, resolution adopted by Farm Managers' Association of Fargo, N. Dak., asking that if deferred classification can not be obtained that the call be postponed until after the crop is planted, owing to necessity of retaining skilled farm labor; to the Committee on Military Affairs.

SENATE.

TUESDAY, March 19, 1918.

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

Almighty God, we have come to the tragic time when patriotism means death, when the challenge of our devotion to our country puts in the balance the lives of many men, if not our own death the death of our boys whom we love better than our own lives. O God, grant us wisdom and grace as we make every preparation for the test that has been brought to us, that with clear judgment, with conscience void of offense, and with a consecration to the great purpose to which we are committed, we may be led on of God to the complete victory for the ideals for which we stand in the world. For Christ's sake. Amen.

The Journal of yesterday's proceedings was read and approved.

PETITIONS AND MEMORIALS.

Mr. MYERS. I present a joint memorial of the Legislature of Montana for the submission of a constitutional amendment to give women the right of suffrage, which I ask may be printed in the RECORD.

There being no objection, the memorial was ordered to be printed in the RECORD, as follows:

House joint memorial No. 2.

Memorial to the Senate in Congress of the United States to pass an amendment to the Federal Constitution and submit the same to the several States for ratification, extending and giving throughout the United States the right of suffrage to women.

To the honorable Senate in Congress of the United States of America:

Your memorialists, the members of the Fifteenth Legislative Assembly of the State of Montana, the senate and house concurring, respectfully represent:

Whereas the State of Montana has granted the franchise for the ballot to the women of this State and accorded to them equal political rights; and

Whereas the woman's suffrage in this State has been conducive to good government, has purified our politics, made better homes, and the ennobling influence of Montana's womanhood, exerted at the polls, has been for the best interests of this young and prosperous Commonwealth; and

Whereas there is now pending in the Senate in Congress of the United States a measure known as the "Susan B. Anthony amendment to the Constitution of the United States," the purpose of which measure is to propose an amendment to the Constitution of the United States extending and giving throughout the United States the right of suffrage to women, and which measure has been passed by the House of Representatives, and is now pending in the Senate: Now, therefore, be it

Resolved by the house of representatives (the senate concurring), That we, the members of the Fifteenth Legislative Assembly of the State of Montana, in extraordinary session assembled, do hereby petition and earnestly pray the Senate of the United States that such measure so proposing an amendment to the Constitution of the United States extending and giving throughout the United States the right of suffrage to women, be passed and submitted to the several States for ratification; and

Resolved further, That a copy of this memorial be forwarded by the secretary of the State of Montana to the Senate of the United States; and that copies hereof be transmitted to the Senators in Congress of the United States from the State of Montana.

JAMES F. O'CONNOR,
Speaker of the House.
W. W. McDOWELL,
President of the Senate.

Approved February 23, 1918.

S. V. STEWART,
Governor.
C. T. STEWART,
Secretary of State.

Filed February 23, 1918, at 2:30 o'clock p. m.

UNITED STATES OF AMERICA,
State of Montana, ss:

I. C. T. Stewart, secretary of state of the State of Montana, do hereby certify that the foregoing is a true and correct copy of house joint memorial No. 2, petitioning the Senate in Congress of the United States to pass an amendment to the Federal Constitution and submit the same to the several States for ratification, extending and giving throughout the United States the right of suffrage to women, enacted by the extraordinary session of the Fifteenth Legislative Assembly of the State of Montana, and approved by S. V. Stewart, governor of said State, this 23d day of February, 1918.

In testimony whereof, I have hereunto set my hand and affixed the great seal of said State. Done at the city of Helena, the capital of said State, this 12th day of March, A. D. 1918.

[SEAL]
C. T. STEWART,
Secretary of State.

Mr. MYERS presented a petition of the live-stock division of the National Food Administration for Montana, of Missoula, Mont., praying for the opening of certain withdrawn areas for the purpose of grazing, which was referred to the Committee on Public Lands.

He also presented a petition of the live-stock division of the Food Administration for Montana, praying for the enactment of legislation giving homesteaders credit for certain work performed on the homestead, which was referred to the Committee on Public Lands.

He also presented a petition of the live-stock division of the Food Administration for Montana, praying for the suspension of the operation of the 640-acre homestead act during the war and for one year thereafter, which was referred to the Committee on Public Lands.

Mr. KNOX presented a petition of sundry citizens of Altoona, Pa., praying for the adoption of an amendment to the Constitution to prohibit polygamy, which was referred to the Committee on the Judiciary.

He also presented petitions of sundry citizens of Philadelphia, of Local Branch No. 47, Glass Bottle Blowers' Association, of Sheffield, and of the National Woman's Party of Chambersburg, all in the State of Pennsylvania, praying for the submission of a Federal suffrage amendment to the legislatures of the several States, which were ordered to lie on the table.

He also presented a petition of Typographical Union No. 77, of Erie, Pa., praying for an increase of pensions to veterans of the Civil War, which was referred to the Committee on Pensions.

He also presented a petition of the Newspaper Publishers' Association, of Pittsburgh, Pa., praying for the recoinage of the 2-cent piece, which was referred to the Committee on Banking and Currency.

Mr. THOMPSON. I have here resolutions passed by the Kansas State Live Stock Association at the annual convention in Wichita February 28, which I ask may be printed in the RECORD without reading. They are very short.

There being no objection, the resolutions were ordered to be printed in the RECORD, as follows:

Whereas the President of the United States has declared that our present and immediate task is to win the war; and
Whereas he has set forth that the chief aim of the war is to secure a permanent peace guaranteed by a partnership of free nations: Therefore be it