

419. Also, petition of Lodge No. 289, Boiler Makers' of Dunsuir, Calif., supporting House bill 10367; to the Committee on Interstate and Foreign Commerce.

420. Also, petition of Red Bluff Chamber of Commerce, favoring plan for a system of national highways and appointment of a highway commission; to the Committee on Roads.

421. Also, petition of Grand Lodge No. 171, Benevolent and Protective Order of Elks, urging deportation of all undesirable aliens; to the Committee on Immigration and Naturalization.

422. Also, petition of Allied Council of the American Shoe and Leather Industries, opposing discrimination by Indian Government to tanners of the British Empire; to the Committee on Ways and Means.

423. By Mr. THOMPSON: Petition of Boiler Makers, Local No. 409, Van Wert, Ohio, opposing Cummins bill and supporting Sims bill; to the Committee on Interstate and Foreign Commerce.

424. By Mr. YATES: Petition of Roger Casement Branch of Friends of Irish Freedom, by Thomas Bolger, secretary, McHenry, Ill., urging the support of the claims of the Irish republic to recognition by our Government; to the Committee on Foreign Affairs.

425. Also, petition of George N. Carlson, Waukegan, Ill., urging the early passage of House bill 4987, known as the Mason bill; to the Committee on Military Affairs.

426. Also, petition of Landis Lodge, No. 342, Brotherhood of Railway Clerks, Chicago, Ill., protesting against the Cummins bill; to the Committee on Interstate and Foreign Commerce.

427. Also, petition of D. W. Williams, Chicago, Ill., urging the early passage of House bill 4987, the Mason bill; to the Committee on Military Affairs.

SENATE.

TUESDAY, December 16, 1919.

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

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

Almighty God, we invoke Thy divine blessing upon us to-day as we come facing the responsibilities which press upon us, duties that are so far-reaching in their implications. We seek God's guidance and blessing that we may be qualified not only after the manner of men but men inspired by the spirit of God for these solemn responsibilities of life. Hear us and equip us for our duties to-day. For Christ's sake. Amen.

The Secretary proceeded to read the Journal of the proceedings of the legislative day of Friday, December 12, 1919, when, on request of Mr. JONES of Washington and by unanimous consent, the further reading was dispensed with and the Journal was approved.

Mr. GAY. Mr. President, I suggest the absence of a quorum. The VICE PRESIDENT. The Secretary will call the roll.

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

Ball	Hale	McLean	Smith, Ga.
Bankhead	Harding	McNary	Smith, S. C.
Calder	Harris	Moses	Smoot
Capper	Harrison	Nelson	Spencer
Culberson	Henderson	New	Stanley
Cummins	Johnson, S. Dak.	Newberry	Sterling
Curtis	Jones, N. Mex.	Norris	Sutherland
Dial	Jones, Wash.	Nugent	Thomas
Dillingham	Kendrick	Overman	Townsend
Edge	Kenyon	Page	Trammell
Elkins	Keyes	Phipps	Walsh, Mont.
Fernald	King	Polindexter	Warren
Fletcher	Knox	Pomerene	Watson
France	La Follette	Ransdell	Wolcott
Frelinghuysen	Lenroot	Sheppard	
Gay	McCormick	Sherman	
Gronna	McKellar	Simmons	

Mr. WALSH of Montana. I desire to announce that the Senator from Nebraska [Mr. HITCHCOCK] and the Senator from Oregon [Mr. CHAMBERLAIN] are absent on public business.

Mr. SHEPPARD. I have been requested to announce that the Senator from Virginia [Mr. SWANSON] is detained by illness in his family.

Mr. MCKELLAR. The Senator from Arizona [Mr. ASHURST], the Senator from Kentucky [Mr. BECKHAM], the Senator from Arkansas [Mr. KIRBY], the Senator from Maryland [Mr. SMITH], and the Senator from Massachusetts [Mr. WALSH] are absent on official business.

Mr. BANKHEAD. I wish to announce that my colleague [Mr. UNDERWOOD] is detained from the Senate on public business.

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

PERSONAL EXPLANATION—TREATY OF PEACE.

Mr. WALSH of Montana. Mr. President, the Washington Post of this morning contains an article in which reference is made to an alleged interview with myself on yesterday. The part to which I refer reads as follows:

Senator WALSH of Montana, who was the chief reliance of the administration Senators throughout the heated debates on the treaty, said yesterday:

"The Democratic Senators are inwardly seething over the position taken by the President. They are all wondering whether the statement was really written by the President or by some cheap politician assuming to speak the President's mind."

Referring to what purported to be a statement emanating from the White House a few days ago. Prominence is given to that part of the article by a reference to it in the large headlines of the article.

I acknowledge the high compliment paid me in the article by referring to me as "the chief reliance of the administration Senators" in connection with the treaty; but I desire to say that there is no foundation whatever for the assertion that I so expressed myself. I made no such statement to anybody, at any time, or at any place. Indeed, I did not even comment to anybody on the statement referred to, coming from the White House; and I will add that I know of no such sentiment or state of mind among my colleagues on this side of the Chamber.

I make this statement not so much in exoneration of myself as to apprise the public as to how reliable some of the reports in the press are.

DISTRIBUTION OF DOCUMENTS.

The VICE PRESIDENT laid before the Senate a communication from the Secretary of the Interior, transmitting, pursuant to law, a statement showing the documents received and distributed by the Department of the Interior during the fiscal year 1919, which was ordered to lie on the table and be printed.

WOMAN SUFFRAGE.

The VICE PRESIDENT. The Chair lays before the Senate a certified copy of a joint resolution adopted by the Legislative Assembly of the State of North Dakota ratifying the proposed amendment to the Constitution of the United States extending the right of suffrage to women. The joint resolution will be printed in the RECORD and placed on the files of the Senate.

The joint resolution is as follows:

Special session of the Sixteenth Legislative Assembly, State of North Dakota, begun and held at the capitol in the city of Bismarck, on Tuesday, the 25th day of November, 1919.

S. B. No. 1. A joint resolution ratifying a proposed amendment to the Constitution of the United States.

Be it enacted by the Legislative Assembly of the State of North Dakota—

Whereas the Sixty-sixth Congress of the United States of America, at the first session begun and held at the city of Washington on Monday, the 19th day of May, 1919, by a constitutional majority of two-thirds thereof, made and passed the following proposal to amend the Constitution of the United States of America in the following words, to wit: "Joint resolution proposing an amendment to the Constitution extending the right of suffrage to women."

Resolved by the Senate and House of Representatives of the United States of America in Congress assembled (two-thirds of each House concurring therein), That the following article is proposed as an amendment to the Constitution, which shall be valid to all intents and purposes as part of the Constitution when ratified by the legislatures of three-fourths of the several States.

"Article —

"The right of citizens of the United States to vote shall not be denied or abridged by the United States or by any State on account of sex.

"Congress shall have power to enforce this article by appropriate legislation": Therefore be it

Resolved by the Legislative Assembly of the State of North Dakota, duly convened, That the said foregoing proposed amendment to the Constitution of the United States of America be, and the same is hereby, ratified by the Legislative Assembly of the State of North Dakota: And be it further

Resolved, That certified copies of this joint resolution be forwarded by the governor of this State to the Secretary of State for the United States of America, at Washington, D. C., and to the President of the Senate and the Speaker of the House of Representatives of the National Congress.

Approved December 5, 5:45 p. m., 1919.

LYNN J. FRAZIER,
Governor.
H. R. WOOD,
President of the Senate,
W. J. PRATER,
Secretary of the Senate,
L. L. STAN,
Speaker of the House,
GEORGE A. TOTTEY, JR.,
Chief Clerk of the House.

This certifies that the within bill originated in the Senate of the Sixteenth Legislative Assembly of the State of North Dakota, and is known on the records of that body as Senate bill No. 1.

W. J. PRATER, *Secretary of the Senate.*
Filed in this office at 2 o'clock p. m., this 8th day of December, 1919.

THOMAS HALL,
Secretary of State.
By MAURICE W. DUFFY,
Deputy.

Approved December 5, 5.45 p. m., 1919.
LYNN J. FRAZIER, *Governor.*

PETITIONS AND MEMORIALS.

Mr. SIMMONS presented a petition of Local Lodge No. 1155, Benevolent and Protective Order of Elks, of High Point, N. C., praying for the enactment of legislation providing for the suppression of Bolshevism and the deportation of undesirable aliens; which was referred to the Committee on Immigration.

He also presented resolutions adopted by the faculty of Mount Holyoke College, South Hadley, Mass., and of the Philomusian Club of Philadelphia, Pa., favoring the early ratification of the peace treaty, which were ordered to lie on the table.

Mr. TOWNSEND presented a petition of the Mitts Branch of Women's Christian Temperance Union, of Port Huron, Mich., and a petition of the faculty of Adrian College, Adrian, Mich., praying for the immediate ratification of the peace treaty with certain reservations; which were ordered to lie on the table.

He also presented a petition of William C. Stark Post No. 97, American Legion, of Adrian, Mich., praying for the enactment of legislation providing for the protection of the country from undesirable aliens; which was referred to the Committee on Immigration.

He also presented a petition of the Credit Men's Association of Grand Rapids, Mich., praying for the enactment of legislation providing for a budget system, which was referred to the special committee to devise a plan for a national budget system.

Mr. HARRISON presented a petition of Local Lodge No. 606, Benevolent and Protective Order of Elks, of Biloxi, Miss., and a petition of Local Lodge No. 1120, Benevolent and Protective Order of Elks, of Pascagoula, Miss., praying for the enactment of legislation providing for the deportation of undesirable aliens; which were referred to the Committee on Immigration.

Mr. JOHNSON of South Dakota presented petitions of sundry citizens of Spencer, Lake Preston, Lane, Cavour, Sisseton, and Wessington, and of the Young Men's Booster Association of Sioux Falls, all in the State of South Dakota, praying for the exemption of lyceum courses from the provisions of the so-called "luxury tax," which were referred to the Committee on Finance.

He also presented a petition of the faculty of the Dakota Wesleyan University, Mitchell, S. Dak., praying for the early ratification of the treaty of peace with Germany, which was ordered to lie on the table.

Mr. CAPPER presented petitions of sundry citizens of Enterprise, Peru, and Hill City, all in the State of Kansas, praying for the repeal of the so-called "luxury tax" on Chautauqua tickets, which were referred to the Committee on Finance.

He also presented a memorial of Local Union No. 356, Amalgamated Sheet Metal Workers International Alliance, of Parsons, Kans., remonstrating against the passage of the so-called Esch railroad bill and favoring a two years' extension of Government operation of railroads, which was referred to the Committee on Interstate Commerce.

He also presented a petition of Local Lodge No. 1127, Benevolent and Protective Order of Elks, of Great Bend, Kans., praying for the enactment of legislation providing for the deportation of undesirable aliens, which was referred to the Committee on Immigration.

Mr. SUTHERLAND presented a petition of Local Lodge No. 282, Benevolent and Protective Order of Elks, of Moundsville, W. Va., praying for the enactment of legislation providing for the deportation of undesirable aliens, which was referred to the Committee on Immigration.

Mr. FLETCHER. I ask to have printed in the RECORD certain extracts, telegrams, resolutions, and letters which I have received relative to the ratification of the treaty of peace with Germany.

There being no objection, the matter referred to was ordered to be printed in the RECORD, as follows:

METHODISTS ASK SENATE TO PASS PEACE TREATY.

LAKELAND, December 11.

Pursuant to previous announcements, the seventy-sixth session of the Florida annual conference of the Methodist Episcopal Church South met in the Methodist Church here yesterday morning at 9 o'clock, Bishop Warren A. Candler, of Atlanta, Ga., presiding.

The following resolutions, offered by Edward F. Ley, D. B. Sweat, W. A. Myers, and C. Fred Blackburn, after many amendments were defeated and live speeches were made, were adopted:

"Whereas the Senate of the United States has given much time to the consideration of a treaty of peace prepared by the Hon. Woodrow Wilson, President of the United States, to the Senate for adoption; and

"Whereas the unsettled conditions of our own Nation, as well as the nations of the world in general, are in a measure due to the lack of the adoption of a treaty of peace by our Government; and

"Whereas the text of the treaty submitted by Mr. Wilson is as nearly complete and satisfactory as any that we believe is possible at this time: Therefore be it

"Resolved, That this conference, representing a constituency of 40,000 citizens of our Commonwealth, respectfully but urgently request the Senate of the United States to adopt, as early as possible, the peace treaty submitted by Mr. Wilson, without material amendments or reservations.

"Resolved, That the secretary of this conference wire immediately a copy of these resolutions to President Woodrow Wilson and Vice President, the Hon. THOMAS R. MARSHALL, President of the Senate, and to the two Senators from Florida, the Hon. DUNCAN U. FLETCHER and Hon. PARK M. TRAMMELL."

[From the Tampa Morning Tribune.]

THE APPEAL FOR THE TREATY.

The case with regard to the treaty and the league of nations covenant is well put in a letter written by a Newport (R. I.) man in the form of an address to the United States Senate. He presents to the Senators certain facts which they appear to have overlooked in their desire to serve prejudice.

Here is what he has to say to them:

"There are 8,000,000 dead men watching you every moment and listening to your every word. Picture these men as ranged around you while you talk. Imagine the Senate Chamber to be surrounded by ascending tiers of seats in circles that ever rise until 8,000,000 dead young men are seated and watching you with their sightless eyes.

"There they are, gentlemen. You can not escape from them. There they are, all dead and all young. Eight million beautiful young men, the pick of the human race, and every one of them a corpse. Yet every one of these beings, with sunken eyes, is gazing at you, calling to you, raising his bony hands in appeal."

The idea of the new fellowship of peoples as contained in the league of nations is too fine a thing to be cast lightly aside. The votes on the league at the last session showed that two-thirds of the Senate, with a clear sentiment of the country behind them, are eager that the United States should accept the treaty and covenant. They realize that the peace of the world can not be preserved except by the mutual trust, co-operation, and good faith of America and Europe. They look upon the league as an effort to do what all sane peoples should desire and do desire. They should give it a fair and earnest trial.

NEW YORK, N. Y., December 15, 1919.

Senator DUNCAN U. FLETCHER,

Washington, D. C.:

TO THE PRESIDENT OF THE UNITED STATES AND TO THE MEMBERS OF THE SENATE OF THE UNITED STATES.

GENTLEMEN: The board of directors of the Merchants' Association of New York, believing that there is a moral and an economic obligation resting upon the United States of America promptly to act upon the treaty of peace, which has been under consideration for many months, presents this petition. With the utmost earnestness we respectfully appeal to you to make such mutual concessions as will permit an immediate ratification of the peace treaty, with such reservations as will, either now or later, permit our participation in a league of nations without impairing the safety or the sovereign powers of the United States. We therefore call on you, Mr. President, to resubmit the draft of the proposed treaty to the Senate, in order that its immediate further consideration may be imposed upon that body. We call upon you, gentlemen of the Senate, promptly to act on the peace treaty, with such reservations as will now or later permit our participation in a league of nations without surrender of the sovereign powers of the United States. No pride of opinion, no desire for partisan benefit, should prevent or further delay them until concessions, which apparently alone will bring formal ratification of peace, and thus permit the concentration of Congress and our people upon definite measures necessary to aid our own and European recovery from war conditions.

Respectfully submitted.

THE BOARD OF DIRECTORS OF THE
MERCHANTS' ASSOCIATION OF NEW YORK,
By WILLIAM FELLOWS MORGAN, *President.*

AMERICAN SUPPLY & MACHINERY MANUFACTURERS' ASSOCIATION,

OFFICE OF SECRETARY TREASURER, 4106 WOOLWORTH BUILDING,
New York, December 12, 1919.

To the Hon. DUNCAN U. FLETCHER.

Resolution unanimously passed by our officers, executive committee, and advisory board in special session at the Waldorf-Astoria Hotel, New York, December 9.

DEAR SIR: As the American Supply & Machinery Manufacturers' Association is purely a business association and avoids even the appearance of partisanship in politics, it is thought that an expression of judgment that includes the desires of both our Republican and Democratic members as to your current action upon the treaty with Germany and the league of nations will have your respectful and serious consideration.

Our industry, as you doubtless realize, is one of the key industries in the restoration of industrial life throughout the world. Its prosperity is not only essential to a quick return of industry to normal conditions, but in view of the loss of man power by warfare, machinery must multiply the efficiency of labor if mankind is to be properly fed, clothed, and sheltered.

We note with alarm the serious decrease in production and the tendency of the peoples of the world to live for and unto themselves. We note the arrogance of the rulers of Germany and, on the other hand, the pleadings of our recent allies and the weak nations for help and protection against policies that make for war.

It is the judgment of our people, and, we believe, all true Americans, that a treaty be signed without delay. We ask that among our statesmen in the Senate a spirit of concession prevail. We say to you in all seriousness that disaster will follow a further delay caused either by obstinacy of opinion or partisanship.

As the effects of signing are not unalterable, and as immediate action is necessary to save the industry of the country, we, the Republicans and Democrats in this great industry, hereby respectfully voice our demand for a signed treaty.

GEO. T. BAILEY, *President.*

Mr. FLETCHER. I also present resolutions adopted by St. Johns Post No. 37, American Legion, of St. Augustine, Fla., which I ask to have printed in the RECORD and referred to the Committee on the Judiciary.

There being no objection, the resolutions were referred to the Committee on the Judiciary and ordered to be printed in the RECORD, as follows:

CITY OF ST. AUGUSTINE,
St. Augustine, Fla., December 11, 1919.

Senator D. U. FLETCHER,
Washington, D. C.

MY DEAR SENATOR: Inclosed find copy of resolution No. 135 which is self-explanatory. The city administration of the city of St. Augustine, Fla., appreciates your supporting any legislation that will assist in upholding law and order of our land and suppress any unlawful act or acts that may be committed by those inclined to be un-American.

Very truly, yours,

EUGENE MASTERS,
City Manager.

Resolution 135. Introduced by Commissioner Lopez.

Whereas St. Johns Post, No. 37, the American Legion, has requested that the city of St. Augustine, Fla., express itself to our United States Senators and Representatives in the Congress of the United States relative to rigid legislation in reference to the un-American acts of the Industrial Workers of the World who have been disseminating propaganda of the most anarchistic type and who have counseled acts of violence and disregard for the law; and

Whereas the city commission of the city of St. Augustine, Fla., mindful of the history of our country and of the trials through which our Government has gone, and knowing full well that these United States can only exist upon principles founded upon the firm basis of loyalty, justice, and patriotism: Therefore be it

Resolved, That our honorable United States Senators and our honorable Representatives in the lower House of the Congress be, and they are hereby, urged and requested to vote for, support, and uphold their fellow statesmen in the battle for Americanism which is being now waged, and to make every effort to secure the passage of rigid laws for the suppression of crime, especially those grades of crime which are aimed at the very heart of free government, free institutions, and the enjoyment of liberty; and be it further

Resolved, That a copy of these resolutions be mailed to each of our Representatives in the Congress, a copy to the local post of the American Legion, and a copy be handed the press of our city.

Passed in open session of the commission this 2d day of December, A. D. 1919.

H. W. DAVIS, Acting Mayor.

Attest:
C. G. OLDFATHER,
City Auditor and Clerk.
[Seal of the city of St. Augustine.]

FRANCIS S. PEABODY.

Mr. SHERMAN. Mr. President, I ask unanimous consent to present a telegram from 400 coal dealers in Chicago protesting against the appointment of Francis S. Peabody on the commission to settle the wage scale of soft-coal miners. I ask that it be printed in the RECORD but not read. It is very short.

There being no objection, the telegram was ordered to be printed in the RECORD, as follows:

CHICAGO, ILL., December 12, 1919.
Senator L. Y. SHERMAN,
The Northumberland, Washington, D. C.:

Four hundred independent coal dealers of Chicago protest against the appointment of Francis S. Peabody as a representative on the commission to be appointed by the President to settle the wage scale of the United Mine Workers, for the reason that we do not believe the public will get a fair deal, as George W. Reed, local fuel administrator appointed by Dr. Garfield as his representative, has discriminated against the independent coal companies in Chicago, he being vice president of the Peabody Coal Co. at Chicago and using his office to further the interests of coal companies dominated by the Peabody Coal Co.

WM. O'ROURKE,
Secretary Independent Coal Dealers' Organization
Committee of Chicago.

REGULATION OF STREET TRAFFIC IN WASHINGTON CITY.

Mr. SHERMAN. I also ask unanimous consent to present for the 12th of December, the 24 hours ending at that time, the usual list of personal injuries to persons run over by automobiles in the city of Washington. I ask that it be printed in the RECORD.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

WOMAN IS FELLED BY AUTO AND KILLED—MARY JACKSON, COLORED, DIES AT HOSPITAL—BABY BARELY ESCAPES DEATH.

[From the Evening Star, Dec. 12.]

"A fatal traffic accident occurred at Twenty-fourth and I Streets last night about 7.45 o'clock, a colored woman about 55 years old, giving her name as Mary Jackson, being knocked down by an automobile and so badly injured that she died at Emergency Hospital at 8.15 o'clock this morning.

"Andrew J. Parker, 426 Eleventh Street NE., and Mrs. Maud Parker, his wife, were occupants of the automobile. It is stated that the automobile was going east on I Street, and that the colored woman, walking north on Twenty-fourth Street, stepped directly in front of the moving car, the driver being unable to bring the vehicle to a stop in time to prevent the accident,

MOTORIST GIVES FIRST AID.

"Quickly stopping his automobile, Mr. Parker rendered first aid and took the sufferer to Columbia Hospital. Later she was transferred to Emergency Hospital, where she died. She managed to tell hospital attendants that her name was Mary Jackson, but was unable to give her address before lapsing into unconsciousness.

"Death resulted from an injury to her head, police reported. Mr. Parker explained to the police the circumstances under which the accident occurred and will appear at an inquest at the morgue this afternoon.

BABY BARELY ESCAPES DEATH.

"Scores of pedestrians at Fourteenth and G Streets about 4.30 o'clock yesterday afternoon witnessed a traffic accident in which Francis R. Bell, jr., 2 years old, 1819 G Street, narrowly escaped death. The little fellow, accompanied by his parents, was being pushed in a perambulator, when an Army motor truck suddenly appeared and struck the outfit.

"The child, it was feared, had been crushed by the heavy vehicle, but parents and spectators quickly learned that he had only received slight bruises and was shocked. He was taken to Emergency Hospital. J. L. Morton, 811 Florida Avenue, was driver of the truck.

OTHER COLLISIONS.

"A collision between the automobiles of Donald Frenzel, Fairfax, Va., and Carl Bell, 1248 Twenty-seventh Street, occurred at Thirty-first and M Streets shortly after 2 o'clock this morning. The Virginian's car was badly damaged, but its occupant escaped injury.

"Harry Fowler, 14 years old, 314 Tenth Street SE., rode his bicycle against an automobile at Pennsylvania Avenue and Eighth Street SE. yesterday afternoon. His wheel was damaged, but he was not hurt.

"Automobiles of H. L. Rust, 912 Fifteenth Street, and L. E. Hutchinson, 1814 Fourteenth Street, collided at Fifteenth and T Streets yesterday afternoon and were badly damaged."

REPORTS OF COMMITTEE ON CLAIMS.

Mr. SPENCER, from the Committee on Claims, to which was referred the bill (S. 3422) authorizing the Commissioner of Internal Revenue to refund any amount imposed as a penalty for failure to pay income tax within a specified time, asked to be discharged from its further consideration and that it be referred to the Committee on Finance; which was agreed to.

He also, from the same committee, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

H. R. 683. An act for the relief of William E. Johnson (Rept. No. 330);

H. R. 1812. An act making an appropriation to compensate James M. Moore for damages sustained while in the service of the Government of the United States (Rept. No. 331);

H. R. 5348. An act for the relief of Mrs. Thomas McGovern (Rept. No. 332); and

H. R. 5665. An act for the relief of Carlow Avellina (Rept. No. 333).

GEORGE B. GATES.

Mr. SPENCER, from the Committee on Claims, reported the following resolution (S. Res. 262):

Resolved, That the bill (S. 2675) entitled "A bill to compensate George B. Gates for the infringement of his letters patent by the United States," now pending in the Senate, together with all the accompanying papers, be, and the same is hereby, referred to the Court of Claims, in pursuance of the provisions of an act entitled "An act to codify, revise, and amend the laws relating to the judiciary," approved March 3, 1911; and the said court shall proceed with the same in accordance with the provisions of such act and report to the Senate in accordance therewith.

SALARIES OF FIREMEN IN THE DISTRICT OF COLUMBIA.

Mr. CALDER. At the special session of Congress a bill was passed readjusting the pay of policemen in the city of Washington. There is a bill which goes with that, another measure readjusting the pay of the firemen of the city of Washington. I have been directed by the Committee on the District of Columbia to report back favorably with an amendment the bill (H. R. 10137) to amend an act entitled "An act to classify the officers and members of the fire department of the District of Columbia, and for other purposes," approved June 20, 1906; and for other purposes, and I submit a report (No. 329) thereon. I ask unanimous consent for the present consideration of the bill.

Mr. McLEAN. Mr. President—

Mr. CALDER. I think it will not take more than two or three minutes. I will withdraw the consideration of the bill if it takes more than five minutes.

Mr. THOMAS. It was tacitly understood that the adjournment was had for the purpose of giving the Senator from Connecticut [Mr. McLEAN] an opportunity to call up the confer-

ence report on the banking bill, and I think we should observe that understanding. I therefore object to the consideration of this bill this morning.

The VICE PRESIDENT. The bill will be placed on the calendar.

WHITE RIVER BRIDGE, ARKANSAS.

Mr. SHEPPARD. From the Committee on Commerce I report back favorably, without amendment, the bill (S. 3371) authorizing Gordon N. Peay, jr., his heirs and assigns, to construct, maintain, and operate a toll bridge and approaches thereto across the White River, and I submit a report (No. 334) thereon. I direct the attention of the Senator from Arkansas [Mr. KIRBY] to the measure.

Mr. KIRBY. I ask for the immediate consideration of the bill.

There being no objection, the bill was considered as in Committee of the Whole, and it was read as follows:

Be it enacted, etc., That Gordon N. Peay, jr., his heirs and assigns, be, and they are hereby, authorized to construct, maintain, and operate a toll bridge and approaches thereto across the White River at a point suitable to the interests of navigation, within or near the limits of the town of Des Arc, in the county of Prairie, in the State of Arkansas, in accordance with the provisions of the act entitled "An act to regulate the construction of bridges over navigable waters," approved March 23, 1906.

Sec. 2. That the right to alter, amend, or repeal this act is hereby expressly reserved.

The bill was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

BILLS INTRODUCED.

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

By Mr. KNOX:

A bill (S. 3556) for the relief of Frank Schoble, jr.; to the Committee on Military Affairs.

By Mr. HARRISON:

A bill (S. 3557) granting a pension to Charles B. Crawford; to the Committee on Pensions.

By Mr. OVERMAN:

A bill (S. 3558) authorizing the establishment of a forest experiment station at Asheville, N. C.; to the Committee on Agriculture and Forestry; and

A bill (S. 3559) for erecting a suitable memorial to Sir Walter Raleigh; to the Committee on the Library.

By Mr. FERNALD:

A bill (S. 3560) granting a pension to Russell S. Beckwith (with accompanying papers); to the Committee on Pensions.

By Mr. HARDING:

A bill (S. 3561) granting an increase of pension to John D. Halbert; and

A bill (S. 3562) granting an increase of pension to Harry Coyan; to the Committee on Pensions.

By Mr. POINDEXTER:

A bill (S. 3563) extending the period of limitations for the commencement of actions for the punishment of violators of the draft act approved May 18, 1917, and amendments thereto; to the Committee on the Judiciary.

AMENDMENT TO RAILROAD CONTROL BILL.

Mr. FRELINGHUYSEN submitted an amendment intended to be proposed by him to the bill (S. 3288) further to regulate commerce among the States and with foreign nations, and to amend an act entitled "An act to regulate commerce," approved February 4, 1887, as amended, which was ordered to lie on the table and to be printed.

LUDWIG C. A. K. MARTENS.

Mr. KENYON submitted the following resolution (S. Res. 263), which was referred to the Committee to Audit and Control the Contingent Expenses of the Senate:

Whereas one Ludwig C. A. K. Martens claims to be an ambassador to the United States from the Russian Soviet Government; and
Whereas according to newspaper reports he refuses to answer certain questions before the Lusk Investigating Committee in the city of New York, a committee appointed to investigate propaganda against this Government, on the ground that he is such ambassador and entitled to diplomatic privileges; and
Whereas said Martens has headquarters in the city of New York and is alleged to be directing propaganda against this Government; and
Whereas according to this testimony before said Lusk committee he came to this country as a German citizen and is a member of the Communist Party, pledged to overthrow capitalistic systems of government the world over; and
Whereas said Martens, according to his said testimony, regards this Government as a capitalistic government: Now, therefore, be it

Resolved, That the Committee on Foreign Relations is hereby authorized and directed, through the full committee or through any subcommittee thereof, to investigate as speedily as possible the status of said Martens, what alleged government or power in Europe he represents; what, if any, recognition of any kind has been accorded him by this Government; whether or not he is an alien enemy; what propaganda, if any, he is carrying on for the overthrow of governments, and all

facts and circumstances relating to his activities in this country and his alleged diplomatic representation, and make report to the Senate of such findings.

The said committee is hereby empowered to sit and act at such time and place as it may deem necessary; to require, by subpoena or otherwise, the attendance of witnesses, the production of books, papers, and documents; to employ stenographers, at a cost not exceeding \$1 per printed page. The chairman of the committee, or any member thereof, may administer oaths to witnesses. Subpoenas for witnesses shall be issued under the signature of the chairman of the committee or subcommittee thereof. Every person who, having been summoned as a witness by authority of said committee or any subcommittee thereof, willfully makes default, or who, having appeared, refuses to answer any question pertinent to the investigation heretofore authorized, shall be held to the penalties provided by section 102 of the Revised Statutes of the United States.

The expense thereof shall be paid from the contingent fund of the Senate on vouchers ordered by said committee, signed by the chairman thereof and approved by the Committee on Contingent Expenses.

HISTORY OF THE WASHINGTON NAVY YARD.

Mr. STANLEY submitted the following resolution (S. Res. 264), which was referred to the Committee on Printing:

Resolved, That there be reprinted and extended to date Senate Document No. 22, 1889, "A History of the Navy Yard, Washington, D. C."

HAMILTON V. KENTUCKY DISTILLERIES & WAREHOUSE CO.

Mr. GORE. Mr. President, I ask unanimous consent to have printed in the RECORD and to have printed as a public document the opinion of the Supreme Court of the United States in the so-called war-time prohibition case, being the case of Hamilton against Kentucky Distilleries & Warehouse Co.

The VICE PRESIDENT. Without objection, it is so ordered. The opinion is as follows:

SUPREME COURT OF THE UNITED STATES.

(Nos. 589 and 602.—October term, 1919.)

589. Elwood Hamilton, Collector of Internal Revenue, appellant, v. Kentucky Distilleries & Warehouse Co. Appeal from the District Court of the United States for the Western District of Kentucky.

602. Alphons Dryfoos, Eugene Blum, and Eugene Bascho, appellants, v. William H. Edwards, Collector of Internal Revenue. Appeal from the District Court of the United States for the Southern District of New York.

[Dec. 15, 1919.]

Mr Justice Brandeis delivered the opinion of the court.

The armistice with Germany was signed November 11, 1918. Thereafter Congress passed and, on November 21, 1918, the President approved the war-time prohibition act (ch. 212, 40 Stat. 1045, 1046), which provides as follows:

"That after June 30, 1919, until the conclusion of the present war and thereafter until the termination of demobilization, the date of which shall be determined and proclaimed by the President of the United States, for the purpose of conserving the man power of the Nation, and to increase efficiency in the production of arms, munitions, ships, food, and clothing for the Army and Navy, it shall be unlawful to sell for beverage purposes any distilled spirits, and during said time no distilled spirits held in bond shall be removed therefrom for beverage purposes except for export. * * *"

On October 10, 1919, the Kentucky Distilleries & Warehouse Co., owner of distillery warehouses and of whisky therein, brought in the District Court of the United States for the Western District of Kentucky a suit against Hamilton, collector of internal revenue for that district, alleging that the above act was void or had become inoperative and praying that he be enjoined from interfering, by reason of that act, with the usual process of withdrawal, distribution, and sale of the whisky in bond. The case was heard before the district judge on plaintiff's motion for a preliminary injunction and defendant's motion to dismiss. A decision without opinion was rendered for the plaintiff; and, the defendant declining to plead further, a final decree was entered granting a permanent injunction in accordance with the prayer of the bill. A similar suit seeking like relief was brought on October 29, 1918, by Dryfoos, Blum & Co. in the District Court of the United States for the Southern District of New York against Edwards, collector for that district. That case was heard on November 5 before the district judge on like motions for a preliminary injunction and to dismiss. An opinion was filed November 14, 1919, holding the act in force, and on the following day a final decree was entered dismissing the bill.

The essential facts in the two cases differ in this: In the Kentucky case the whisky was stored in a distillery warehouse; the plaintiff was the maker of the whisky; had owned it prior to the passage of the act; and had, since June 30, 1919, paid the revenue tax on part of it. In the New York case the liquors were in general and special bonded warehouses; the plaintiffs were jobbers, and it does not appear when they became the owners of the liquors. Both cases come here by direct appeal under section

238 of the Judicial Code, were argued on the same day, and may be disposed of together. Four contentions are made in support of the relief prayed for: (1) That the act was void when enacted because it violated the fifth amendment; (2) that it became void before these suits were brought by reason of the passing of the war emergency; (3) that it was abrogated or repealed by the eighteenth amendment; (4) that by its own terms it expired before the commencement of these suits. These contentions will be considered in their order.

First. Is the act void because it takes private property for public purposes without compensation in violation of the fifth amendment? The contention is this: The Constitution did not confer police power upon Congress. Its power to regulate the liquor traffic must therefore be sought for in the implied war powers; that is, the power "to make all laws necessary and proper for carrying into execution" the war powers expressly granted. (Art. I, sec. 8, clause 18.) Congress might under this implied power temporarily regulate the sale of liquor and, if reasonably necessary, forbid its sale in order to guard and promote the efficiency of the men composing the Army and the Navy and of the workers engaged in supplying them with arms, munitions, transportation, and supplies. (*McKinley v. United States*, 249 U. S., 397, 399.) But the exercise of the war powers is, except in respect to property destroyed by military operations (*United States v. Pacific Railroad*, 120 U. S., 227, 239), subject to the fifth amendment (*United States v. Russell*, 13 Wall., 623, 627). The severe restriction imposed by the act upon the disposition of liquors amounts to a taking of property; and being uncompensated would, at least as applied to liquors acquired before the passage of the act, exceed even the restriction held to be admissible under the broad police powers possessed by the States. Therefore, since it fails to make provision for compensation, which in every other instance Congress made when authorizing the taking or use of property for war purposes,¹ it is void. Such is the argument of the plaintiffs below.

That the United States lacks the police power, and that this was reserved to the States by the tenth amendment, is true. But it is none the less true that when the United States exerts any of the powers conferred upon it by the Constitution, no valid objection can be based upon the fact that such exercise may be attended by the same incidents which attend the exercise by a State of its police power, or that it may tend to accomplish a similar purpose. *Lottery Case* (188 U. S., 321, 357); *McCray v. United States* (195 U. S., 27); *Hipolite Egg Co. v. United States* (220 U. S., 45, 58); *Hoke v. United States* (227 U. S., 308, 323); *Seven Cases v. United States* (239 U. S., 510, 515); *United States v. Doremus* (249 U. S., 86, 93-94). The war power of the United States, like its other powers and like the police power of the States, is subject to applicable constitutional limitations (*Ex parte Milligan*, 4 Wall., 2, 121-127; *Monongahela Navigation Co. v. United States*, 148 U. S., 312, 336; *United States v. Joint Traffic Association*, 171 U. S., 505, 571; *McCray v. United States*, 195 U. S., 27, 61; *United States v. Cress*, 243 U. S., 316, 326); but the fifth amendment imposes in this respect no greater limitation upon the national power than does the fourteenth amendment upon State power. (*In re Kemmler*, 136 U. S., 436, 448; *Carroll v. Greenwich Insurance Co.*, 199 U. S., 401, 410.) If the nature and conditions of a restriction upon the use or disposition of property is such that a State could, under the police power, impose it consistently with the fourteenth amendment without making compensation, then the United States may for a permitted purpose impose a like restriction consistently with the fifth amendment without making compensation; for prohibition of the liquor traffic is conceded to be an appropriate means of increasing our war efficiency.

There was no appropriation of the liquor for public purposes. The war-time prohibition act fixed a period of seven months and nine days from its passage during which liquors could be disposed of free from any restriction imposed by the Federal Government. Thereafter, until the end of the war and the termination of mobilization, it permits an unrestricted sale for

¹ War acts authorizing the seizure or requisition of property:

Mar. 4, 1917, ch. 180, 39 Stat. 1168, 1193, July 1, 1918, ch. 113, 40 Stat. 634, 651, factories, ships, and war materials; June 15, 1917, ch. 29, 40 Stat. 182, 183; Apr. 22, 1918, ch. 62, 40 Stat. 535; Nov. 4, 1918, ch. 201, 40 Stat. 1020, street railroads, equipment, etc., and the acquisition of title to lands, plants, etc.; Aug. 10, 1917, ch. 53, 40 Stat. 276, 279 (food-control act), foods, fuels, factories, packing houses, coal mines, coal supplies, etc.; Mar. 21, 1918, ch. 25, 40 Stat. 451, railroads; May 16, 1918, ch. 74, 40 Stat. 550, 551, June 4, 1918, ch. 90, 40 Stat. 593, houses, buildings, properties, etc., in District of Columbia; July 15, 1918, ch. 157, 40 Stat. 913, 915, ships; July 16, 1918, ch. 154, 40 Stat. 904, telephone and telegraph systems; Oct. 5, 1918, ch. 181, 40 Stat. 1069, 1010, mines, mineral lands, etc.

See also act of June 3, 1916, ch. 134 (39 Stat. 166, 213) for the mobilization of industries, which authorizes the seizure of munition plants and provides that the compensation therefor shall be "fair and just," and the act of Mar. 4, 1917, ch. 180 (39 Stat. 1168, 1169), authorizing the acquisition of aeroplane patents by condemnation, for which \$1,000,000 was appropriated.

export and, within the United States, sales for other than beverage purposes. The uncompensated restriction upon the disposition of liquors imposed by this act is of a nature far less severe than the restrictions upon the use of property acquired before the enactment of the prohibitory law which were held to be permissible in cases arising under the fourteenth amendment. (*Mugler v. Kansas*, 123 U. S., 623, 668; *Kidd v. Pearson*, 128 U. S., 1, 23.) The question whether an absolute prohibition of sale could be applied by a State to liquor acquired before the enactment of the prohibitory law has been raised by this court but not answered, because unnecessary to a decision. (*Bartemeyer v. Iowa*, 18 Wall., 129, 133; *Beer Co. v. Massachusetts*, 97 U. S., 25, 32-33; *Eberle v. Michigan*, 232 U. S., 700, 706; *Barbour v. Georgia*, 249 U. S., 454, 459.) See, however, *Mugler v. Kansas*, supra, pages 623, 625, 657. But no reason appears why a State statute, which postpones its effective date long enough to enable those engaged in the business to dispose of stocks on hand at the date of its enactment, should be obnoxious to the fourteenth amendment; or why such a Federal law should be obnoxious to the fifth amendment. We can not say that seven months and nine days was not a reasonable time within which to dispose of all liquors in bonded warehouses on November 21, 1918. The amount then in storage was materially less than was usually carried;² because no such liquor could be lawfully made in America under the Lever food and fuel control act (August 10, 1917, c. 53, sec. 15, 40 Stat., 276, 282) after September 9, 1917. And if, as is suggested, the liquors remaining in bond November 21, 1918, were not yet sufficiently ripened or aged to permit them to be advantageously disposed of within the limited period of seven months and nine days thereafter, the resulting inconvenience to the owner, attributable to the inherent qualities of the property itself, can not be regarded as a taking of property in the constitutional sense. (*Clark Distilling Co. v. Western Maryland Ry. Co.*, 242 U. S., 311, 332.)

Second. Did the act become void by the passing of the war emergency before the commencement of these suits? It is conceded that the mere cessation of hostilities under the armistice did not abridge or suspend the power of Congress to resort to prohibition of the liquor traffic as a means of increasing our war efficiency; that the support and care of the Army and Navy during demobilization was within the war emergency; and that, hence, the act was valid when passed. The contention is that between the date of its enactment and the commencement of these suits it had become evident that hostilities would not be resumed; that demobilization had been effected; that thereby the war emergency was removed; and that when the emergency ceased the statute became void.

To establish that the emergency has passed, statements and acts of the President and of other executive officers are adduced; some of them antedating the enactment of the statute here in question. There are statements of the President to the effect that the war has ended³ and peace has come;⁴ that certain war agencies and activities should be discontinued;⁵ that our enemies are impotent to renew hostilities⁶ and that the objects of the act here in question have been satisfied in the demobilization of the Army and Navy.⁷ It is shown that many war-time activities have been suspended; that vast quantities of war materials have been disposed of; that trade with Germany has been resumed; and that the censorship of postal, telegraphic, and wire communications has been removed.⁸ But we have also the fact that since these statements were made and these acts were done, Congress, on October 28, 1919, passed over the President's veto the national prohibition act which, in making further provision for the administration of the war-time prohibition act, treats the war as continuing and demobilization

² The amount of distilled spirits of all kinds in bonded warehouses June 30, 1919, was 72,358,151.1 gallons as compared with 282,036,460.2, June 30, 1914; 253,668,341.3 gallons, June 30, 1915; 232,402,878.3 gallons, June 30, 1916; 194,832,682.6 gallons, June 30, 1917; 158,959,264.5 gallons, June 30, 1918. Report of the Commissioner of Internal Revenue for 1919, page 173. The following explanation is given by the commissioner, page 51, why more was not withdrawn: "The high rates of tax on spirits, fermented liquors and wines which were provided in the bill subsequently enacted into law as the revenue act of 1918, prompted many dealers to make heavy purchases of these commodities prior to the passage of the act and, as a consequence of this action on the part of the dealers as well as of the expansion of prohibition territory throughout the United States, the withdrawals from bonded warehouses materially declined after the passage of the act."

³ Address to Congress, Official U. S. Bulletin, Nov. 11, 1918, p. 5.

⁴ Thanksgiving proclamation, Official U. S. Bulletin, Nov. 18, 1918, p. 1.

⁵ Address to Congress, Dec. 2, 1918, Official U. S. Bulletin, Dec. 2, 1918, p. 6.

⁶ Armistice commemoration proclamation, Nov. 11, 1919.

⁷ Veto message, Oct. 27, 1919, CONGRESSIONAL RECORD, Oct. 27, 1919, p. 8063.

⁸ U. S. Official Bulletin, Nov. 12, 1918, p. 3; Nov. 22, 1918, p. 1; Nov. 27, 1918, p. 7; Dec. 12, 1918, p. 4; Dec. 20, 1918, p. 4; Dec. 30, 1918, p. 7; U. S. Bulletin, Feb. 27, 1919, p. 6; May 8, 1919; May 12, 1919, p. 14; Oct. 20, 1919, p. 17.

as incomplete; that the Senate, on November 19, 1919, refused to ratify the treaty of peace with Germany;¹ that under the provisions of the Lever Act the President resumed, on October 30, 1919, the control of the fuel supply which he had relinquished partly on January 31, 1919, and partly on February 20, 1919;² that he is still operating the railroads, of which control had been taken as a war measure; and that on November 18, 1919, he vetoed Senate bill 641, because it diminished that control,³ that pursuant to the act of March 4, 1919 (c. 125, 40 Stat., 1348), he continues to control, by means of the Food Administration Grain Corporation, the supply of grain and wheat flour; that through the United States Sugar Equalization Board (Inc.), he still regulates the price of sugar; that in his message to Congress on December 2, 1919, he urgently recommended the further extension for six months of the powers of the Food Administration; that as Commander in Chief he still keeps a part of the Army in enemy occupied territory and another part in Siberia; and that he has refrained from issuing the proclamation declaring the termination of demobilization for which this act provides.

The present contention may be stated thus: That notwithstanding the act was a proper exercise of the war power of Congress at the date of its approval and contains its own period of limitation—"until the conclusion of the present war and thereafter until the termination of demobilization"—the progress of events since that time had produced so great a change of conditions and there now is so clearly a want of necessity for conserving the man power of the Nation, for increased efficiency in the production of arms, munitions, and supplies, that the prohibition of the sale of distilled spirits for beverage purposes can no longer be enforced, because it would be beyond the constitutional authority of Congress in the exercise of the war power to impose such a prohibition under present circumstances. Assuming that the implied power to enact such a prohibition must depend not upon the existence of a technical state of war, terminable only with the ratification of a treaty of peace or a proclamation of peace (U. S. v. Anderson, 9 Wall. 56, 70; The Protector, 12 Wall. 700, 702; Hijo v. U. S., 194 U. S. 315, 323), but upon some actual emergency or necessity arising out of the war or incident to it, still, as was said in Stewart v. Kahn, 11 Wall. 493, 507, "The power is not limited to victories in the field and the dispersion of the [insurgent] forces. It carries with it inherently the power to guard against the immediate renewal of the conflict and to remedy the evils which have arisen from its rise and progress."

No principle of our constitutional law is more firmly established than that this court may not, in passing upon the validity of a statute, inquire into the motives of Congress (U. S. v. Des Moines Navigation Co., 142 U. S. 510, 544; McCray v. U. S., 195 U. S. 27, 53-59; Weber v. Freed, 239 U. S. 325, 330; Dakota Central Telephone Co. v. South Dakota, 250 U. S. 163, 184). Nor may the court inquire into the wisdom of the legislation. (McCulloch v. Maryland, 4 Wheaton 316, 421; Gibbons v. Ogden, 9 Wheaton 1, 197; Brushaber v. Union Pacific Railroad Co., 240 U. S. 1, 25; Rast v. Van Deman & Lewis, 240 U. S. 342, 357.) Nor may it pass upon the necessity for the exercise of a power possessed, since the possible abuse of a power is not an argument against its existence. (Lottery Case, 188 U. S. 321, 363.)

That a statute valid when enacted may cease to have validity owing to a change of circumstances has been recognized, with respect to State laws, in several rate cases. (Minnesota Rate Cases, 230 U. S. 352, 473; Missouri Rate Cases, 230 U. S. 474, 508; Lincoln Gas Co. v. Lincoln, 250 U. S. 256, 268.) That the doctrine is applicable to acts of Congress was conceded arguendo in Perrin v. U. S., 232 U. S. 478, 486; and Johnson v. Gearlds, 234 U. S. 422, 446. In each of these cases Congress had prohibited the introduction of liquor into lands inhabited by Indians, without specified limit of time; in one case the prohibition was in terms perpetual; in the other it was to continue "until otherwise provided by Congress." In both cases it was contended that the constitutional power of Congress over the subject matter necessarily was limited to what was reasonably essential to the protection of the Indians. In the Perrin case it was contended (p. 482) that the power was transcended because the prohibition embraced territory greatly in excess of what the situation reasonably required, and because its operation was not confined to a designated period reasonable in duration but apparently was intended to be perpetual. In Johnson v. Gearlds the contention was (p. 442) that a pro-

hibition originally valid had become obsolete by reason of changes in the character of the territory included in it and the status of the Indians therein. In both cases the court, while assuming that since the power to impose a prohibition of this character was incident to the presence of the Indians and their status as wards of the Government and did not extend beyond what was reasonably essential to their protection, it followed that a prohibition valid in the beginning would become inoperative when in regular course the Indians affected were completely emancipated from Federal guardianship and control, nevertheless held that the courts would not be justified in declaring that the restriction either was originally invalid or had become obsolete if any considerable number of Indians remained wards of the Government within the prohibited territory. In each case the decision rested upon the ground that the question what was reasonably essential to the protection of the Indians was one primarily for the consideration of the law-making body; that Congress was invested with a wide discretion; and that its action, unless purely arbitrary, must be accepted and given full effect by the courts.

Conceding, then, for the purposes of the present case, that the question of the continued validity of the war prohibition act under the changed circumstances depends upon whether it appears that there is no longer any necessity for the prohibition of the sale of distilled spirits for beverage purposes, it remains to be said that on obvious grounds every reasonable intentment must be made in favor of its continuing validity, the prescribed period of limitation not having arrived; that to Congress in the exercise of its powers, not least the war power, upon which the very life of the Nation depends, a wide latitude of discretion must be accorded; and that it would require a clear case to justify a court in declaring that such an act, passed for such a purpose, had ceased to have force because the power of Congress no longer continued. In view of facts of public knowledge, some of which have been referred to, that the treaty of peace had not yet been concluded, that the railways are still under national control by virtue of the war powers, that other war activities have not been brought to a close, and that it can not even be said that the man power of the Nation has been restored to a peace footing, we are unable to conclude that the act has ceased to be valid.

Third. Was the act repealed by the adoption of the eighteenth amendment? By the express terms of the amendment the prohibition thereby imposed becomes effective after one year from its ratification. Ratification was proclaimed on January 29, 1919 (40 Stat., pt. 2, appendix). The contention is that as the amendment became on its adoption an integral part of the Constitution its implications are as binding as its language; that in postponing the effective date of the prohibition the amendment impliedly guaranteed to manufacturers and dealers in intoxicating liquors a year of grace; and that not only was Congress prohibited thereby from enacting meanwhile new prohibitory legislation, but also that the then existing restriction imposed by the war-time prohibition act was removed. (See Narragansett Brewing Co. v. Baker and O'Shannessy, U. S. D. Ct. R. L., Nov. 12, 1919.)

The eighteenth amendment, with its implications, if any, is binding not only in times of peace but in war. If there be found by implication a denial to Congress of the right to forbid before its effective date any prohibition of the liquor traffic, that denial must have been operative immediately upon the adoption of the amendment, although at that time demobilization of the Army and the Navy was far from complete. If the amendment effected such a denial of power, then it would have done so equally had hostilities continued flagrant or been renewed. Furthermore, the amendment is binding alike upon the United States and the individual States. If it guarantees a year of immunity from interference by the Federal Government with the liquor traffic, even to the extent of abrogating restrictions existing at the time of its adoption, it is difficult to see why the guaranty does not extend also to immunity from interference by the individual States, with like results also as to then existing State legislation. The contention is clearly unsound.

Fourth. Did the prohibition imposed by the act expire by limitation before the commencement of these suits? The period therein prescribed is "until the conclusion of the present war and thereafter until the termination of demobilization, the date of which shall be determined and proclaimed by the President of the United States." It is contended both that the war has been concluded and that the demobilization has terminated.

In the absence of specific provisions to the contrary, the period of war has been held to extend to the ratification of the treaty of peace or the proclamation of peace. (Hijo v. United States, 194 U. S., 315, 323; The Protector, 12 Wall.,

¹ CONGRESSIONAL RECORD, Nov. 19, 1919, p. 9321.

² U. S. Bulletin, Nov. 10, 1919, p. 9; U. S. Official Bulletin, Jan. 18, 1919, p. 1.

³ CONGRESSIONAL RECORD, Nov. 10, 1919, p. 9323.

700, 702; *United States v. Anderson*, 9 Wall., 56, 70.) From the fact that other statutes concerning war activities contain each a specific provision for determining when it shall cease to be operative,¹ and from the alleged absence of such a provision here, it is argued that the term "conclusion of the war" should not be given its ordinary legal meaning; that instead it should be construed as the time when actual hostilities ceased; or when the treaty of peace was signed at Versailles on June 28, 1919, by the American and German representatives, or, more generally, when the actual war emergencies ceased by reason of our complete victory and the disarmament of the enemy coupled with the demobilization of our Army and the closing of war activities; or when the declared purpose of the act of "conserving the man power of the Nation, and to increase efficiency in the production of arms, munitions, ships, food, and clothing for the Army and Navy" shall have been fully satisfied. But there is nothing in the words used to justify such a construction. "Conclusion of the war" clearly did not mean cessation of hostilities, because the act was approved 10 days after hostilities had ceased upon the signing of the armistice. Nor may we assume that Congress intended by the phrase to designate the date when the treaty of peace should be signed at Versailles or elsewhere by German and American representatives, since by the Constitution a treaty is only a proposal until approved by the Senate. Furthermore, to construe "conclusion of the war" as meaning the actual termination of war activities would leave wholly uncertain the date when the act would cease to be operative, whereas Congress evinced here, as in other war statutes, a clear purpose that the date of expiration should be definitely fixed. The reason why this was not directed to be done by a proclamation of peace is made clear by the use of the word "thereafter." It was expected that the "conclusion of the war" would precede the termination of demobilization. Congress therefore provided that the time when the act ceased to be operative should be fixed by the President's ascertaining and proclaiming the date when demobilization had terminated.

It is insisted that he has done so. The contention does violence to both the language and the evident purpose of the provision. The "date of which shall be determined and proclaimed by the President" is a phrase so definite as to leave no room for construction. This requirement can not be satisfied by passing references in messages to Congress nor by newspaper interviews with high officers of the Army or with officials of the War Department. When the President mentioned in his veto message the "demobilization of the Army and Navy" the words were doubtless used in a popular sense, just as he had declared to Congress on the occasion of the signing of the armistice: "The war thus comes to an end." If he had believed on October 28, 1919, that demobilization had, in an exact sense, terminated, he would doubtless have issued then a proclamation to that effect; for he had manifested a strong conviction that restriction upon the sale of liquor should end. Only by such proclamation could the purpose of Congress be attained; and the serious consequences attending uncertainty be obviated. But in fact demobilization had not terminated at the time of the veto of the act of October 28, 1919; or at the time these suits were begun; and, for aught that appears, it has not yet terminated. The report of the Secretary of War made to the President under date of November 11, 1919 (and transmitted to Congress on December 1), in describing the progress of demobilization, shows (p. 17) that during the preceding 10 days (Nov. 1-10) 2,018 officers and 10,266 enlisted men had been discharged, the rate of discharge being substantially the same as during the month of October, in which 8,690 officers and 33,000 enlisted men were discharged.

The war-time prohibition act being thus valid and still in force, the decree in No. 589 is reversed, and the case is remanded to the district court with directions to dismiss the bill, and the decree in No. 602 is affirmed.

No. 589. Reversed.

No. 602. Affirmed.

A true copy.

Test:

Clerk Supreme Court United States.

(Emergency shipping fund act of June 15, 1917, ch. 29, 40 Stat., 182, as amended by the act of Apr. 22, 1918, ch. 62, 40 Stat., 535, and by

¹ The provisions fixing the date of expiration of the several war acts are as follows:

(Aircraft act, being ch. 16 of the Army appropriation act of July 9, 1918, ch. 143, 40 Stat., 889.) "Within one year from the signing of a treaty of peace with the Imperial German Government."

(Departmental reorganization act of May 20, 1918, ch. 78, 40 Stat., 556.) "That this act shall remain in force during the continuance of the present war and for six months after the termination of the war by the proclamation of the treaty of peace."

the act of Nov. 4, 1918, ch. 201, 40 Stat., 1020.) "All authority * * * shall cease six months after a final treaty of peace is proclaimed between this Government and the German Empire."

(Charter rate and requisition act of July 18, 1918, ch. 157, 40 Stat., 913.) "All power and authority * * * shall cease upon the proclamation of the final treaty of peace between the United States and the Imperial German Government."

(Railroad control act of Mar. 21, 1918, ch. 25, 40 Stat., 451, 458.) " * * * Federal control * * * shall continue for and during the period of the war and for a reasonable time thereafter, which shall not exceed one year and nine months next following the date of the proclamation of the exchange of ratifications of the treaty of peace."

(Food control act of Aug. 10, 1917, ch. 53, 40 Stat., 276, 283.) "Sec. 24. That the provisions of this act shall cease to be in effect when the existing state of war between the United States and Germany shall have terminated, and the fact and date of such termination shall be ascertained and proclaimed by the President."

(Trading with the enemy act of Oct. 6, 1917, ch. 106, 40 Stat., 411, 412.) "The words 'end of the war' as used herein shall be deemed to mean the date of proclamation of exchange of ratifications of the treaty of peace, unless the President shall by proclamation declare a prior date, in which case the date so proclaimed shall be deemed to be 'the end of the war' within the meaning of this act."

(Soldiers' and sailors' civil relief act of Mar. 8, 1918, ch. 20, 40 Stat., 440, at 441 and 449.) "(5) The term 'termination of the war' as used in this act shall mean the termination of the present war by the treaty of peace as proclaimed by the President. * * * Sec. 603. That this act shall remain in force until the termination of the war and for six months thereafter."

(Saulsbury resolution of May 31, 1918, ch. 90, 40 Stat., 593.) "That until a treaty of peace shall have been definitely concluded between the United States and the Imperial German Government, unless in the meantime otherwise provided by Congress * * *"

(Wheat price guarantee act of Mar. 4, 1919, ch. 125, sec. 11, 40 Stat., 1348, 1353.) "That the provisions of this act shall cease to be in effect whenever the President shall find that the emergency growing out of the war with Germany has passed, and that the further execution of the provisions of this act is no longer necessary for its purposes, the date of which termination shall be ascertained and proclaimed by the President, but the date when this act shall cease to be in effect shall not be later than the 1st day of June, 1920."

NATIONAL BUDGET SYSTEM.

Mr. FERNALD. Mr. President, I have just read a very interesting article in a magazine by the Senator from Illinois [Mr. McCORMICK]. I ask unanimous consent that it may be printed in the RECORD.

The VICE PRESIDENT. Without objection, it is so ordered. The matter referred to is as follows:

CALLS FOR DRASTIC MEASURES TO REMEDY BUDGET EVILS—SENATOR McCORMICK WOULD MAKE EACH BRANCH OF THE GOVERNMENT INESCAPABLY RESPONSIBLE FOR ESTIMATES OF EXPENDITURES AND APPROPRIATIONS GRANTED—DECLARES EFFORTS TO CURE THE DISORDERS OF OUR METHODS SINCE 1870 HAVE BEEN "TIMID AND HOMEOPATHIC."

[By MEDILL McCORMICK, United States Senator from Illinois.]

"The business men of the country are crying out for a national budget. The American taxpayer for the first time in our history is acutely conscious of the cost of the Federal administration. His purse tells him there is a Government situate on the Potomac. He has reason to believe that not only has his Government become costly but that it is inefficient and wasteful. He is uncertain as to the exact increase in the cost of his Federal enterprise, and he is not precise about the details of the reform to which he is entitled and which has made 'budget' and 'administrative efficiency' current in the political vernacular. But he is very certain that there has got to be a grand house cleaning.

"The third and last session of the last Congress appropriated for one year about \$7,000,000,000, or ten times the aggregate appropriations of both sessions of the Fifty-sixth Congress, 20 years ago. For the next several years Government will cost about ten times as much annually as it did five years ago. There has been a tremendous acceleration in the rate of increase in taxation and public expenditure. Roughly speaking, Government cost 30 per cent more at the end of the 10 years 1901-1911 than it did at the beginning of that decade. Then a convention at Baltimore denounced Republican waste and extravagance, nominated Woodrow Wilson, and rode into office. The increase for the five years 1913-1917 was 60 per cent, or twice what it was during the 10 years which preceded the assembling of the denunciatory convention at Baltimore.

"I have written so much by way of preface because men do not often realize how sudden and how vast was the growth of governmental expenditure even during the years which immediately preceded the war. More than that, let me recall that the annual cost of the municipal administration of New York to-day is approximately equal to the annual cost of the Government of the United States during the last years of the nineteenth century. When we began the agitation for budget reform in Illinois, I startled taxpayers by pointing out that the cost of the State government was increasing at the rate of 200 per cent every 10 years.

DIVIDED RESPONSIBILITY.

"During my last term in the legislature I had written and persuaded a colleague to introduce a budget bill, lest if I

fathered it some people might regard it as a measure of impolitic reform. I was not able long to conceal the actual pater- nity of the bill and so enjoyed for the balance of the legis- lative session the affectionate derision of some of my colleagues. Nevertheless, like Horace's farmer, who planted trees he would not live to see bear fruit, I had sponsored a bill the principle of which was to become law in Illinois the year I came to Washington. The circumstances which environed the enact- ment of budget legislation in Illinois exist to-day in Wash- ington.

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"The bill written by Prof. Willoughby, and which bears the name of Congressman Goop, is not a budget bill. It does not create a budget system. It postpones the day when a true budget system may be established. It has the virtue that it does promise the future establishment of a budget, yet even then not by law but by Executive ukase.

"The Good bill seeks to establish a divided responsibility in public finance, the vice of which far outweighs any virtue that the bill contains. It would create a budget bureau, so called, in the office of the President. It substitutes this budget bureau for the Department of the Treasury as the place where the financial estimates of the several other departments shall be assembled. The Good bill thus confers no powers or duties on the budget bureau which are not already devolved by law upon the Treasury. It would make of the President a finance minister, if by his authority and his attention to the labors of the budget bureau he should vitalize its activity. It would add this unbearable burden to the most overburdened political Execu- tive in the world.

TOO MANY COMMITTEES.

"As far back as Col. Roosevelt's time, under the most ener- getic and vigorous Executive of our day, the annual cost of government amounted to one-tenth of what it will be during the next several years. Since that time not only has the cost of government tremendously multiplied but so also have the many responsibilities of the President. During Mr. Taft's administra- tion it was indisputable that the business of the Executive Office was often in arrears, while during the present administration the business has been done because the President denied himself the privilege of seeing many persons who sought him upon the public business or political errands.

"The taxpayer now suffers because there are too many appro- priating committees in the Senate and the House of Representa- tives. It is painful to think that we may follow our accursed political practice of dividing responsibility and further mulct the taxpayer because academic budget writers shrink from vesting in the American Treasury powers comparable with those of a foreign minister of finance. If we adopt the principle embodied in the Good bill we shall not dignify—we shall belittle—the Secretaryship of the Treasury; we shall make it more difficult instead of more easy to get big men to fill the place.

"Even if the first director of the budget were to be a man of parts, we know from our experience with Government commis- sions and special bureaus that his successor would be a political hack or a professional theorist. But, worse than that, since the President would have no time to discharge the duties of a finance minister, the detailed administration of the budget bureau inevitably would fall into obscurity. Its chief would not be a conspicuous member of the administration, and so responsi- ble for its financial policy before Congress and the bar of public opinion. Like every other officer in the history of the Govern- ment whose power to spend money exceeds his legal, moral, and political authority, the director of the budget would become the prey of every searcher for pork.

SUBJECTION TO THE PRESIDENT.

"It is objected by certain academic reformers that to vest in the Treasury true budget-making powers, to coordinate, to re- vise, and to reduce estimates, would exalt the Secretary of the Treasury at the expense of his Cabinet colleagues. That would depend upon the caliber of the Secretary of the Treasury and upon the caliber of his colleagues. I recognize that it is difficult to adapt foreign budget systems to the American Constitution and the American practice. The foreign democra- cies which have developed modern systems of public finance are subject to administration by a cabinet composed of members of the legislature and responsible to it. In a sense the finance minister is at one and the same time secretary of the treasury and chairman of the ways and means committee.

"Since the finance minister is a member of Parliament that system in a very real way is more immediately democratic than ours, but, on the other hand, I can not hold with Henry L. Stimson or Ellhu Root that we should vest one independent Executive with the power to make and to submit to the legis- lature estimates which the legislature can not decrease or

increase in its own discretion. That would result in the com- plete subjection of the legislature to the President. He could dole out or withhold appropriations for camps and cantonments, harbor improvements, quarantine guards, agricultural experi- ment stations, etc., in exact accordance to the subservience or independence of a Senator or Congressman.

"Mr. Taft punished certain Senators and Representatives for insurgency by withdrawing their 'patronage' from them. It is now reported that this punishment has been visited upon a certain Democratic Senator. We do not want to make the budget a means of further emasculating Congress. We want to energize and make more efficient both branches of our Govern- ment. Two years ago in Washington a venerable member of the British Parliament, who shall be nameless, said of our National Legislature that 'it was no parliament, or even a congress such as the framers of the Constitution contemplated, but a mere Prussian Diet, in which were registered the projects of law drafted by mediocre ministers responsible to an elected autocrat.' That was pretty terrible from a friendly critic whose parliamentary experience has been contemporaneous with two generations of men.

"We dare not adopt the budget scheme put forward by certain university professors and which the New York voters over- whelmingly rejected.

SUMMARY OF PROPOSED LAW.

"The Senate bill which I shall introduce, although it bears my name, is certainly not the handiwork of any one man. Two skilled draftsmen are chiefly responsible for its actual text. The views of the strongest congressional authority, ex-Con- gressman Fitzgerald, and of Secretary Glass are largely em- bodied in its terms. In part it is the fruit of our experience in Illinois; and, finally, in so far as our American Constitution permits, it follows the budget patterns of other countries. Without taxing the reader with the details of the bill, I venture to summarize its most important elements.

"First, it requires of the Secretary of the Treasury that he shall submit to the President for recommendation to Congress a coordinated and revised budget of estimates of public ex- penditure, together with any appropriate recommendations for the increase or the diminution of the public revenues, so that they may conform to the estimates of expenditure. The bill provides a budget bureau under a director responsible to the Secretary of the Treasury. It provides that this bureau, through the subordinates of the director, shall keep in touch with the budget or estimating officer in each of the departments. Here we shall check at once the current practice under which department subordinates seek appropriations for Government services which actually duplicate and compete with one another. If the department budget officer and the director of the budget can not agree, the Secretary or other chief of department may join the issue directly with the Secretary of the Treasury, and finally can exercise the right of appeal to the President himself.

"This machinery is not created by the bill in fulfillment of any academic theory. Unlike some peoples less practical in self- government, we Americans prefer to embody in our public ad- ministration the results of experience rather than experimental theory. Where we have been guided either by theory or by experience too little tried we have suffered. That has been true in every branch of our Government, and more particularly in the municipal and State governments, which have manifested far greater abuses of corruption and waste than the Federal Government at Washington. The bill contemplates that the members of the Cabinet under the President shall have a col- lective political and financial policy. It is sheer nonsense to imagine that a budget can be a nonpartisan or nonpolitical instrument. There are no nonpartisan Presidents; there have been none in our time nor are there likely to be any. There is no reader of these lines who has not lived long enough to remember the appalling degeneration of important administra- tive tribunals, because, under political influence, first-rate men have given way to cranks or political lame ducks.

PROVISION FOR REVISION.

"The estimates submitted to Congress must include not only sums for the routine administration of government but for the development of certain policies to which the President has been committed by his party platform. Under the Senate bill to be introduced the President and his advisers must determine how much or how little they will expend in the aggregate, and how much they will allot to each of the branches of the administration. That having been done, after preliminary conference and discussion in the Cabinet, it remains to carry out this financial and political program. It must not be pre- sumed that it will not require revision. The first estimates upon which the President and his Cabinet have agreed will require amendment before they are sent to Congress. The

Secretary of Agriculture, let us say, will be pressed by his subordinates in certain bureaus for larger sums than he originally purposed to give them. If his department, let us say, is carrying out a great agricultural policy to increase farm production or to hold the youngsters on the farm through improvement in rural living the elaboration of the program may demand much more than he originally estimated.

"The director of the budget and the Secretary of Agriculture may not agree; the Secretary of Agriculture may not be able to agree with the Secretary of the Treasury. Then an appeal must be taken to the President, who, in conference with his Cabinet, will determine whether the administration wishes (a) to increase the sum intended to be asked of Congress, (b) to curtail the great agricultural program, or (c) to curtail expenditure by other departments in order to make possible the development of agriculture and rural life contemplated by the political convention and the administration. Thus the administration collectively and the President personally will be responsible to the country for the aggregate sum to be asked of Congress, and so for the total sum of taxation to be imposed upon the people.

"It will be for the Members of Congress, individually and collectively, whether as partisans of the administration or as Members of the House of Representatives or the Senate, to decide (a) if they wish to appropriate more than the administration wants, and so add to the burden of the taxpayer; (b) if they care to appropriate less than the administration asks and diminish the public services in the interest of economy; or (c) accept in substance, if not in detail, the estimates recommended by the President.

PLACING RESPONSIBILITY.

"What have we done? We have made each branch of the Government publicly, definitely, and inescapably responsible, the one for the estimates of expenditure and taxation recommended and the other for the appropriations granted and taxes levied. Of course, I would not stop there. I would reduce the appropriating committees from 14 in the House and 14 in the Senate to 1 in each Chamber, and I would amend the rules to defer consideration of private appropriation bills. We ought to reform not only the method of assembling and revising the estimates at the western end of Pennsylvania Avenue but at the eastern end, on Capitol Hill, we ought to reform the disintegrate committee system under which appropriation bills are now considered without relation to one another.

"The reader who has studied the budget problem doubtless will complain that I have not developed a plan for an independent audit of expenditure. There are perhaps twoscore statutes bearing upon Government accounting and auditing, and, although I lean very strongly to the view that we ought to create the office of an independent and powerful Auditor and Controller General, who shall have intimate relations to a no less important joint committee on audit and expenditure (in place of the atrophied little committees on expenditure which now exist in both houses), I no less strongly incline to the opinion that Congress should undertake or should authorize the codification of the existing statutes before it creates the office of Auditor General.

"Looking back over 35 years, and looking back again to the period when, under Hamilton, we had a true budget system and Hamilton himself was a great minister of finance, the student of governmental expenditure in America will conclude that the Senate committee for the consideration of a budget ought to do not a hurried and incomplete job but a thorough one. We owe our present distressing condition partly to the repeal of that first statute under which Hamilton directed the financial policy of this Government and partly to the vicious and vindictive action of the Democratic majority in visiting its resentment on Mr. Randall in 1885.

"I have not yet learned why the first budget law was repealed, but I do know that since 1870 Congress has been trying to cure the disorder in our methods of preparing estimates. The remedies have been timid, homeopathic, and prescribed without adequate diagnosis. The condition of the taxpayer and of the Treasury in a very real sense is graver than it has been since the Civil War. We have the information, the experience, and the occasion for applying drastic remedies as did Hamilton. Let us do nothing less."

AMENDMENT OF FEDERAL RESERVE ACT—CONFERENCE REPORT.

The VICE PRESIDENT. The morning business is closed.

Mr. McLEAN. I move that the Senate proceed to the consideration of the conference report on the disagreeing votes of the two Houses on the amendments of the House to Senate bill 2472.

The motion was agreed to; and the Senate proceeded to consider the report of the committee of conference on the disagree-

ing votes of the two Houses on the bill (S. 2472) to amend the act approved December 23, 1913, known as the Federal reserve act.

The VICE PRESIDENT. The question is on agreeing to the conference report.

Mr. JOHNSON of South Dakota. Mr. President, on the 2d of December I offered a resolution asking for information with regard to the profits of the coal operators. On the 11th of December I offered an additional resolution touching the same matter. On December 6 the Senator from Georgia [Mr. HARRIS] submitted a resolution covering the same subject. It will be satisfactory to me to have the resolution of the Senator from Georgia substituted for both the resolutions which I have offered; and, if that may be done, I ask the Senator from Georgia if it would be satisfactory to him to have his resolution now considered?

Mr. HARRIS. I desire to state that I should like to have the resolution now considered, and I offer the resolution submitted by me as a substitute for the resolutions of the Senator from South Dakota.

The VICE PRESIDENT. The conference report is before the Senate on a vote of the Senate to proceed with its consideration. The question is on agreeing to the conference report.

Mr. GRONNA. Mr. President, may I ask if the conference report has been read?

The VICE PRESIDENT. It has been read and has been printed in the RECORD.

Mr. GRONNA. Mr. President, I happened to be absent at the convening of this session of Congress. I am very sorry that I should have been the cause of any delay in the passage of the bill embodied in the conference report. I appreciate very greatly the courtesy which has been extended to me by my fellow Senators in the postponement of its consideration until my return.

I think, however, that there has been considerable misapprehension as to my attitude with reference to the entire bill. I think it must be conceded by everyone that when this bill was introduced in the Senate and referred to the Committee on Banking and Currency it was not given sufficient consideration. I have before me the hearings on Senate bill No. 2472, which hearings consist of 28 pages, a large portion of which is taken up by the printing of a letter from the chairman of the Federal Reserve Board.

The only members of the Committee on Banking and Currency who participated in the discussion, so far as is disclosed by the printed hearings, were the Senator from New Jersey [Mr. EDGE] and the Senator from Oklahoma [Mr. OWEN], the Senator from Oklahoma being the principal participant.

The bill as introduced and as reported from the Committee on Banking and Currency was not only a crude bill of proposed legislation but it was an exceedingly dangerous one, as I think even the friends of the bill will now admit. It may be, Mr. President, that since the recent World War human nature has been changed; it may be that those who in times past and just before the war devoted all of their energies and all of their time to the making of millions of dollars have now changed, and that their only effort and desire in the future will be to look after the welfare of the people of the devastated countries of Europe and of the people of America. If that is the case, then it was safe to pass the Edge bill as it was reported from the Committee on Banking and Currency; but if that is not true, it was nothing but a "blue-sky" proposition; it was a proposal giving men who are engaged in high finance an opportunity to fasten their hands upon the throats of the people of Europe and America and to control them for all time; to give them control of not only the finance of the country but also of the politics of this country and of all the world.

Mr. President, I trust that no Senator will for a moment contend that this is an exchange bill. That question is merely incidental. I trust that not even a backwoods financier will have the audacity to say that the bill is a bill to regulate foreign exchange.

Mr. McCORMICK. Mr. President, what is the object of the bill? I apprehend the Senator from North Dakota may throw a little light on the subject, and I should like to hear him.

Mr. GRONNA. It is customary when a question of that sort is asked to say "I will come to that a little later on." I will say, however, to the Senator from Illinois, in all earnestness, that, as I understand the bill, it is to permit the organization of corporations with a capital of not less than \$2,000,000 to deal in securities; to issue debentures, based, of course, upon the securities purchased; to issue bonds and notes with or without the indorsement or guaranty of those who are running the proposed institutions.

Of course it is the intention to sell these debentures and bonds to the public at, I presume, a small rate of interest; but with the German mark at a value of less than 2 cents

and the pound sterling at \$3.72 $\frac{1}{2}$, we can easily see the picture upon the screen and the possibilities for individuals interested in the corporations authorized by the bill to make their millions at the expense of the public.

In no way will the public share in the huge profits which these people will reap from the transactions in which the corporations will engage. All the public possibly can get will be a reimbursement for the amount paid for the stocks or the bonds which they acquire plus a small rate of interest; and I am afraid they will not get that, because these patriots refuse to subscribe to a provision imposing a double liability. The Congress of the United States has never passed a law authorizing the creation of banking institutions of this character which did not provide for a double liability.

Of course, Senators will say that we are told by the Federal Reserve Board that such a requirement can not be primarily essential, because banking institutions will own stock in these corporations. That will be the answer of the friends of the measure. It is unnecessary because something that is dead, something that has no life, is holding the stock of these corporations.

Mr. President, why should we not provide for a double liability in view of the fact that the corporations to be created under this bill are to be permitted to receive deposits? While it is true that they can only receive deposits of an international character and such deposits as are incident to the international transactions in which the institutions engage, we must admit that such deposits will be in the largest of volume, for millions upon millions of dollars will be received by these institutions as deposits. Not only that, but they are to be permitted, as I have said, to issue debentures and to sell them to the public without their indorsement or guaranty.

Mr. McCORMICK. Mr. President—

Mr. GRONNA. I yield to the Senator.

Mr. McCORMICK. I should like to ask the Senator a question to ascertain if my memory is at fault. As I recall, the Senate by an amendment adopted on the floor provided for a double liability in the case of the institutions proposed to be created by the bill.

Mr. GRONNA. That is true; there was such a provision adopted.

Mr. McCORMICK. Was that struck out in conference?

Mr. GRONNA. That was struck out in conference.

Mr. McCORMICK. What explanation have the conferees to offer to justify that action?

Mr. GRONNA. The chairman of the committee is present and can explain that matter to the Senator, I have no doubt.

Mr. McLEAN. Mr. President, I have already explained to the Senate a number of times the reasons for the action of the conferees. As, however, the Senator from Illinois was probably not present, I shall be glad very briefly to state those reasons once more.

The primary reason which ordinarily justifies the imposition of a double liability does not apply to the institutions proposed to be created by this bill, for they are not banks of deposit in the ordinary sense of the word, in that they receive no cash demand deposits. They will deal in either long or short time paper.

Another reason is the fact that many similar institutions organized under State laws are now in full operation, but to none of them does the double liability apply.

For instance, the State of New York by statute requires double liability of the commercial banks receiving demand deposits, but does not require it of these finance institutions. Now, unless these corporations are permitted to compete on an equality with the other institutions that are already organized, of course this law will become inoperative; and if it were possible that I could have my way I would not only charter these corporations without the double liability but I would compel all existing institutions doing a similar business to come under Federal supervision, where they would be under the control and regulation of the Federal board and subjected to examination.

There are other reasons why the double liability should not apply, but it seems to me that I have stated substantially those which impelled your committee to reach the decision which it did reach. The matter was very carefully considered. I will say to the Senate that the double liability was not urged in the House, and in the committee of conference I, representing the majority of the Senate, did the best I could to convince the committee that double liability might be feasible and in accordance with the wishes of the Senate. My vote was the only one in its favor. The Senator from Oklahoma [Mr. OWEN], who, as Senators know, was chairman of the committee for a long time, and who consented to and, I think, voted for the double liability in the Senate, changed his mind as a member of the committee of conference, and felt that under the circumstances there was no reason for imposing this burden.

Another reason comes to me which was suggested. As you know, the national banks are permitted to invest a certain percentage of their stock, 10 per cent of their capital and surplus, in these institutions. That at once creates a contingent liability on the part of these national banks.

It is impossible to estimate it in their returns unless it is put in at its full amount, and this might unfairly impair their capital; and my information is that if it is insisted upon the national banks will be advised by their counsel not to invest in these corporations.

It seems to me it is very important that something should be done. I do not agree with the Senator from North Dakota that the bill has been greatly improved by the amendments. They are very restrictive. They limit to an unreasonable extent, it seems to me, the operation of these corporations. I would in some respects have preferred the bill as it was originally reported by the committee, leaving regulation more fully to the Federal Reserve Board. I think this would have been as effective and the banks would have accomplished more; but I stood alone in that regard. It is the policy of foreign nations to leave the management and control of their banking institutions very largely to an administrative body, because it is difficult for the legislative body to go into details, and if they attempt it their restrictions are apt to be unwise and harmful; but I stood alone in this regard, and the House amendment has largely eliminated, I think, all the objections that were raised.

The Senator says it will not benefit the exchange. I disagree with him entirely. Of course any long-time investment or credit that is extended to European countries and producers must benefit the exchange, for their liquid assets are exhausted, and unless they can get one or two or three years' credit they can not continue to purchase goods of us any longer. They can not afford to pay the premium on gold and buy our products, and it will result in chaos unless something is done to assist the return of the exchanges to a normal level. This bill to a certain extent, in my opinion, will do that.

I have about finished. I do not care to make any reply to the Senator's argument. Time is very important, and with the Senator's permission I will say what I have to say now.

It is vital that something should be done and at once. We are told that the remedy lies in production; that production alone will ultimately enable European countries to redeem their paper money. That is true; but men and women will not produce unless their confidence in their institutions is maintained in some way. Confidence has coined more money for the world than all her mints; and unless something is done to help our associates in the late war maintain their confidence in their political and industrial future, the worst that can be anticipated will happen; and if we were to put ourselves in their position and be compelled to bear the burdens which they must bear I can see that we would feel that this was the least that ought to be done to assist in the premises.

There is another thing, Mr. President, that I will mention while I am on my feet.

We all know that for years London has been the clearing house for the foreign exchanges of the world. They have taken toll going and coming upon all our exports and imports, and it has amounted to hundreds of millions of dollars. It does seem to me that now that we have the money we ought to have the courage to permit our capitalists to finance our exporters and importers; and for this reason I think we ought to enact some wise, safe legislation whereby our banks or our capitalists can handle these foreign exchanges.

Mr. GRONNA. Mr. President, may I ask the Senator if the State institutions to which he referred receive deposits? I mean those that have already been set up, the international institutions to which the Senator referred. Do they receive deposits?

Mr. McLEAN. I suppose they receive long or short time deposits. They are not permitted to receive cash deposits, demand deposits, as I understand.

Mr. GRONNA. May I ask the Senator if these same institutions are authorized to issue debentures or bonds?

Mr. McLEAN. Their powers are infinitely broader than the powers granted under this charter. They can easily get State charters which permit them to do anything under the sun, and that is why I said that if it were possible, and I could have my way, I would compel the 9 or 10 institutions already organized to come in under this Federal law, where they would be supervised and examined.

Mr. GRONNA. Of course that would be a State charter, would it not?

Mr. McLEAN. It would be a State charter.

Mr. GRONNA. I want to thank the chairman for his explanation of the bill. It seems to me, though, that the Senator is somewhat mistaken in making the statement that we ought

to have these institutions in order to establish confidence. It seems to me that it would establish more confidence if we would compel these institutions to organize in such a way that they would be absolutely safe, and a double liability could not detract anything from the soundness of an institution of this kind. It certainly could not injure the institution to be compelled to subscribe to a double liability.

Mr. President, I do not intend to delay unduly the proceedings of the Senate in discussing this bill. I want to say that I had something to do with the amendments which were inserted in this bill not only in the Senate but I was consulted on the other side; and while the Senator from Connecticut disagrees with me as to whether the bill has been improved, I believe I can safely say that unless these amendments had been made, some dozen or fifteen of them in the Senate, and a great many more in the House, this bill could not have passed; it would not have become a law.

I repeat what I said, that this bill can not possibly regulate the exchange, and I am going to read from higher authorities than myself on that subject.

I want to read from yesterday morning's Washington Post, from a man whom I consider, and whom I presume the Senator will consider, an authority. It is under the heading:

BRITISH BLAME EXCHANGE RATES ON STATE LOANS.

LONDON, December 13.

The report of the committee on postwar currency and foreign exchange has issued a white paper recommending certain measures for the economic restoration of the nation.

"Increased production, cessation of Government borrowing, and decreased expenditure both by the Government and individual members of the nation are the first essentials of recovery," the report says.

The restoration of prewar methods of currency and control of the credit system are urged in order to reestablish a free gold market at London soon. The weakness in exchanges is regarded as due not only to trade conditions, but to the expanded state of credit. Preference should be given to export business with those countries able to tender payment in the ordinary course of trade, according to the committee.

I want to show, a little later on, that Great Britain has established her trade with some of the neutrals; that she has vastly increased her exports to these countries; and that the discount is very small in some of the countries. I remember distinctly that in one of the countries—Norway—the pound sterling is at par.

I also want to read an Associated Press article printed in this same paper, the Washington Post, of December 14, under the heading:

ALLIES OFF GOLD BASIS—DEPRECIATED CURRENCY FACTOR IN EUROPEAN EXCHANGE RATES—TRADE BALANCE DISTURBED—NO RETURN TO PARITY LIKELY, SAYS JAMES S. ALEXANDER, UNTIL GOLD STANDARD IS RESTORED AND EXPORTS BECOME EQUAL TO IMPORTS—BANKER ANALYZES PRESENT CONDITIONS.

[By the Associated Press.]

NEW YORK, December 13.

Restoration of an approximate equilibrium of imports and exports between the United States and Europe and a return of European currencies to a gold basis are needed before foreign exchanges will return to a normal basis, according to James S. Alexander, president of the National Bank of Commerce and an authority on foreign trade.

Mr. Alexander, officer and director of many important banking institutions, who served as chairman of the committee on credit and finance at the international trade conference at Atlantic City and is chairman of the executive committee of the national committee on European finance, was asked to-day by the Associated Press to reduce to plain terms the highly complicated international business problem presented by the present condition of foreign exchange.

REFLECTS TRADE CONDITIONS.

He prepared a statement in which he explained that foreign exchange is a commodity, and the present demoralized depreciation in rates for sterling and other European exchanges is a normal expression of the law of supply and demand. The statement follows:

Mr. EDGE. Will the Senator suffer a question?

Mr. GRONNA. Not at the present time; before I get through with this article.

Mr. EDGE. I did not intend to divert the Senator from the article.

Mr. GRONNA. I will be glad to yield when I have finished the article:

Depreciation of the foreign exchanges is primarily only a reflection of deeper problems in relation of exports and imports between America and Europe. The problem may be simply stated as follows:

When exporters sell to foreign buyers they draw checks, drafts, etc., on those foreign consignees or their banks for the amounts due. These bills are drawn in foreign money, preponderantly pounds sterling—that is, on houses in London, long the world's international clearing house. Americans drawing these bills sell them in the foreign exchange market for what they will bring, which under normal conditions fluctuates within narrow limits of face value. The total volume of such checks and drafts coming into the foreign exchange market constitutes the supply of foreign exchange in existence at that time. The foreign exchange market consists of foreign exchange houses whose function is to buy exchange, say, in New York, on London, and send it there for collection or the establishment of balances.

BUYING SHOULD OFFSET SELLING.

Ordinarily, at the same time, Americans are selling goods to foreigners, foreigners are selling goods to Americans who therefore have remittances to make abroad. They therefore buy from the foreign exchange dealers drafts or checks against the balances those dealers have established abroad through the purchase of foreign exchange. Thus while

American exporters sell foreign exchange, American importers buy foreign exchange. The one creates the supply; the other creates the demand.

Normally this supply and demand were about equal, because the total volume of goods and services sold to Europe about equaled the total volume of goods and services bought from Europe. In prewar times the difference in the two volumes fluctuated between narrow limits and the excess one way or the other was settled by shipments of gold.

The foregoing states in general terms what normally took place in the foreign exchange market, ignoring many technical details, which, however, do not alter the main thought.

SITUATION CHANGED BY WAR.

The war, however, has materially changed the situation. In the first place, while there have been huge increases in our exports to Europe, there have been great decreases in our imports from Europe. There has therefore come into the foreign exchange market a greater volume of checks and drafts on Europe than European drafts on America, resulting in a far greater supply of foreign exchange in this market than there is a demand for on the part of Americans having remittances to make abroad. As always happens in the case of any commodity when supply exceeds demand, prices of the foreign exchange fell. The depreciation of foreign exchange in this market, therefore, is merely a normal expression of the law of supply and demand.

The question as to what will correct the situation can be answered on general principles without any attempt to prophesy. Foreign exchange can not come back to parity until the restoration of the gold standard in Europe corrects the depreciation of European currencies and until the restoration of approximate equilibrium between our exports and our imports in respect to Europe again makes the demand for foreign exchange approximate the supply.

Mr. President, this comes from one of the leading financiers of the country, and I am sure, at least I have reason to believe, that my distinguished friend from New Jersey [Mr. EDGE] will agree with the statement of Mr. Alexander. I now yield to the Senator, if he wants to interrupt me.

Mr. EDGE. I do not want to delay the Senator at all. I simply wanted to ask the Senator if he knew that at the convention to which he refers, where Mr. Alexander delivered that address, and was chairman of the committee, as stated in the article, the convention unanimously indorsed this bill, and sent such a memorandum to the Members of Congress?

Mr. GRONNA. I do not doubt that, Mr. President. I believe what the Senator has stated is true. We all know how easy it is to pass resolutions at such meetings. I have attended farmers' meetings at times, and all we have to do is to put at the head of the resolution "Resolved, That something should be done to benefit the farmer." We all know how easy it is to get a resolution of that sort passed. I presume the same is true with bankers' conventions.

Mr. FLETCHER. Mr. President, may I suggest to the Senator that while agreeing mainly with the article which he has read, and I do; I think it is very sound, and I am glad the Senator read it into the Record; does not the Senator believe that this measure will afford temporary relief? I am not satisfied that it is going to be a permanent cure and remedy for the situation, but for the present, temporarily, is it not a good thing to help tide us over to the time when our exports and imports will be practically at an equilibrium? We must have trade, undoubtedly. We can not have trade unless we cure this trouble about the cost of exchange. We can not sell our goods, we can not export, because we can not have buyers. Is it not a good idea to bring about the equilibrium between exports and imports by affording a facility whereby we can start our exports moving? And is it not an excellent plan, as a temporary measure, for that purpose, bringing about the very condition which the Senator admits must be brought about in order that we may have a permanent and proper arrangement?

Mr. GRONNA. I do not disagree with the Senator from Florida. I am simply trying, in as brief a time as possible, to call attention to what exchange is, and I believe that it is impossible to legislate so as to affect that problem. I believe it is absolutely impossible for this Government to say what the rate of exchange shall be; and there has been a great misconception as to what Congress can do or can not do. I do not believe that any Senator will seriously contend that we can say, by law, what the rate of exchange shall be. There are conditions, as the Senator from Utah [Mr. SMOOT] knows, which enter into that problem.

Mr. SMOOT. Mr. President—

The VICE PRESIDENT. Does the Senator from North Dakota yield to the Senator from Utah?

Mr. GRONNA. Certainly.

Mr. SMOOT. About the only way, Mr. President, that exchange will be brought to par in any country in the world is to have their exportations at least equal to their importations. If the exportations exceed the importations, of course the currency of the country will immediately go to par; but if their exportations are less than their importations there is only one way to make up the difference, and that is to get a loan from some other country, or be in a position to borrow the gold that will make up the difference in some other way. Unless it is made up, and that is equalized, of course whatever moneys of

the country may be circulated will fall below par; and that is the condition we find Europe in to-day. Why is the mark, a 24-cent mark in Germany, down to 1½ cents to-day? Because all the countries of the world recognize that Germany can not redeem that paper money. It is an absolute impossibility for them to do it, and I have not any doubt, Mr. President, that the German people themselves believe that the time will soon arrive when there will be another issue of money entirely different from that which is being issued to-day and has been issued in the past, and the paper in circulation in Germany will be worth simply what the paper is worth and nothing more. The Americans who have been speculating in the purchasing of German marks, I feel sure right now will not only not make anything upon their purchases but they will lose all they have put into the speculation.

Mr. GRONNA. I agree with what the Senator from Utah has said, and with reference to his last statement regarding the value of marks and the impossibility of making any profit, I will say to the Senate that my reasons for insisting on a double liability are to protect the innocent bondholders, the men of this country who will be holding these securities.

I have no more responsibility with reference to this legislation than has any other Senator. But instead of discussing this as a purely exchange bill, we ought to know what it is. I have no objection to legislation helpful to the people of Europe, but this is a bill to set up organizations for the purpose of buying securities which may practically be worthless in the European countries and to stimulate their business. But while you are stimulating the production of Europe you can not at the same time, with the same money, stimulate the production of the products of your own country. I am only finding fault with some of the statements that have been made by those who seem to claim to be the friends of this measure as to what this bill will do. You are complaining because of the high cost of living. You are proposing by this measure to raise money to loan to England, to France, to Belgium—and I have no objection to that—and to Germany and to Austria for the purpose of buying American products. The result will be that prices will go still higher to the consumer.

You must stimulate the industries of this country and produce more, you must increase production of the natural products of this country if you are going to benefit the consumers, which has been claimed as the result of this legislation by the friends of the measure. We all know that Europe had a balance of trade against her for 10 months of more than \$3,000,000,000. I have before me here the report of the Department of Commerce, which I ask to have inserted in the Record, because I do not wish to take the time of the Senate to go into detail, which will show absolutely that Europe has a balance of trade against her from America of more than \$3,000,000,000. Every dollar of that has gone to Great Britain. What happens? Here are two men in New York, A and B. A is an importer and B is an exporter. The exporter, Mr. B, has hundreds of millions due him from London. It is impossible for A to get any exchange from London, because the imports into London are so much greater than her exports that she has no paper on New York.

People wonder why the pound sterling has gone down from \$4.866. It seems to me that any man ought to understand it. With hundreds of millions of this paper outstanding against the banking institutions of London and no gold for export and no gold to sell, and yet you wonder why it has been reduced almost 20 per cent—19.4 is about the discount. There is nothing technical about it. It is a proposition so simple that every man ought to understand it. The only trouble is that some of the patriots up in Wall Street always are trying to becloud the issue when anything of importance is going on, but Americans are willing to discuss these matters in a frank manner.

Mr. President, I am going to ask to have inserted in the Record an article written by Samuel S. Dale, a citizen of Boston, a very distinguished citizen, editor of Textiles, I believe. While I am not going to take the time of the Senate to read the entire article, I do wish to read the last paragraph. The article is entitled "Protection or free trade." I can just see before me now the mild protectionist from New England and how he will come to Congress in the near future and ask for protection. It is possible that the men who are so determined to have their own way in financial affairs will find mild protectionists. If the cost of living can in no other way be reduced to the people of the United States it is possible, sir, that we will have to resort to that method. It is a peculiar thing. Everything in the world seems to move in numbers of three. There is a trinity about nearly everything. We had the treaty and the league of nations, we have this bill, and we have the tariff question, and they are all involved in the same issue.

Although I do not have the privilege of knowing Mr. Dale personally, I understand he is an authority on the tariff; that

his knowledge has been sought by congressional committees; that he has on many occasions appeared here to give information to committees when tariff bills have been framed. I want to read just the last paragraph from Mr. Dale's article, which he sent to me and said I might use in any way that I saw fit. He says:

There is to be no regulation of exports.

That, Mr. President, is a very important matter. The farmer of the West was satisfied when an embargo was placed upon his products. The farmers all throughout the country did not come here in large delegations asking that that embargo be lifted. They knew as well as we knew who had looked into the matter that they were losing on an average of a dollar a bushel on their grain. They knew it, but they were willing to sacrifice in the interest of the consuming public, and up until the 15th day of this month, or yesterday, the embargo has been retained on their principal crops, to their detriment and to their loss, but in the interest of the public. If the manufacturer and the dealers had been as patriotic as were the producers in disposing of their product the situation would be different to-day.

From the standpoint of the producer if the bill would do what the Senator from New Jersey [Mr. EDGE] and the Senator from Connecticut [Mr. MCLEAN] say it will do, I would be for it. If I were as selfish as some of the Wall Street journals say I am—possibly they are telling the truth, but I consider it a certificate of honor that they are devoting columns to me, and the only argument that they have for the Edge bill is that I am selfish.

I do not wish to take the time to read any of those articles as I do not care, and the public cares very little for what the Wall Street journals say or do with reference to legislation, financial or any other legislation. The men who carried the treaty in their pockets for months are the very same men who are trying to tell us what bills we shall pass, financial bills and other bills.

Mr. Dale said:

There is to be no regulation of exports. The American products taken from American consumers will be used not only to supply the real necessities of suffering peoples in distant countries but to gratify the vanity and feed the extravagance of foreigners who are not suffering, while foreign governments, relieved of the burden of providing for the needs of their nationals, will be able to turn their resources to the support of armies and navies for world conquest and dominion, directed perchance against the United States itself. This plan is not only in the minds of schemers, it is so far advanced that the Edge bill authorizing United States charters to banking corporations for financing it, has already been passed by both House and Senate and may be a law before these words are printed.

This banking scheme to lend American money to foreigners should be cast with free trade and the league of nations into the everlasting discard.

Mr. President, I do not say that I am for free trade. I never was in favor of free trade. I do not say that I am against a league of nations, but I do say that I am against any league and against any entanglement which will prevent the American people doing business in their own way and from continuing their traditional policy as laid down by the fathers. I am opposed to any such scheme as that.

I find in a little booklet under the title, "Business Conditions," issued by the American Eagle Fire Insurance Co., a statement from a Mr. Paul M. Warburg, which I am going to ask to have printed in full.

The VICE PRESIDENT. Without objection, permission is granted.

Mr. GRONNA. I am going to quote just one paragraph from Mr. Warburg. I am not reading literature from radicals or from socialists or from people of that sort. I am reading from the time's soundest financiers and any man who will read the articles which I shall insert in the Record will agree that I am sound in the policy which I have advocated with reference to the bill. I have been instrumental in improving it, and I am aware that it is not possible to defeat the bill, but I am going to have the Record show my position.

Says Mr. Warburg:

Everybody knows that in order to prevent a further rising of prices it is necessary that production be increased and consumption be decreased. The necessity of such a course has been forcefully urged by many; it is conceded by all and practiced by nobody. In Europe and in the United States there never was a greater recklessness in spending money than there has been prevailing since the conclusion of the armistice. The ease with which a large amount of depreciated money can be earned has diminished the respect for money and the eagerness to save. A willingness to subordinate or sacrifice one's wishes and pleasures to the greater advantage of the country, splendidly manifested during the years of war, has ended in the present reaction of an orgy of brazen self-indulgence at the very moment when the war bill is presented for payment.

This is quite a lengthy article, and I ask that I may be permitted to have it printed in the Record at the conclusion of my remarks, together with certain other articles to which I shall refer.

The VICE PRESIDENT. If there is no objection, permission is granted.

Mr. MCLEAN. I will say to the Senator that my recollection is that I have a letter from Mr. Warburg strongly advocating the bill.

Mr. GRONNA. That may be true. I do not deny that. Why, Mr. President, I take it that every patriotic citizen is willing, so far as he can, to lend aid to the peoples of Europe. I take it that no one is going to object to legislation which is in the interest of the American people and in the interest of people of Europe or any other country. But if the transformation has not been made that I outlined a moment ago, if men are still selfish, then, sir, we ought to be careful in passing legislation which gives to these men of wealth the great opportunity to control not only the finances of the country but to dictate the prices of products, and to control the policy not only of this country but of foreign countries as well.

Mr. President, I hold in my hand a statement issued by the Department of Commerce on "imports and exports of domestic and foreign exchange by countries." I find that the United Kingdom during the month of October, 1918, exported to the United States \$10,710,165, and in 1919, \$41,718,294; but imported from the United States during the same month in 1918, \$148,680,049, and during the same month in 1919, \$164,965,249. During 10 months ending October, 1918, Great Britain exported to the United States \$130,059,299, and during the same 10 months in 1919 she exported to the United States \$219,298,354; whereas in 1918, for the same 10 months, she imported from the United States \$1,711,507,737, and in 1919 for 10 months she imported approximately \$1,867,688,755.

Mr. President, is not that a good reason why there is a difference in exchange? Having exported but \$219,298,354 of goods, having to buy \$1,867,688,755 of goods, and not having the gold with which to settle the balance, why should not her pound sterling be depreciated?

We are going to set these corporations up in business and give them the benefit of being quasi governmental agencies in order that they may sell their bonds and their debentures absolutely in their own interest. Why, then, should we not require of them that whatever bonds they issue they shall be liable for at least double the amount of their capitalization? That is not considered a hardship upon other classes of bankers; and, while such bankers receive deposits, they do not have the right to issue debentures or to issue bonds. A national bank issues currency, for which it must purchase Government bonds, and, regardless of whether the bank fails or not, that currency is good, because it is guaranteed by Government bonds. It is not so as to the companies authorized by this bill. I am only calling attention to that. I believe it is unfair to the public.

I have before me a booklet which has been sent to me by Lewis L. Clarke, president of the American Exchange National Bank of New York, the booklet being entitled "Foreign Exchange." I shall only read a short paragraph from this booklet, as follows:

Out of all this war-time confusion in foreign exchange markets and international commerce should come radical improvement in monetary standards to simplify the transaction of international commerce and the settlement of accounts. The Far East has made greater progress in this respect than have Europe and the Americas. Some specialists in foreign exchange may find the existing complicated systems to their advantage, but it would greatly help international trade if small merchants could ascertain prices and costs in other countries without the aid of an interpreter.

Now, this is especially what I desire to call attention to:

The league of nations, if it comes into being, might very profitably deal with the unification of monetary standards throughout the world.

I do not say that this good citizen is in favor of that great document for this specific reason only, but it is the only one he mentions in his booklet, and it was evidently running through his mind that the great benefit which would come if the league of nations were adopted would be that to which he has called attention and which I have just read.

I desire now to read a short extract from a printed speech of the distinguished Senator from Oklahoma [Mr. OWEN]. In his speech he had printed this statement from Justice Brandeis, in *Other People's Money*:

The great monopoly in this country is the money monopoly. So long as that exists our old variety and freedom and individual energy of development are out of the question. A great industrial nation is controlled by its system of credit. Our system of credit is concentrated. The growth of the Nation, therefore, and all our activities are in the hands of a few men who, even if their actions be honest and intended for the public interest, are necessarily concentrated upon the great undertakings in which their own money is involved and who necessarily, by every reason of their own limitations, chill and check and destroy genuine economic freedom. This is the greatest question of all; and to this statesmen must address themselves with an earnest determination to serve the long future and the true liberties of men.

Mr. President, that is the statement of Justice Brandeis, and it speaks for itself.

From the Chief Executive of our land, from citizens in every walk of life, in business vocation and profession, we are told that the World War is over; we are told that demobilization has been completed; but we are also told by the highest tribu-

nal of this Nation that until peace has been declared by our Chief Executive we are technically, if not actually, still at war. It is true that hostilities have long since ceased. Why, then, hesitate declaring peace with all men and nations? If we honestly and sincerely favor peace, let peace be declared. If there are peoples or nationalities which we can not trust, let us frankly say so. So far as I know, the people of the United States are not looking for indemnities, for additional territory, or for profits. The rank and file made stupendous sacrifices from a patriotic standpoint. They made them, as they believed, in the interest of humanity, and their chief concern to-day is for an honorable, just, and lasting peace.

We are a Christian Nation, composed of more than a hundred million people. Uppermost in the minds of 99 per cent of our people is the question of peace with all men and nations. Self-interest is in the minds of only a few.

Is it asking too much for the American people to be allowed to transact their business in their own constitutional way, in accordance with their traditional policy laid down by the fathers of this Republic?

Thousands of our brave young men made the supreme sacrifice; a greater number faced the danger and stood ready to make it. Shall those of us who personally did not participate in this terrible struggle confess that already we have forgotten what these brave men did for us? Have we so soon forgotten their sufferings and sacrifices?

The World War is over, but the responsibilities which we owe to those who remain have not been discharged, nor have the obligations that we owe to our fellow men been fulfilled. The reconstruction period has just begun and will for months and years engage our best attention. Every effort honestly and efficiently to reconstruct our own country for the benefit of our own people must be made, and at the same time we must make every effort and sacrifice possible to help the people of the devastated countries of Europe to reconstruct and rebuild their countries to prewar and normal conditions. This can not be done if our only aim shall be to profit from the labors of other men. This can not and will not be done if by legislation we grant special privileges to those who are now in possession of wealth, for the purpose of accumulating more profits at the expense of the oppressed. If we are sincere and intend to make our promises good in the interest of reconstruction, capital and labor, the rich and the poor, must become more efficient; we must work more ourselves, if necessary, and produce more, even if the cost be greater and the profit less. Capital and labor must be satisfied with smaller, not greater, returns, and labor must become more, not less, efficient. I know of no other way to save our own people from chaos and financial ruin; I know of no better way to save others from the same fate. This is not the time for the powerful and strong to saddle the burdens upon the bended backs of those who are not so strong. This is the time for mutual cooperation; this is the time for every citizen of our land to join in solid phalanx, with but one thought and one purpose in mind, and that thought and purpose must be reconstruction, in order that we may get back to normal conditions.

This can be done if we make up our minds to do it, if we join with our neighbors and do our full share of what is necessary to be done. But there is one thing we must be willing to do at the outset, and that is to resolve in our own consciences not to expect a larger profit from the labor of the other fellow, but to be satisfied with the earnings from our own efforts and efficiency.

I have no doubt some of you will denominate this doctrine as socialistic, but call it what you please, I believe it to be an idealistic doctrine, a patriotic doctrine, and if we could only for a short period of time, say, a year or two, eliminate our madness for money and profit we would happily express ourselves over the satisfactory accomplishment and wonderful results. But will we do it? No. Business will proceed in its usual way. The millionaire will in the future, as in the past, be looking for special privileges, for legislation, making it possible for him to make more millions, for concessions by those in power to accumulate more wealth, not for the country, not for the public, but for himself.

If we want to avoid trouble and disaster the high and the low, the rich and the poor, must be willing to make sacrifices. Of course I know that the man of wealth complains about the high taxes and the heavy expenses, but let us not forget the toiling millions who are barely eking out an existence, who have barely enough to live from day to day. Their problems are more difficult, especially when overtaken by sickness and disaster, than are the problems of the men who enjoy luxurious wealth. The men of large means are not in want for food, raiment, or shelter. If they have sustained financial losses, they have the property

or the money to lose. Not so, Mr. President, with the majority of the people of our country. They are simply laboring to maintain an existence and are living from day to day. We have no right, I say, in these days of distress and oppression to grant special privileges to those who are in control of wealth and to saddle the burdens upon the bended backs of the people of our country or of foreign countries.

Mr. President, I want to say that so far as this bill is concerned I hope it will work out in the way that its friends believe it will work out. My only object in endeavoring to change this measure has been to make it possible to help the people of Europe, as well as the people of America, rather than these men who we know have always taken advantage of the public in times of distress, and who, we have reason to believe, will continue to take that advantage if they are not limited and if they are not controlled by proper legislation. As one Member of this body, I believed it my duty to call attention, and I have called attention, and we have succeeded in changing some of the most dangerous provisions of this bill, because it gave too much power to these corporations. While it may be true, as the Senator from Connecticut has stated, and he knows that I have great respect for his judgment, that it might facilitate their operations, at the same time it is safe for us in dealing with the people who have these vast fortunes, who are absolutely in control of the destinies of men and of nations, not to safeguard by legislation the interests of the men who have less to control?

Mr. President, there are many things to which I intended to call attention. I shall not trespass further upon the patience of the Senate, but I ask permission to have certain documents printed at the conclusion of my remarks.

The VICE PRESIDENT. Without objection, that order will be made.

The matter referred to is as follows:

FOREIGN EXCHANGE.

During the century between the Napoleonic wars and the outbreak of the Great War, foreign exchange became so thoroughly stabilized that few, if any, dreamed of the possibility of disorganization such as did occur and is still manifest as a result of the conflict. In the closing days of July, 1914, and for several weeks thereafter, sterling exchange commanded enormous premiums in New York, because international banking houses and other issuers of bills of exchange were short of exchange to cover large amounts of bills accepted by London bankers against letters of credit issued for account of American merchants and also because of forward sales of time bills against prospective exports of grain, cotton, and other seasonal commodities that move freely to market after harvest. This perfectly legitimate and usually conservative anticipation of exports went wrong when England suddenly demanded settlements in gold and movements of vessels were interrupted by fear of German raiders on the high seas. The city of New York alone had to raise about \$80,000,000 in gold or equivalent exchange to pay its Treasury bills falling due in London and Paris during the fall of 1914. Many other then neutral countries could not meet England's demands for payments in gold and declared moratoriums to save local debtors from bankruptcy. America liquidated all her current liabilities, and then the tide changed again almost as suddenly as it had at the beginning of hostilities in Europe.

Inability to ship merchandise to England and France fast enough to take care of maturing bills of exchange and other obligations caused the initial rise in rates for sterling exchange in the New York market and in almost all other neutral countries. In normal times London would have accepted and renewed bills of exchange without demur, and both American and London banks and dealers in exchange would have made a small profit by discounting movements of cotton, grain, and other seasonal commodities, as they had been doing regularly for many years. It was the sudden disturbance of international trade by a war that involved all the great powers of the Old World which threw foreign exchange out of balance.

When the pendulum swung back, it went over too far, and while the credit situation was changed the balance was not fully restored. England, France, Italy, and other European belligerents imported all the supplies that ships could be found to carry, and paid high prices for everything. They were so engaged in war work that they could produce and spare little for export in exchange for these imports. America was the chief source of supplies and passed from the condition of an international debtor to that of a creditor nation in a few months. England shipped gold to New York by way of Canada to stabilize exchange which was running heavily against her, and was measurably successful in so doing with the help of loans floated in New York after it became apparent that the United States was floundering in a sea of idle gold. French and other belligerents' exchange remained at a heavy discount in New York and has not yet fully recovered.

War is waste. The foreign exchange market is the most responsive and most delicately balanced barometer of conditions in existence. European belligerents not only imported enormous quantities of supplies and war materials at high prices, but burned them up in waging war. They did not use these imports to create new wealth, as they would have done under peace conditions. They poured real wealth into a fiery furnace which gave back nothing of material value. As far as commerce was concerned, this real wealth, imported for war purposes, might as well have been dumped into the sea, and that literally happened to no inconsiderable part of it as a result of the German submarine campaign.

Under peace conditions imports are used in the manufacture of other merchandise or are consumed for the sustenance of the people whose labor creates real wealth. The wheat flour and meat that a workman eats has the same direct productive value as the coal burned under the boilers of the factory in which he works. Something of greater value comes out in exchange for the food and fuel consumed in producing man and horse power.

Under war conditions the products of industry have been burned up. This waste is the measure of the war taxes and national debts of the belligerent nations, including the United States. America has been exporting twice as much as she imported and has received evidences of debt instead of real wealth to balance the account. She has given and must continue to give credit for a long time to come and she must

either take merchandise in exchange for the evidences of debt she holds or regard and treat the debts others owe her as practically permanent investments, just as England has done for two centuries.

Being a creditor Nation, America will for many years be able to sell bills of exchange based on these foreign debts and thus protect her gold reserves to such extent as may be deemed advisable.

It is obvious that this must not be overdone, because such a financial policy would restrict the ability of others to buy goods made in America and would limit our exports of merchandise. We can so use our financial strength as to destroy our export trade, and therefore we must not press our debtors too sharply.

In the years within living memory, before this war destroyed the balance that existed in international trade and finance, the manner in which the purchases and sales, or imports and exports, of the nations offset one another excited the wonder even of experts. America imported more from Asia than she exported, and exported more to Europe than she imported, while Europe stood as a creditor of Asia. The accounts of the triangle came so near to a perfect balance that only a minute percentage of the total transactions remained to be settled in gold or silver. London was the clearing house in which Japan's bills against the United States were met by America's bills against England, and our debt to Japan was set off against what she owed England. The ramifications of this settlement of world-wide debits and credits in London were infinite, but balances were struck and settlements made without difficulty by the use of bills of exchange and with little use of gold. The war destroyed this normal balance in international trade. Some nations now owe enormous debts, while others hold corresponding credits. These differences can not be settled by shipments of gold, because enough of it does not exist. The estimated world's stock of gold available for currency purposes is about \$9,300,000,000, which would not settle the balance in favor of America. We must either treat the balance in our favor as a long-time loan or accept merchandise in payment. If we take merchandise for this purpose, our imports will vastly exceed our exports for several years to come and the so-called balance of trade will be heavily against us, which would be a novel and perhaps an unpleasant experience.

As between ourselves and the countries in our debt, the rates of exchange can be held in our favor until we have collected all floating debts due to us. If we permit our debtors to fund these debts and turn over the securities to us, the bills of exchange representing payments of interest or dividends will keep exchange in our favor, and will offset any ordinary excess of imports over exports as far as the foreign exchange markets are concerned. England was in this financial position most of the time for nearly 200 years before the Great War. This transition from the position of a debtor to a creditor Nation will affect our foreign exchange position for many years to come and will furnish new problems for bankers and dealers in bills of exchange.

Hereafter an "invisible balance of trade" will run in our favor, as it has done in England's case for generations. How great it will be and how long it will continue depends on the manner in which we push our foreign trade and handle our international finances. American bankers, merchants, and importers must not forget that if the rate of exchange remains heavily in our favor it will be proportionately heavy against our best customers and will tend to check their purchases from us while stimulating them to sell merchandise to us to the possible detriment of our industries.

Spain profited enormously by the war. For a time she tried to collect payment in gold, and the rate of exchange in her favor rose to ridiculous heights. This tended to check her exports, and an arrangement was made that ameliorated these conditions. Spain learned that money is not food, though it will buy food. During the war Holland and the Scandinavian countries tried in a legitimate way to force the Entente Allies to let them import foodstuffs and raw materials for manufacture, and notified foreign debtors that they did not want gold. Foreign exchange figured prominently in international politics for several months. The world has learned much about economics and political economy in the last five years.

France is improving her exchange position by good banking methods in the face of terrible losses. Millions of British, Italian, Portuguese, and American soldiers have been spending their pay in France, and their Governments have bought supplies and military equipment from French manufacturers to the limit of their capacity. Since the first armistice was signed the money spent by and for foreign soldiers in France has done much to ease the rate of exchange on Paris.

In Latin America merchants have been clamoring for merchandise. They did not want gold. Goods on their shelves meant trade and profit, but gold was of little use when it could not be exchanged for merchandise. Gold is worth only what it will buy and is as valueless in a monetary sense as counterfeit bills when the possessor can not exchange it for real wealth in the form of articles of commerce.

Out of all this war-time confusion in foreign exchange markets and international commerce should come some radical improvement in monetary standards to simplify the transaction of international commerce and the settlement of accounts. The Far East has made greater progress in this respect than have Europe and the Americas. Some specialists in foreign exchange may find the existing complicated system to their advantage, but it would greatly help international trade if small merchants could ascertain prices and costs in other countries without the aid of an interpreter. The league of nations, if it comes into being, might very profitably deal with the unification of monetary standards throughout the world.

[From the Washington Post, Tuesday, Dec. 16, 1919.]

LONDON FINANCIAL MARKETS.

(Special cable from the London Times to the Washington Post. Copyright, 1919, by the Public Ledger Co.)

LONDON, December 15.

The stock markets showed a further almost general improvement and in one or two directions the rise in prices assumed substantial proportions. Gilt-edged securities were again good on the market and recovery in home railway stocks made further progress. Mexican Eagle oil shares rose £1, and the tendency of the South African market was good with a notable advance in Modderfontein. In view of the approaching holidays, there were signs of a falling off in the volume of business.

While floating supplies of credit were again ample, there did not appear to be quite such a superabundance of very cheap money on offer at the close. Borrowers, however, were able to satisfy all their requirements at the previous rates, 2 per cent being accepted for after-noon money. A fair volume of business was done in jobbing in discount, although the banks were not asking for any but short dated bills, maturing within a year, of which there were practically no sellers.

There was a distinct improvement in New York exchange, which closed at \$3.72½. The franc also improved, business being done at 39 francs 30 centimes. The rate closed at 40 francs 30 centimes.

Total imports and exports.
MERCHANDISE, BY MONTHS.

Months.	Imports.				Exports.			Monthly excess of—	
	Free of duty.	Dutiable.	Total.	Per cent of free.	Domestic.	Foreign.	Total.	Imports.	Exports.
1918.									
January.....	\$176,330,562	\$57,611,519	\$233,942,081	75.4	\$496,354,488	\$8,442,818	\$504,797,306	.....	\$270,855,225
February.....	141,931,340	65,784,200	207,715,540	68.3	406,492,092	4,869,878	411,361,970	.....	203,646,430
March.....	169,296,543	72,865,474	242,162,017	69.9	514,770,188	8,130,050	522,900,238	.....	280,738,221
April.....	190,633,749	88,347,578	278,981,327	68.3	489,834,516	10,608,390	500,442,906	.....	221,461,579
May.....	226,619,941	96,232,957	322,852,898	70.2	542,241,494	8,683,297	550,924,791	.....	228,071,893
June.....	178,998,042	81,352,029	260,350,071	68.8	475,647,993	8,151,406	483,799,399	.....	223,449,328
July.....	175,643,781	66,233,977	241,877,758	72.6	500,758,371	6,709,398	507,467,769	.....	265,590,011
August.....	203,794,049	69,208,865	273,002,914	74.5	519,357,034	7,656,882	527,013,916	.....	254,011,002
September.....	205,293,121	56,375,523	261,668,644	78.4	541,821,877	8,574,117	550,395,994	.....	288,727,350
October.....	194,080,763	52,684,143	246,764,906	78.6	492,037,083	9,823,467	501,860,550	.....	255,065,644
November.....	204,274,453	46,733,584	251,008,037	81.4	513,180,250	9,056,344	522,236,594	.....	271,228,557
December.....	163,456,557	47,423,960	210,880,517	77.5	555,379,051	10,507,061	565,886,112	.....	354,999,595
Total, 12 months.....	2,230,352,901	800,859,809	3,031,212,710	73.6	6,047,874,437	101,213,108	6,149,087,545	.....	3,117,874,835
1919.									
January.....	157,519,481	55,473,163	212,992,644	74.0	611,802,497	10,750,286	622,552,783	.....	409,560,139
February.....	153,676,326	81,447,948	235,124,274	65.4	574,096,706	11,000,306	585,097,012	.....	349,972,738
March.....	182,981,370	84,614,919	267,596,289	68.4	592,381,542	10,760,106	603,141,648	.....	335,545,359
April.....	178,829,089	94,127,860	272,956,949	65.5	680,074,049	34,723,088	714,800,137	.....	441,843,188
May.....	215,124,890	113,801,233	328,925,593	65.6	592,605,392	11,361,633	603,967,025	.....	275,041,432
June.....	195,549,458	97,386,085	292,935,543	66.7	907,968,086	20,411,117	928,379,203	.....	635,463,660
July.....	235,734,602	108,011,468	343,746,070	68.5	557,975,783	10,711,732	568,687,515	.....	224,941,445
August.....	213,492,812	93,796,274	307,289,086	69.5	634,470,487	11,583,938	646,054,425	.....	338,765,339
September.....	308,861,303	126,523,364	435,384,667	70.9	582,093,722	14,441,119	596,534,841	.....	161,150,174
October.....	284,824,373	117,049,288	401,873,661	70.9	620,729,119	11,180,927	631,910,046	.....	230,033,355
Total, 10 months.....	2,126,593,174	972,211,602	3,098,804,776	68.6	6,354,197,383	146,927,252	6,501,124,635	.....	3,402,319,859
Fiscal year:									
1916.....	1,492,647,350	705,236,160	2,197,883,510	67.9	4,272,177,579	61,305,306	4,333,482,885	.....	2,135,599,375
1917.....	1,848,840,520	810,514,665	2,659,355,185	69.5	6,227,164,050	62,884,344	6,290,048,394	.....	3,630,093,239
1918.....	2,118,599,372	827,056,031	2,945,655,403	71.9	5,888,652,057	81,059,314	5,969,711,371	.....	2,974,055,968
1919.....	2,230,222,808	865,497,260	3,095,720,068	72.0	7,081,461,938	151,336,805	7,232,798,743	.....	4,137,078,675
Calendar year:									
1915.....	1,167,428,816	611,167,879	1,778,596,695	65.6	3,493,230,532	61,440,315	3,554,670,847	.....	1,776,074,152
1916.....	1,611,887,638	779,747,697	2,391,635,335	67.4	5,422,642,505	59,998,596	5,482,641,101	.....	3,091,005,766
1917.....	2,135,552,430	816,915,525	2,952,467,955	72.3	6,169,617,225	63,895,372	6,233,512,597	.....	3,281,044,642
1918.....	2,230,352,901	800,859,809	3,031,212,710	73.6	6,047,874,437	101,213,108	6,149,087,545	.....	3,117,874,835

GOLD, BY MONTHS.

1919.									
January.....	\$2,113,217	.....	\$2,113,217	.....	\$3,377,038	\$19,060	\$3,396,098	.....	\$1,282,881
February.....	3,944,839	.....	3,944,839	.....	3,109,609	544	3,110,153	.....	834,686
March.....	10,481,197	.....	10,481,197	.....	3,788,174	15,055	3,803,229	.....	6,677,968
April.....	6,691,795	.....	6,691,795	.....	1,763,727	6,330	1,770,057	.....	4,921,738
May.....	1,079,525	.....	1,079,525	.....	1,954,415	1,720	1,956,135	.....	876,611
June.....	26,134,460	.....	26,134,460	.....	82,883,390	89,450	82,972,840	.....	56,838,380
July.....	1,846,495	.....	1,846,495	.....	54,668,687	4,540	54,673,227	.....	32,826,732
August.....	2,490,489	.....	2,490,489	.....	45,107,094	82,224	45,189,318	.....	42,698,829
September.....	1,471,628	.....	1,471,628	.....	29,031,050	19,416	29,050,466	.....	27,578,838
October.....	4,969,595	.....	4,969,595	.....	43,968,066	180,924	44,148,990	.....	39,179,395
Total, 10 months.....	61,223,240	.....	61,223,240	.....	269,651,250	419,263	270,070,513	.....	208,847,273
Fiscal year:									
1916.....	494,009,301	.....	494,009,301	.....	61,254,731	28,994,817	90,249,548	.....	403,759,753
1917.....	977,176,026	.....	977,176,026	.....	284,948,025	6,973,200	291,921,225	.....	685,254,801
1918.....	124,413,483	.....	124,413,483	.....	188,441,940	2,410,284	190,852,224	.....	66,438,741
1919.....	62,363,733	.....	62,363,733	.....	116,340,663	234,872	116,575,535	.....	54,211,802
Calendar year:									
1915.....	451,954,590	.....	451,954,590	.....	19,321,567	12,104,351	31,425,918	.....	420,528,672
1916.....	685,990,234	.....	685,990,234	.....	134,882,762	20,910,165	155,792,927	.....	530,197,307
1917.....	552,454,374	.....	552,454,374	.....	364,500,814	7,383,070	371,883,884	.....	180,570,490
1918.....	62,042,748	.....	62,042,748	.....	40,691,141	378,677	41,069,818	.....	20,972,960

SILVER, BY MONTHS.

1919.									
January.....	\$5,576,281	.....	\$5,576,281	.....	\$18,891,544	\$723,692	\$19,615,236	.....	\$14,038,955
February.....	6,756,665	.....	6,756,665	.....	32,352,756	747,418	33,100,174	.....	26,343,509
March.....	8,197,748	.....	8,197,748	.....	21,491,081	1,615,411	23,106,492	.....	14,908,744
April.....	7,066,781	.....	7,066,781	.....	23,038,136	2,038,438	25,076,574	.....	18,009,793
May.....	7,913,379	.....	7,913,379	.....	26,206,970	2,391,634	28,598,604	.....	20,685,225
June.....	7,078,684	.....	7,078,684	.....	11,694,454	913,905	12,608,359	.....	5,529,675
July.....	5,528,037	.....	5,528,037	.....	7,427,759	834,388	8,262,147	.....	2,734,110
August.....	8,327,128	.....	8,327,128	.....	8,625,623	5,183,254	13,808,877	.....	5,481,749
September.....	7,539,452	.....	7,539,452	.....	8,866,525	4,061,416	12,927,941	.....	5,388,489
October.....	8,722,430	.....	8,722,430	.....	8,744,112	3,525,567	12,269,679	.....	3,517,249
Total, 10 months.....	72,706,585	.....	72,706,585	.....	167,338,960	22,035,123	189,374,083	.....	116,667,498
Fiscal year:									
1916.....	34,154,375	.....	34,154,375	.....	53,171,760	6,619,763	59,791,523	.....	25,637,148
1917.....	35,003,563	.....	35,003,563	.....	74,011,157	4,268,774	78,279,931	.....	43,276,368
1918.....	70,328,153	.....	70,328,153	.....	127,705,661	11,475,738	139,181,399	.....	68,853,246
1919.....	78,825,266	.....	78,825,266	.....	286,779,434	14,395,116	301,174,550	.....	222,349,284
Calendar year:									
1915.....	34,483,954	.....	34,483,954	.....	47,467,235	6,131,649	53,598,884	.....	19,114,930
1916.....	32,263,289	.....	32,263,289	.....	64,985,637	5,609,400	70,595,037	.....	35,331,748
1917.....	53,340,477	.....	53,340,477	.....	77,726,074	6,404,802	84,130,876	.....	30,790,399
1918.....	71,375,699	.....	71,375,699	.....	239,972,503	12,873,961	252,846,464	.....	181,470,705

Imports and exports of domestic and foreign merchandise.
BY COUNTRIES.

Countries.	October.				10 months ending October.					
	Imports.		Exports.		Imports.			Exports.		
	1918	1919	1918	1919	1917	1918	1919	1917	1918	1919
EUROPE.										
Austria-Hungary.....		\$257,557		\$8,333,268	\$64,937	\$50,878	\$1,330,305			\$34,398,576
Azores and Madeira Island.....	\$101,083	96,910	\$78,905	85,039	1,263,611	1,339,659	1,288,519	\$306,749	\$114,597	428,245
Belgium.....	1,032	1,259,396	25,622,530	31,342,621	158,022	13,956	4,161,040	33,294,341	122,032,276	314,370,470
Bulgaria.....		92,012		1,049	8,569		670,218			1,753,603
Denmark.....	9,815	526,985	1,317,254	11,175,065	884,632	432,240	4,900,590	32,264,876	2,190,516	140,054,560
Finland.....		1,381		4,247,560	2,806		583,631	459,387		18,069,138
France.....	4,276,430	14,046,214	81,847,622	67,497,672	\$2,549,338	\$2,380,924	87,329,770	804,690,160	809,690,024	757,429,051
Germany.....	147,225	2,157,608	20,663,521	158,901	162,888		4,914,787	3,275		52,420,095
Gibraltar.....	408	1,992	769,745	85,098	61,837	2,061	29,376	5,866,291	5,872,126	41,629,793
Greece.....	195,928	2,003,394	67,002	2,683,312	5,006,232	14,981,095	24,665,578	7,605,212	3,829,218	31,712,425
Iceland, and Faroe Islands.....	63,232	39	510,725	633,337	436,155	881,305	484,589	1,742,025	2,150,511	3,132,273
Italy.....	1,080,491	7,224,329	42,980,729	31,871,737	31,104,745	22,204,934	40,893,785	324,319,671	400,094,752	366,173,049
Malta, Gozo, etc.....	685	4,010	114,739	34,120	52,017	4,181	18,837	76,149	355,914	369,773
Netherlands.....	1,401,483	9,180,220	1,029,908	20,357,776	20,482,188	7,798,134	61,271,308	57,504,268	5,618,089	197,337,870
Norway.....	89,371	433,222	4,357,104	18,485,843	5,673,617	1,121,809	4,891,172	58,903,676	28,332,890	117,813,766
Portugal.....	56,554	277,250	1,380,366	1,492,029	7,324,018	3,565,928	5,281,380	15,589,030	20,273,486	16,261,966
Roumania.....				180,911	1,285			253,222		4,808,110
Russia in Europe.....		23,121	190,890	830,601	8,470,208	5,319,830	2,866,266	296,330,981	8,525,300	13,379,865
Serbia, Montenegro, and Albania.....				26,299				3,540	17,497	2,846,512
Spain.....	2,450,616	3,376,864	1,719,266	8,344,695	30,841,961	13,634,642	38,040,061	72,006,418	46,351,180	82,464,439
Sweden.....	99,396	2,690,423	2,604,084	8,033,599	17,487,951	4,687,023	9,665,565	19,964,552	9,293,915	116,333,036
Switzerland.....	1,503,927	2,516,688	2,179,894	4,068,831	16,173,364	13,370,130	19,243,754	16,744,535	23,007,329	69,331,731
Turkey in Europe.....		2,516,474		1,944,131			10,889,737			15,599,810
United Kingdom:										
England.....	8,109,462	36,848,680	130,229,149	151,154,884	204,158,817	103,603,643	188,053,769	1,500,276,863	1,617,152,897	1,735,247,344
Scotland.....	1,157,000	2,979,520	8,736,666	11,042,290	25,321,307	11,294,660	20,475,223	153,661,240	88,768,157	102,814,729
Ireland.....	1,448,613	1,890,094	724,234	2,768,075	18,204,396	15,160,996	10,769,362	10,769,362	5,591,683	30,126,682
Total United Kingdom.....	10,710,165	41,718,294	148,689,049	164,965,249	247,684,520	130,059,299	219,298,354	1,673,916,962	1,711,507,737	1,867,688,755
Total Europe.....	22,187,841	90,410,334	315,439,812	407,398,353	476,401,004	272,035,925	542,838,962	3,421,905,320	3,199,167,457	4,265,826,913
NORTH AMERICA.										
Bermuda.....	219,608	9,659	186,563	149,686	894,719	1,033,269	1,020,180	1,934,202	1,767,456	1,686,203
British Honduras.....	274,768	230,376	121,726	73,190	1,394,807	2,058,622	2,300,132	1,650,883	1,878,894	2,176,225
Canada.....	46,782,695	54,877,198	82,504,502	67,976,685	328,319,977	371,429,268	393,436,449	691,164,704	727,117,082	587,653,629
Central American States:										
Costa Rica.....	488,697	593,890	177,224	436,533	5,714,318	8,318,371	6,032,367	2,734,538	1,323,655	3,408,002
Guatemala.....	194,558	575,283	265,589	744,106	9,851,857	7,718,990	11,535,703	5,957,869	3,650,500	6,771,772
Honduras.....	369,733	658,590	351,756	548,066	4,175,317	4,659,944	6,444,284	4,241,373	4,080,643	5,953,294
Nicaragua.....	212,136	293,997	407,437	570,224	3,335,162	4,278,084	5,131,916	3,825,245	3,699,603	5,151,428
Panama.....	594,020	681,629	1,301,060	1,817,639	6,043,169	7,669,161	6,416,037	22,594,126	17,632,662	18,370,340
Salvador.....	361,115	379,020	428,056	497,129	5,019,535	7,000,562	4,014,283	3,568,989	2,903,002	4,861,602
Total Central American States.....	2,220,265	3,093,009	2,929,122	4,614,297	34,139,358	39,645,112	39,574,500	42,922,137	33,290,065	44,516,438
Greenland.....	97,500	105,500			218,500	97,500	105,500	13,188	5,593	19,096
Mexico.....	16,122,910	12,271,375	8,285,600	9,942,552	109,385,772	129,549,076	118,143,918	89,177,032	80,407,334	105,374,533
Miquelon, Langley, etc.....			23,440	64,546		3,191	571	455,290	213,420	437,937
Newfoundland and Labrador.....	928,408	1,050,372	1,433,932	1,446,095	2,967,596	4,529,305	4,632,008	8,088,466	10,262,887	12,294,442
West Indies:										
British—										
Barbados.....	4,571	75,819	228,113	310,700	290,060	932,960	488,944	2,081,467	2,597,683	3,151,390
Jamaica.....	245,474	488,347	944,497	1,027,213	2,847,774	2,549,406	4,347,984	6,464,603	5,833,861	8,623,290
Trinidad and Tobago.....	228,152	404,592	683,506	833,678	6,907,279	6,854,348	7,430,512	5,704,188	5,485,565	6,025,015
Other British.....	128,325	172,084	365,816	471,012	2,933,931	2,515,243	2,536,148	4,828,818	3,352,467	3,817,896
Total British West Indies.....	606,522	1,137,842	1,651,932	2,647,633	13,009,044	12,851,962	14,805,588	19,079,086	17,274,576	21,617,591
Cuba.....	16,720,023	34,850,670	16,389,231	27,357,811	237,728,028	254,332,972	375,284,383	146,250,908	187,214,341	214,568,093
Danish West Indies (Virgin Islands of United States).....	26,472	166,115	150,938	170,775	903,943	1,120,295	1,550,108	1,451,404	1,274,314	1,456,281
Dominican Republic.....	899,934	210,602	772,040	1,735,840	11,571,247	6,661,645	10,854,773	12,635,804	13,179,447	14,799,148
Dutch West Indies.....	121,717	143,778	125,493	218,301	787,358	1,032,214	2,446,106	1,484,275	1,145,587	1,572,321
French West Indies.....	27,807	12,398	226,331	611,347	116,110	129,606	54,682	6,078,186	4,004,072	7,839,029
Haiti.....	477,676	1,009,392	705,863	868,775	3,175,102	5,213,370	8,541,168	5,643,739	7,355,414	12,372,270
Total West Indies.....	18,579,651	37,530,697	20,020,881	33,610,482	267,293,832	281,342,124	413,539,808	192,632,402	231,447,751	273,924,733
Total North America.....	85,516,205	109,169,181	115,508,726	117,877,542	744,584,561	830,587,468	972,754,156	1,022,041,272	1,088,390,515	1,029,083,236
SOUTH AMERICA.										
Argentina.....	32,958,910	23,773,398	5,448,761	13,874,154	152,179,545	198,179,790	155,955,865	84,369,150	81,510,182	131,625,518
Bolivia.....		378,585	304,910	166,465	10,153	159,282	1,352,475	2,896,837	3,834,833	4,139,693
Brazil.....	4,881,759	24,171,680	2,549,799	12,279,001	128,159,036	83,480,567	184,963,444	50,499,887	48,481,637	101,577,673
Chile.....	13,074,601	5,818,281	4,519,788	3,449,293	118,876,743	137,306,238	64,715,843	44,846,616	52,601,262	46,950,214
Colombia.....	1,751,211	4,017,408	657,578	2,730,539	23,839,302	20,139,857	35,017,166	10,828,218	8,804,023	17,026,615
Ecuador.....	196,530	850,751	202,352	770,698	8,861,483	8,817,115	8,297,355	4,378,627	3,681,820	6,276,434
Falkland Islands.....				5,788	400,000			36,887	295,660	170,123
Guiana:										
British.....	22,022	57,140	598,033	308,540	179,291	326,560	323,812	4,088,993	4,372,535	4,225,329
Dutch.....	21,011	63,981	187,414	1,129	1,311,047	526,518	774,907	1,189,432	1,217,187	1,282,285
French.....			13,600	1,954		5,091		698,514	629,040	953,076
Paraguay.....	45,869	65,151	8,745	66,588	69,978	83,592	596,016	404,036	604,176	766,565
Peru.....	3,014,073	3,981,197	1,527,785	2,141,263	34,906,637	30,977,326	28,074,345	17,345,968	17,482,438	22,491,021
Uruguay.....	1,034,714	3,783,598	942,769	1,914,116	30,206,017	17,607,629	41,823,531	15,141,547	14,432,778	28,432,940
Venezuela.....	662,660	1,325,851	470,087	1,586,517	13,569,208	10,478,109	27,814,656	9,095,202	5,763,502	11,115,039
Total South America.....	57,663,360	68,287,021	17,431,621	39,296,045	512,567,840	508,087,674	549,699,475	245,759,914	243,711,073	377,032,530

Imports and exports of domestic and foreign merchandise—Continued.
BY COUNTRIES—continued.

Countries.	October.				10 months ending October.					
	Imports.		Exports.		Imports.			Exports.		
	1918	1919	1918	1919	1917	1918	1919	1917	1918	1919
ASIA.										
Aden.....		\$1,395,185	\$598	\$170,443	\$1,686,710	\$627,888	\$4,491,258	\$967,643	\$115,544	\$1,021,847
China.....	\$7,117,806	19,193,750	6,294,016	7,090,736	110,404,767	97,865,133	124,760,242	30,724,445	44,253,430	90,281,416
China, leased territory:										
British.....					5,922			7,434		878
French.....						13,410		234,598		287,421
German.....	35	174,661	5		47,104	31,350	488,944	243,658	5,836	5,834
Japanese.....	3,528,686	879,293	205,329	878,901	9,826,616	24,915,707	13,558,272	3,624,457	5,779,303	11,979,561
Total China.....	10,646,508	20,247,704	6,499,350	7,967,637	120,284,409	122,825,600	138,807,458	34,804,592	50,323,868	102,266,811
Chosen.....	517	2,613	67,437	480,008	101,821	139,083	309,723	1,539,113	983,953	3,088,623
East Indies:										
British:										
British India.....	7,274,537	19,818,070	2,851,145	5,738,791	84,238,908	109,942,169	110,839,494	25,801,232	30,243,287	58,638,431
Straits Settlements.....	9,163,094	13,768,120	695,119	1,086,557	103,121,833	134,075,111	117,456,260	6,554,851	8,680,188	10,238,282
Other British.....	580,884	5,147,473	178,138	167,576	23,719,639	18,318,408	30,013,975	863,976	937,630	1,676,578
Total British East Indies.....	17,024,515	38,733,663	3,724,402	6,992,924	211,080,350	262,335,688	258,309,738	33,217,029	39,870,505	70,553,291
Dutch East Indies.....	3,852,256	7,826,899	3,781,561	3,577,471	80,050,732	70,828,874	57,015,802	17,004,817	16,214,814	41,475,197
French East Indies.....			42,596	56,606		332	1,589,530	134,670	469,239	1,352,974
Portuguese East Indies.....			215			404	17		4,912	6,316
Hongkong.....	1,805,133	2,657,705	1,766,097	1,276,239	8,881,673	26,676,116	18,530,278	13,257,763	20,425,099	17,886,780
Japan.....	27,167,129	43,257,223	14,292,224	19,658,946	208,967,140	251,273,513	315,607,321	125,149,942	223,114,129	289,219,833
Persia.....	8,723	171,879		25,466	856,713	600,752	1,002,089	174,746	129,137	889,724
Russia in Asia.....	77,199	1,144,457	85,191	9,220,793	2,127,395	3,950,131	5,399,603	102,922,173	4,598,818	48,878,171
Siam.....	28,310	59,907	99,970	142,135	113,003	100,294	152,809	821,747	1,335,523	1,795,063
Turkey in Asia.....	1,458	3,345,476	52,398	332,187	192,180	486,125	15,009,599		385,214	2,987,874
Other Asia.....					21,165		9,780		274	890
Total Asia.....	70,699,748	118,839,211	30,410,794	49,901,070	631,363,291	742,844,800	816,205,005	330,994,235	357,943,029	581,413,894
OCEANIA.										
British Oceania:										
Australia.....	3,110,835	4,205,656	4,632,129	4,800,019	15,074,699	51,390,327	49,377,793	42,447,809	62,375,172	53,593,599
New Zealand.....	1,934,499	1,904,681	1,519,333	2,137,082	6,051,413	16,421,525	18,877,149	12,392,165	17,207,327	23,390,668
Other British.....	147,823	1,039,580	220,411	28,651	1,733,074	3,268,265	4,262,143	433,547	684,028	479,023
Total British Oceania.....	5,192,857	7,149,917	6,410,873	6,965,752	22,879,088	74,080,118	72,517,085	55,273,521	80,266,527	107,373,896
French Oceania.....	89,824	324,098	115,574	77,131	1,455,510	2,492,024	1,615,844	853,874	1,271,798	1,052,773
German Oceania.....	162,144	163	62,043	34,272	405,199	717,082	1,557,939	337,492	358,747	225,241
Philippine Islands.....	9,983,747	6,076,609	5,978,290	4,133,420	47,688,053	67,970,475	51,627,615	27,960,512	45,642,653	61,041,210
Total Oceania.....	15,428,572	13,547,782	12,594,789	11,210,575	72,407,851	145,250,679	130,318,483	84,428,399	127,439,725	169,698,210
AFRICA.										
Abyssinia.....								5		2,000
Belgian Congo.....	40		108,642	13,328		21,345	473,254	102,927	605,727	2,633,491
British Africa:										
West.....	1,376,169	293,232	123,358	651,650	11,503,268	12,766,292	18,908,430	5,671,535	5,876,226	10,407,735
South.....	3,645,152	268,354	7,558,978	2,746,277	20,021,455	29,409,681	33,442,974	29,497,243	27,602,780	37,909,635
East.....	11,468	3,648	187,473	84,709	192,449	348,747	667,251	1,570,380	865,680	1,368,782
Total British Africa.....	5,032,789	565,134	7,869,809	3,482,636	31,717,172	42,614,120	53,018,655	30,739,158	34,344,686	49,685,153
Canary Islands.....	25,551	37,204	1,293	144,575	227,296	135,285	143,700	574,041	105,279	1,268,845
Egypt.....	2,287	607,385	1,344,188	1,506,028	27,340,603	24,771,373	29,136,517	2,687,451	5,088,251	8,488,789
French Africa.....	63,807	70,394	41,643	521,558	927,309	674,725	1,527,328	2,483,694	2,407,784	8,985,804
German Africa.....				5,750	466,987	8,209	89,274	2,120		287,122
Italian Africa.....				39,542	315,513		437,272	3,876		209,876
Liberia.....	28,093	8	47,482	37,678		64,003	172,765	164,723	99,944	212,883
Madagascar.....			2,763	6,004	132,738		39,053	140,107	64,704	520,832
Morocco.....	18,965	112,391	96	199,106	162,160	227,561	555,264	352,342	863,693	1,298,750
Portuguese Africa.....	97,648	227,616	1,101,892	270,018	2,317,197	1,961,212	1,395,618	3,587,600	2,711,382	4,426,531
Spanish Africa.....				238	386			76,718	9,587	54,893
Total Africa.....	5,269,180	1,620,132	10,504,808	6,226,461	63,007,361	70,502,610	86,988,705	40,920,757	46,313,040	78,074,972
Grand total.....	246,764,906	401,873,661	501,860,550	631,910,046	2,504,021,908	2,569,318,156	3,098,804,776	5,146,049,897	5,060,964,833	6,501,124,635

CALENDAR YEARS.	Imports.						Exports.					
	Europe.	North America.	South America.	Asia and Oceania.	Africa.	Total.	Europe.	North America.	South America.	Asia and Oceania.	Africa.	Total.
1911.....	\$770,293,236	\$296,361,256	\$187,514,969	\$254,434,917	\$23,754,782	\$1,532,359,160	\$1,293,072,862	\$482,438,006	\$121,736,604	\$171,490,317	\$23,788,957	\$2,092,526,746
1912.....	900,003,944	373,809,916	233,731,935	284,887,243	25,640,017	1,818,073,055	1,467,451,834	573,298,563	138,944,930	191,832,602	27,690,004	2,399,217,933
1913.....	864,666,103	389,314,744	198,259,005	316,126,868	23,729,760	1,792,596,489	1,499,573,363	601,176,159	146,514,635	207,825,327	28,928,808	2,484,018,292
1914.....	783,517,509	441,400,758	229,520,375	315,176,388	19,660,971	1,789,276,001	1,339,295,916	481,588,221	91,013,339	176,402,751	25,323,823	2,113,624,050
1915.....	546,352,567	509,458,281	322,282,189	365,865,167	34,698,491	1,778,598,695	2,573,408,120	558,803,012	144,128,681	241,185,800	37,145,234	3,554,670,847
1916.....	633,316,886	658,438,120	427,609,562	610,377,429	61,693,338	2,301,635,335	3,813,278,324	924,553,649	220,266,818	470,531,804	54,010,506	5,482,641,101
1917.....	551,144,599	871,892,524	598,818,532	857,458,361	73,063,939	2,952,467,955	4,061,728,923	1,261,703,532	311,893,023	546,803,463	51,383,666	6,283,512,597
1918.....	318,121,271	974,615,243	610,931,072	1,042,038,662	85,905,462	3,031,212,710	3,858,697,768	1,325,486,350	302,709,610	602,996,198	59,197,619	6,149,087,545

Total values of imports and exports of the United States—October, 1919.
(Preliminary figures for 1919, corrected to Nov. 20, 1919.)

MERCHANDISE.

	October—		Ten months ending October—		
	1919	1918	1919	1918	Increase.
IMPORTS.					
Free of duty.....	\$288,429,844	\$194,080,763	\$2,130,198,645	\$1,862,621,831	\$267,576,754
Dutiable.....	127,235,832	52,684,143	982,398,146	706,696,265	275,701,881
Total.....	415,665,676	246,764,906	3,112,596,791	2,569,318,156	543,278,635
EXPORTS.					
Domestic.....	620,729,119	492,037,083	6,354,205,135	4,979,315,136	1,374,889,999
Foreign.....	11,181,853	9,823,467	146,928,178	81,649,703	65,278,475
Total.....	631,910,972	501,860,550	6,501,133,313	5,060,964,839	1,440,168,474
Excess of exports.....	216,245,296	255,095,644	3,388,536,522	2,491,646,683	.....

IMPORTS AND EXPORTS OF MERCHANDISE, BY MONTHS.

	1919	1918	1917	1916	1915
IMPORTS.					
January.....	\$212,992,644	\$233,942,081	\$241,793,282	\$184,350,942	\$122,148,317
February.....	235,124,274	207,715,540	199,479,966	193,935,117	125,123,391
March.....	267,596,289	242,162,017	270,257,189	213,589,785	157,982,016
April.....	272,956,949	278,981,327	253,935,966	218,236,397	160,576,106
May.....	328,925,593	322,852,898	280,727,164	229,188,957	142,284,851
June.....	292,915,543	260,350,071	306,622,939	245,795,438	157,695,140
July.....	343,746,070	241,877,758	225,926,352	182,722,938	143,244,737
August.....	307,289,086	273,002,914	267,854,767	199,316,480	141,804,202
September.....	435,384,667	261,668,644	236,196,898	164,038,614	151,236,026
October.....	415,665,676	246,764,906	221,227,405	178,658,780	149,172,729
November.....	.....	251,008,037	220,534,550	176,967,749	155,496,675
December.....	.....	210,886,517	227,911,497	204,834,188	171,832,505
Total.....	13,112,596,791	2,569,318,156	2,504,021,908	2,003,833,398	1,451,267,515
EXPORTS.					
January.....	622,552,783	504,797,306	613,324,582	330,036,410	267,879,313
February.....	585,097,012	411,361,970	467,648,406	401,783,974	299,805,869
March.....	603,141,648	522,900,238	553,985,699	410,742,034	296,611,852
April.....	714,800,137	500,442,906	529,927,815	398,568,532	294,745,913
May.....	693,967,025	550,924,791	549,673,545	471,803,637	274,218,142
June.....	928,379,203	488,799,399	573,467,789	464,686,956	268,547,416
July.....	568,687,515	507,467,769	372,758,414	444,713,964	268,468,702
August.....	616,062,177	527,013,916	488,655,597	510,167,438	260,609,935
September.....	598,534,841	550,395,994	454,506,904	514,924,134	300,654,921
October.....	631,910,972	501,860,550	542,101,146	492,813,918	336,152,009
November.....	.....	522,236,594	487,327,694	516,167,324	327,670,353
December.....	.....	563,886,112	600,135,006	523,233,780	359,306,362
Total.....	10,501,133,313	5,060,964,839	5,146,049,897	4,443,239,997	2,867,694,132
Excess of exports.....	3,388,536,522	2,491,646,683	2,642,027,989	2,433,406,599	1,416,426,617

¹ Ten months ending October.
GOLD AND SILVER.

	October—		Ten months ending October—		
	1919	1918	1919	1918	Increase (+), decrease (-).
GOLD.					
Imports.....	\$4,969,595	\$1,470,239	\$61,223,240	\$57,973,303	+ \$3,249,937
Exports.....	44,148,990	2,178,149	270,070,513	36,441,228	+233,629,285
Excess of imports.....	.....	.....	.....	21,532,075	.....
Excess of exports.....	39,179,395	707,910	208,847,273	.....	.....
SILVER.					
Imports.....	8,722,430	6,766,239	72,706,585	61,549,381	+ 11,157,204
Exports.....	12,269,679	32,037,469	189,374,083	197,369,122	- 7,995,039
Excess of exports.....	3,547,249	25,271,230	116,667,498	135,819,741	.....

IMPORTS AND EXPORTS OF GOLD AND SILVER, BY MONTHS.

	Gold.			Silver.		
	1919	1918	1917	1919	1918	1917
IMPORTS.						
January.....	\$2,113,217	\$4,404,254	\$58,926,258	\$5,576,281	\$5,997,455	\$3,345,951
February.....	3,944,839	2,549,168	103,766,495	6,756,665	4,449,159	2,477,692
March.....	10,481,197	1,912,362	139,498,590	8,197,748	6,963,330	2,977,068
April.....	6,691,795	2,745,727	32,372,455	7,066,781	5,080,745	2,375,462
May.....	1,079,525	6,620,516	52,262,090	7,913,379	7,298,096	4,740,686
June.....	26,134,460	31,892,021	91,339,051	7,078,684	5,351,186	2,235,436
July.....	1,846,495	2,596,886	27,303,798	5,528,037	5,220,017	3,420,199
August.....	2,490,489	1,554,838	18,692,170	8,327,128	7,256,942	5,681,288
September.....	.....	.....	.....	.....	.....	.....
October.....	1,471,628	2,610,836	4,171,535	7,539,452	7,172,039	5,796,320

Total values of imports and exports of the United States—October, 1919—Continued.

IMPORTS AND EXPORTS OF GOLD AND SILVER, BY MONTHS—continued.

	Gold.			Silver.		
	1919	1918	1917	1919	1918	1917
IMPORTS—continued.						
October.....	\$4,969,585	\$1,470,233	\$4,149,582	\$8,722,460	\$6,766,229	\$5,049,484
November.....	.....	1,920,209	2,908,476	.....	5,489,246	9,036,288
December.....	.....	1,785,694	17,085,874	.....	4,380,245	6,154,593
	161,223,240	67,073,303	532,482,024	172,708,583	61,549,381	38,099,588
EXPORTS.						
January.....	3,395,098	3,745,244	80,719,598	19,615,230	6,627,704	5,887,418
February.....	3,110,153	5,034,050	23,098,659	33,109,174	6,519,297	7,693,508
March.....	3,835,229	2,809,359	17,919,604	23,109,492	13,431,917	5,555,713
April.....	1,770,957	3,380,054	19,965,219	25,076,574	12,291,038	4,336,073
May.....	1,956,135	3,598,946	57,695,413	28,395,004	46,381,126	6,272,294
June.....	33,972,840	2,704,102	67,164,203	12,618,359	8,566,271	8,964,764
July.....	24,673,237	7,190,908	66,652,367	8,262,147	40,688,701	5,538,042
August.....	45,189,318	3,277,134	46,048,306	13,808,877	29,549,127	7,503,711
September.....	26,050,466	2,287,983	31,332,393	12,927,941	10,349,187	10,465,079
October.....	44,148,990	2,178,140	11,154,074	12,269,679	32,637,469	6,983,098
November.....	.....	3,647,987	7,225,190	.....	7,150,451	4,788,674
December.....	.....	1,529,896	4,538,168	.....	48,306,176	10,125,472
	1270,070,519	36,441,228	360,122,583	1180,374,083	197,369,122	69,216,730
Excess of imports.....	.....	24,582,075	172,359,436	.....	.....	.....
Excess of exports.....	208,847,273	.....	.....	109,667,498	135,819,741	31,117,144

10 months ending October.

[Advance proof from Textiles, Boston, Mass., December, 1918.]

PROTECTION OR FREE TRADE.

Now that the sovereignty and independence of the United States have been protected by the rejection of the German treaty with the league of nations, it is fortunate that the President in his message to Congress has drawn the lines sharply on the other great issue of free trade or protection to American industry. After stating the well-known facts as to the huge debts that Europe owes to the United States, the great excess of our exports over imports, the inability of Europe to ship gold in payment, and the danger of increasing the present stock of gold in this country, the President advocates free trade in these words:

"The time has nearly passed for international governmental loans and it will take time to develop in this country a market for foreign securities.

"The productivity of the country greatly stimulated by the war must find an outlet by exports to foreign countries and any measures taken to prevent imports will inevitably curtail exports, force curtailment of production, load the banking machinery of the country with credits to carry unsold products, and produce industrial stagnation and unemployment. If we want to sell, we must be prepared to buy. Anything, therefore, which would tend to prevent foreign countries from settling for our exports by shipments of goods into this country could only have the effect of preventing them from paying for our exports and therefore of preventing the exports from being made."

This proposal to change the settled policy of the United States from protection to free trade, like that of abandoning the policy of Washington for a league of nations, must be judged, not by the temporary and extraordinary conditions created by the World War, but by the conditions that will exist when the world is restored to a normal basis.

Under the present abnormal conditions, not only is Europe unable to pay her debts with gold but the greater part of Europe has been deprived temporarily of the ability to produce goods with which to pay these debts. In some sections this loss of productive power is due to devastation; in other sections, to the lack of raw material. But in all sections of the Continent the disability is temporary and the return to normal production but a question of a few years under the skillful management for which Europeans are so well fitted.

When the present prostration has passed and European mills and workshops are again in operation, any attempt to pay the huge debts to America with manufactured goods would disorganize American industries and cause widespread unemployment.

It was the fear of demoralized industry that led the peace council at Paris to reject the idea of allowing Germany to pay her indemnity with manufactured goods. As one of the entente representatives put it, "The very Government that proposes this plan would be the first to revolt against it if put into effect." And yet with that fact so clearly demonstrated at Paris, the President now proposes that Europe's gigantic debt to America shall be paid with European goods.

The remedy for the present extraordinary situation in international trade is not to be found by opening the gates for a devastating flood of manufactured goods into the United States. It is to be found in the regulation of both exports and imports on the principle that the citizens, not only of the United States but of every country on earth, have the first right to the consumption of what they produce and to the production of what they consume.

Instead of admitting foreign goods free of duties, the mad struggle for export trade should be abandoned. The true American policy is to provide for the needs of the American people with American goods so far as nature makes that possible, letting foreign countries adopt the same policy of industrial independence for themselves. That principle, not the league of nations, is the secure foundation for world peace. Under the extraordinary conditions now existing the United States by the power of mere example can do much to secure its general adoption by the nations of the earth.

The President not only advocates free trade for the United States but in the extract from his message quoted above views with approval the policy of granting ultimately great loans to Europe for financing our export trade. By endorsing it the President has fallen a victim to the money madness that has taken possession of so many influential men and who are obsessed with the idea that the welfare of the American people depends on shipping as great a quantity of goods as possible to foreign countries. Among the exponents of this policy we find former Secretary Redfield seriously proposing that the American people lend

\$5,000,000,000 to foreigners that the foreigners may use the money to buy American goods. In this way we are to pay ourselves for the goods we sell. The same scheme is advocated by E. A. Filene, of Boston, who urges a great popular loan of \$4,000,000,000 as a starter, "with securities issued in denominations as low as \$5, so they will be within the reach of everybody."

Anyone with ordinary horse sense knows that the Redfield-Filene scheme would mean no payment at all, but merely a transfer of the credit from the American exporter, middleman, and banker to the American public; and, furthermore, that such loans mean a huge interest charge, which at 6 per cent on Mr. Redfield's loan would amount to \$480,000,000 a year, or \$4,800,000,000 every 10 years, against countries that can not now pay what they owe.

But the most serious result of this scheme would be its effect on the cost of living. The only real remedy for the social unrest and the labor troubles in the United States is a reduction of the cost of living. The Redfield-Filene scheme would bring with it an immediate increase by aggravating the scarcity of all the necessities of life. This would be brought about at a time when as a result of the war conditions and the demands of labor for shorter hours, with reduced output, production not only has been overtaken by consumption but is now far short of the necessities of American consumers. Under this scheme anyone with \$5 in his pocket can increase the cost of living by lending his money to foreign creditors in countries that are bankrupt or on the verge.

The foreign borrower will use American money to buy the necessities of life in the United States, taking them away from the American consumer.

The foreigners will have the goods. The exporter, middleman, and banker will have the money and the profits. The American investor will have a finely engraved piece of paper on which some one somewhere promises to pay something sometime. The American producer and consumer will have the privilege of paying higher prices for the necessities of life and the materials that make up the cost of production. With the rising prices will continue the hopeless and demoralizing struggle to raise wages to the level of the cost of living, with the certain result of increasing social unrest and the strain on the social order.

There is to be no regulation of exports. The American products taken from American consumers will be used not only to supply the real necessities of suffering peoples in distant countries but to gratify the vanity and feed the extravagance of foreigners who are not suffering, while foreign Governments, relieved of the burden of providing for the needs of their nationals, will be able to turn their resources to the support of armies and navies for world conquest and dominion, directed, perchance, against the United States itself. This plan is not only in the minds of schemers, it is so far advanced that the Edge bill, authorizing United States charters to banking corporations for financing it, has already been passed by both House and Senate and may be a law before these words are printed.

This banking scheme to lend American money to foreigners should be cast with free trade and the league of nations into the everlasting discard.

(Telephoned from the Secretary's office of the Treasury at 4.20.)

Rates of exchange as of noon, December 11, 1919, as established by the Federal Reserve Bank of New York:

- (1) England: \$3.72½ to the pound.
- (2) France: 11.75 francs to the dollar.
- (3) Belgium: 11.30 francs to the dollar.
- (4) Italy: 13.45 lire to the dollar.

If any further information is wanted, or the Senator desires to ask any questions relating to the matter, call Mr. Kelley, of the Secretary's office in the Treasury.

The solvency of the Allies—Great Britain, France, Belgium, Italy.

GREAT BRITAIN.

As one of the principal belligerents, engaged in the war from the beginning of hostilities, Great Britain has made expenditures growing directly and indirectly out of the war which are far greater than those of any other allied nation.

For convenience, in considering the financial status of Great Britain, monetary values will be rendered in American dollars at the par of exchange, \$4.866 to the pound sterling.

Briefly stated, the major facts respecting the finances of the United Kingdom as of March 31, 1919, the end of the last fiscal year, are as follows:

The gross debt was \$36,746,650,056, of which sum only \$6,569,100,000 represented external obligations, repayable in foreign currency, while advances to allies and dominions amounted to \$8,580,000,000.

The estimated debt service of the United Kingdom for the fiscal year 1919-20, as presented in the Chancellor of the Exchequer's budget proposals, will be \$1,751,760,000, or 30 per cent of revenue receipts. And the normal peace budget of the British Government, as estimated by the chancellor, will be \$3,727,356,000, of which the debt service, including amortizations of one-half per cent, will constitute about 52 per cent. The post-war budget, as foreseen by the chancellor, will be approximately four times that of the fiscal year 1913-14.

PAYING THE BILL.

The war, through increase of debt, pensions, and relief payments, and increase of normal civil expenditures, has placed a very large tax burden upon the British people. It appears that in a normal post-war year their taxes will have to yield about \$3,400,000,000, or 19.4 per cent of their national annual income, which is conservatively estimated to be \$17,517,600,000.

But already the policy of the Government in the administration of war finances has quite properly included heavy taxation. Of the total money raised for the Government's own expenses during the last five years, 36 per cent was supplied by means other than loans. And the fact that the taxing machinery has been organized for raising such enormous sums will be very advantageous in planning the after-war administration of Government finances.

ULTIMATE OFFSETS TO DEBT.

Furthermore, it will be noted, no allowance has been made here for the indemnities which eventually will be collected from the central powers nor for the debts owed to the British Government by the dominions and the allies. While they should be considered as ultimate offsets to the British debt, in what degree receipts from these sources may be available in the near future is a matter of speculation. Eventually, however, they will reduce the burdens of English taxpayers, so that the ratio between taxation and income will gradually be reduced.

As regards the internal debt, which is 82 per cent of the total, there is involved no transfer of wealth to other countries. The payment of interest and principal, it is true, involves a transfer of wealth from taxpayer to debt holder which may seriously burden the individual taxpayer. How well such a load may be adjusted to the ability to bear it will depend upon the equitableness of the taxing system. And certainly there can be few holders of Government bonds who will not be called upon to pay in some part, at least, the taxes which they will in turn receive as interest or principal of the obligations.

The interest and amortization of the other 18 per cent of the debt, which is owed abroad, will amount to approximately \$360,000,000. As an offset, the interest due Great Britain on advances made to allies and dominions amounts approximately to one and three-tenths times the total interest on the external debt. Payments, in the main, will have to be made in the form of commodities or services, which, in international trade accounts, contribute to the credit or export side of the ledger. To what extent England's export trade will be stimulated by this situation is problematic. For many years the United Kingdom has imported more goods than it has exported, but this so-called unfavorable balance of trade has been offset by international payments which do not enter into the reports of foreign trade.

FOREIGN INVESTMENTS.

Chief among these counterbalancing items in the case of Britain have been the returns from investments abroad and the receipts of British-owned ocean carriers.

It is estimated that British foreign investments before the war amounted to \$19,464,000,000 and that they now approximate \$14,500,000,000. Broadly speaking, then, the returns from foreign investments that may be relied upon in balancing the international account have been reduced by about one-fourth during the war. Nevertheless, the remaining foreign investments exceed the external debt by about \$8,000,000,000, and the yield from these investments at normal rates would not only pay the interest on that debt but also leave a large margin to England's credit.

PRODUCTIVE CAPACITY.

Nevertheless, the prosperity of the nation will be measured largely by its ability to produce marketable commodities for sale abroad.

The experience of Great Britain in the war is a most illuminating example of the way in which war induces a rapid expansion of the capacity to produce consumable goods. Edgar Crammond estimates that the nation's power of production has been increased by about 50 per cent since 1914.

Great Britain's industrial position has rested heretofore upon the ability to gather in raw materials from abroad and resell them as manufactures. In 1913, 69.5 per cent of the merchandise exports were classed as manufactures, while of the imports only 25.2 per cent were so classed. The expanded physical equipment has enhanced the nation's power to serve as a world's workshop.

LABOR FORCE.

The number of men killed and those who died of disease in the armed forces of the United Kingdom during the war was approximately 900,000. The population numbered 45,516,259 in 1911. The increase in subsequent years, estimated on a basis of the excess of births over deaths in the civilian population, added 2,057,121. Deducting 900,000 from the total thus obtained leaves an estimated population at the end of 1918 of 46,673,380.

But even if the population is larger than at the beginning of the war, it does not necessarily follow that the actual productive labor force has been augmented. There has been a substitution of hitherto unemployed women, for men withdrawn from civilian tasks, however, and it is reasonable to expect that such substitution will be operative in some measure in the future.

INDUSTRIAL ORGANIZATION.

The manifold improvements in England's industrial organization during the war have constituted the most durable offset to the loss of man power.

It is estimated that whereas in 1872 Great Britain produced 57 per cent of the total food consumed in the country, in 1913 only 42 per cent was of domestic production. During the war agricultural production

was greatly increased, some 4,000,000 acres being added to the area under cultivation, and this will make the country less dependent upon foreign sources of food supplies than before the war.

STANDARDIZATION.

It was in manufactures that the most significant increases in output were effected. How this expansion was accomplished is explained in part by Prof. A. W. Kirkaldy as follows: "At Lord Kitchener's instance, the whole world was searched for the best machinery; new factories were built, old factories were stripped and reequipped; and the new machinery was automatic, semiautomatic, foolproof, such as unskilled workers could very quickly be taught to handle. * * * We had scrapped all our old-fashioned ideas, our old machines that could do very beautiful work with a skilled man behind, and we replaced them with foolproof tools, whose steel brain did the work, with an unskilled worker to pull the lever."

OTHER INDUSTRIAL GAINS.

In other respects the gains to the industrial organization of the country have been important. Workers have been taught as never before to work with gauge and micrometer. The resulting gains in accuracy of workmanship will be lasting.

Again, manufacturers have learned much about the advantages of standardization of processes and operations in their plants. This was brought about in part by the Government in its efforts to bring to the maximum the output of all the plants working for the Government. Under governmental guidance there was a pooling of experience that has been of great educational value to those directing the production of goods.

There has been a tendency toward combination in industry, for export trade, and for production. A notable example is the recent dye-stuffs combination. Employers, too, have learned to work together more readily than hitherto. Cooperation in unusual degree for a common cause of such magnitude as winning the war is bound to have its lasting effects.

PREPARATION OF BANKS.

One evidence of the foresight of financial leaders in England is found in the amalgamations of large commercial banks, which have brought together huge aggregations of banking resources.

Whereas in 1902 there were 115 banks in the United Kingdom publishing accounts, and in 1914, 70, in 1918 amalgamations had reduced the number to 57, with assets of approximately \$12,700,000,000, or an average of about \$223,000,000 per bank. No such concentration of banking resources has been effected in the United States. Here, in June, 1918, the State, private, and national banking institutions numbered 28,880, with aggregate resources of \$40,726,400,000, or an average per bank of \$1,410,000.

The recent amalgamation movement owes its chief impetus to the contemplated after-war demands that increased business would make upon the banks. With the principal banking resources already combined into larger units, English bankers are better prepared than ever to assist in the development of English industry and commerce.

The war occasioned a large increase in paper money, chiefly through currency notes issued directly by the British Government. On July 29, 1914, the Bank of England had issued \$267,000,000 of notes secured by a gold reserve of 69 per cent. This had increased by June 18, 1919, to \$505,000,000, with an 84 per cent gold reserve. On June 18, 1919, the amount of currency notes in circulation totaled \$1,677,000,000, with a gold reserve of 8.5 per cent. These were emergency notes, and the whole amount was, therefore, a net addition to the paper circulation.

The national wealth, valued at \$82,500,000,000 in 1914, is now estimated by Crammond at \$116,000,000,000, representing a war-time increase of 39 per cent.

AFTER THE NAPOLEONIC WARS.

England's recovery and industrial expansion following the Napoleonic wars furnish an object lesson that may well be recalled in connection with the present situation. It is very difficult, of course, to institute a comparison between conditions obtaining a century ago and those of to-day. The applications of steam and electricity in industry and other transformations and developments in the equipment for supplying goods and services make ours an industrial age markedly different from that of 1815. Nevertheless, without pressing the analogy unduly, it is possible to find interesting and suggestive similarities between conditions and problems in Great Britain in the two periods.

England took part in a series of wars that continued, with brief interruptions, from 1793 to 1815. The population of Great Britain in 1816 was about 20,000,000. The wealth of the United Kingdom at that time was not more than \$12,500,000,000, and the national income was not more than \$1,500,000,000. Nevertheless, the country had incurred an aggregate debt of \$4,475,000,000, the annual interest charge on which was \$165,000,000. Thus, approximately 11 per cent of the national income was paid in support of the debt. At the same time the total annual expenditure of the Government was more than 25 per cent of the national income.

It is interesting to note that the estimate of the ratio between debt service and national income for the present after-war period is almost identical with that just cited. The ratio between the total expenditures in the coming budget and the national income is 21 per cent, or somewhat less than the estimated ratio in 1816.

Moreover, heavy taxation during the Napoleonic wars had borne much the greater part of the British Government expenditures. Taxes yielded \$9,732,000,000 and loans \$2,189,700,000.

In spite of the heavy expenditures, the wealth of Great Britain increased year by year during the wars. The steam engine was brought into general use, and spinning mills in the cotton and woolen trades underwent great development. The output of coal and iron rose rapidly. Both internal and foreign trade multiplied. Exports, which in 1811 were valued at \$155,712,000, were valued at \$248,166,000 in 1815.

During the Napoleonic wars there had been issued a great volume of paper currency, and prices rose to great heights. After 1797, when the Bank of England suspended cash payments, the country's circulating media consisted entirely of paper money.

Shortly after the signing of the peace treaty there was a great slump in prices, and the years 1816 and 1817 were marked by a considerable business depression. Poor crops in England contributed much to this result, and another cause seems to have been a misjudgment of the after-war continental demand for English manufactures, and a consequent speculation in commodities at prices which proved disastrous to English traders. Whether the Continent's inability to

offer goods in exchange outweighed the influence of English tariff restrictions aimed at the Continent, it is impossible to say. In either event the result was the same. The Continent had need of English goods, but was not prepared under the handicaps existing to pay for them.

But in 1818, despite the temporary setback, British industry and commerce made noticeable gains. By 1820 a period of rapid industrial growth had begun. What had seemed an unbearable burden of debt in 1815 was borne with comparative ease.

THE OUTLOOK.

All in all, the outlook for industrial progress in England is favorable. The manufacturing capacity of the country has been greatly increased during the war. Even more notable have been the improvements in ports and warehouse facilities. Ships are being turned out rapidly, and the British merchant marine still exceeds in tonnage that of any other nation. A system of preferences which unites the various parts of the empire commercially more closely than ever before will give the vast colonial resources a new significance for the development of British industry and trade. The position of London as a world financial center still is an exceptionally important asset for the period of rehabilitation.

The recent removal of restrictions on the exportation of capital for investment will naturally result in an expansion of the export trade and a stimulation of domestic production.

Much depends upon the spirit and temper of a people. Their record of achievements in industry and finance has amply demonstrated the capacity of the English for doing big things in a big way, and for meeting emergencies with the requisite energy and ability.

In view of the advantages accruing from a century of progress in the realms of industry and finance, it may be expected that Great Britain will again recover from the effects of war no less quickly than it did a century ago.

FRANCE.

The surprising military achievements of France in the World War attested not only the fortitude and morale of a great people but the strength and adaptability of the country's industrial and financial organization before the war. Because of the sacrifices in men and wealth which France made in support of the common cause of the Allies, all the world is interested in the reconstruction and readjustment of French industry and finance.

AREA, POPULATION, AND DEBT.

In area continental France is more than four times as large as New York State. The population in 1911 was 39,601,509. But in thinking of France as an economic unit its vast colonial empire must be included. In addition, France now regains the lost Provinces of Alsace-Lorraine, with an area of 5,605 square miles and a population numbering 1,874,000 in 1910.

The war losses of France in killed are estimated at approximately 1,385,000 men. In the 77 uninvaded departments there was, from 1914 to 1918, inclusive, a loss in population of about 1,070,000, calculated on the basis of reported births and deaths.

The national wealth of France before the war was estimated at \$67,000,000,000. But in computing the value of national wealth at present the changed level of prices should be taken into account, and inasmuch as prices rose from July, 1914, to March, 1919, approximately 289 per cent, it may be assumed that a revaluation of France's national wealth in terms of money values to-day would give a figure well beyond \$100,000,000,000.

The total debt of France on July 31, 1914, was 34,186,147,969 francs, or, at par of exchange, \$6,593,278,296. The debt in March, 1919, was approximately \$34,908,000,000. Some \$1,388,600,000, however, had been advanced to the Allies. Taking no account of other offsets, the net debt, computed by deducting from the gross total the advances to allies, amounts to approximately 173,000,000,000 francs, or \$33,389,000,000.

The paper money in circulation, notes of the Bank of France, on June 5, 1919, amounted to \$6,628,905,000, backed by a gold reserve equaling 14.7 per cent of the face value of the notes. On July 30, 1914, the note circulation was \$1,290,000,000, and the gold reserve was 61.9 per cent.

Of the total debt, about \$5,785,000,000 is external. As offsets to the external debt, there are French investments abroad estimated at \$8,100,000,000.

ABILITY TO CARRY THE DEBT.

As estimated by Ribot, the peace budget of France will require approximately 16,000,000,000 or 17,000,000,000 francs, which is three times the budget of 1914. The service of the debt, which he estimates will be 200,000,000,000 francs in 1920, is placed at 10,000,000,000 francs.

In view of the foreign investments and the expected payments of indemnities by Germany, it appears that no great difficulty will be experienced by France in caring for the external obligations after the resumption of normal peace activities.

The internal debt is so large that only by means of heavy taxation can the necessary revenues for its service be obtained. In view of the sudden invasion and the overrunning of a large portion of French territory, it was deemed expedient to rely during the war mainly upon borrowing. Until the taxing machinery can be reorganized, it is probable that considerable further borrowing on the part of France will be necessary. Ultimately, taxation sufficient to meet the expenses will have to be levied. The exceedingly wide distribution of the holdings of the Government debt by the French people should facilitate the raising of sufficient revenue from taxation.

The key to the solution of the fiscal problems confronting the French Government is industrial. It is important, therefore, to note the degree of preparation already made for the present industrial tasks and the development and utilization of latent resources.

RECONSTRUCTION DURING THE WAR.

The really wonderful efficiency of the French nation as a fighting organization was in itself a guaranty that the national equipment for production was highly developed. Nor was this magnificent equipment for the production of the materials required in war used up in a single supreme effort. France was not exhausted at the close of the war, as was abundantly shown by its power of offense to the very end. It was not necessary to adopt, and France did not adopt, the slogan "business as usual" in order to preserve intact the capacity for peace-time production. Efficiency in a long war necessarily requires a high degree of provision for industrial production in peace.

The Departments of Nord and Pas de Calais, which were overrun in the early weeks of the war, were among the most highly developed indus-

trial sections of France. The districts occupied by the enemy represented more than 50 per cent of the nation's coal production, 80 per cent of the total iron-ore production, 66 per cent of the steel output, and 68 per cent of the pig-iron output. The textile, beet sugar, and other important industries also suffered greatly.

However, production was not paralyzed. So resolutely was the provision of food undertaken that by the spring of 1916 the agricultural situation was almost as satisfactory as it had been two years before. It is significant that between June, 1915, and June, 1917, the number of cattle in France increased appreciably.

INDUSTRIAL EXPANSION.

In various lines of industry there was expansion of the capital equipment as the war progressed. New plants were constructed and old ones were enlarged. In addition to the construction by the French, many new works and improvements were made by the British and the Americans, chiefly transport facilities.

The rapidity with which the French put new plants into operation is indicated by the results of an investigation made by the Department of Labor in July, 1917. Mines, quarries, railways, tramways, and establishments which were under the supervision of the ministries of war and marine were not included in the investigation. In the 52,278 plants investigated, which were engaged in what may be called civilian production, it was found that the number of employees at work in July, 1917, was larger than before the war; the figures being respectively 1,559,393 and 1,524,959.

The construction of new plants and enlargement of old ones was widely distributed among the several branches of industry. The chemical industries necessarily were greatly stimulated. Before the signing of the armistice the production of sulphuric acid had almost doubled the prewar volume, and the output of nitric acid had been increased to thirty or forty times the former production.

In the field of mechanical construction the war occasioned the renewal in large part of the tool equipment of the French factories. Much of this equipment was obsolete and its replacement with more modern machine tools marked a permanent gain. The scarcity of workers in many cases was largely offset by the introduction of labor-saving machines. In fact, the utilization of machinery did not merely replace former workers, it carried production to levels never before attained.

COAL AND WATER POWER.

New coal fields helped to replace the output of the mines that had been seized. The iron deposits of Normandy gave rise to an important smelting industry in that region.

One of the most significant of all the industrial developments during the war was the expansion of hydroelectric installations. Of the estimated 6,000,000 horsepower available in the country, only about 650,000 horsepower had been brought into use in 1913. At the end of 1917 there had been added some 374,000 horsepower, or more than half as much as all the developed water power in 1913. These new power installations have profoundly influenced the metallurgical industries. Before the armistice about 50 electric furnaces were producing steel, with an estimated capacity of 800,000 tons annually. A beginning has been made in the electrification of railways, and it is expected that the work of further electrification will be pushed vigorously. A full utilization of water-power resources would result in a saving of approximately 30,000,000 tons of coal annually.

The principal sources of hydroelectric energy are in the sections of France least exposed to invasion. This fact and the development of transportation in central, southern, and western France during the war, including an enormous expansion of port and terminal works, combine to make relatively permanent the new center of French industry. And this means that in many cases the destroyed factories in north-eastern France will not be rebuilt on the old sites.

RECOVERY OF ALSACE-LORRAINE.

In addition to this reconstruction behind the lines in France, the productive equipment of the country has been greatly enlarged as a result of the restoration of Alsace-Lorraine and the control of the coal mines in the Saar Basin.

Throughout the period of German control agriculture and manufacturing in Alsace-Lorraine, already important, continued to develop.

The recovery of the Provinces is especially important for France, however, because of their mineral resources. The iron deposits in Lorraine, it is estimated, amount to 1,800,000,000 tons. They occupy an area of approximately 1,660 square miles. The output in 1913 was 21,000,000 tons. While the coal resources of Alsace-Lorraine do not correspond in volume to the iron, the control of the Saar Valley mines will offset the relative shortage of coal in the recovered Provinces.

COAL RESOURCES.

The coal production in the Saar Basin before the war amounted to about 16,500,000 tons annually. According to the terms of the treaty of peace Germany undertakes to deliver to France 7,000,000 tons of coal a year for 10 years, and, in addition, an amount of coal equal to the difference between the annual production before the war of the mines of the Nord and Pas de Calais, which were destroyed as a result of the war, and the production of the mines of the same area for a period not exceeding 10 years. Apparently, then, the coal resources at the disposal of France in the reconstruction period are to be in excess of the coal produced before the war and the iron resources will be greatly superior to those of the prewar period.

POTASH DEPOSITS.

The potash deposits of Alsace also are important. The output in 1913 was 350,000 tons, although the Germans had never found it necessary to work these deposits intensively under a policy of artificially restricted production. In the coming years unusual emphasis will be placed upon the enlargement of agricultural production in France; and every domestic source of fertilizer will facilitate the expansion of agriculture.

Alsace-Lorraine was the chief seat of the German cotton manufacturing industry and was also an important center of the woolen industry. The number of cotton spindles in the returned Provinces before the war was one-fourth the number in France. Other important manufacturing industries in Alsace-Lorraine include glass, chemicals, and paper.

WILL DEVELOP MANUFACTURES.

The indications are that France will not revert to the prewar industrial position, characterized so largely by small-scale production of fine-quality manufactures. Doubtless there will be sufficient hand production and concentration upon luxury articles, but the main development promises to be the building up of a great manufacturing center in line with prewar developments in England and Germany. Fundamental bases for such a development are found in the coal and iron which

will be available in the reconstruction period, the large resources in water power, and the improved port facilities. With a vast colonial empire supplying raw materials and absorbing manufactures and with other markets open to French trade throughout the world it is reasonable to expect that France will eventually become a much more powerful manufacturing nation than it was before the war.

FRENCH COLONIES.

The importance of the French colonial possessions for the future of French industry should not be overlooked.

The total area of the French colonial possessions is more than twenty-two times that of continental France. The population of these colonies is greater by 18 per cent than the population of continental France. The extent of the industrial development of these outlying regions is best reflected in the statistics of trade. In 1913 the total foreign trade of the colonies was valued at \$608,800,000. The trade, therefore, was approximately one-fourth that of France proper. It is important to note that France supplied 53 per cent of the imports of the colonies and of the exports from the colonies 48 per cent was sent to France.

This vast colonial empire of France contains valuable resources—agricultural, forest, and mineral. There will be required for the further development of these outlying regions, but the indications are that their development in the near future will progress much more rapidly than in the years immediately before the war. France has need of the raw materials which the colonies can supply, and the manufacturing capacity of France will need new outlets. The logical line of development, therefore, embodies a concentration upon the exploitation of what is already in control of France. The recent extension of credit by French bankers to a Brazilian railway enterprise is suggestive of the temper and outlook of French industrial interests at the present time. It is to be expected that French capital will be invested more heavily than ever before, not only in French colonies but also in other undeveloped lands.

PROSPECTIVE AGRICULTURAL DEVELOPMENT.

As a necessary part of the industrial development of France in the reconstruction period, much emphasis is to be placed upon agriculture. There was a noticeable extension of the use of agricultural machinery before the war, particularly in northern France. The stimulus to the use of machinery which has been occasioned by the war will not be dissipated at once. The enormous capacity of the French metallurgical industries will find one of its natural outlets in the production of farm machinery.

In view of the importance that the development of the export trade of France will assume in the reconstruction period, it is significant to note that the losses suffered by the French merchant marine during the war have been offset by new construction and purchases. Other construction is under way, and a portion of the indemnity exacted of Germany will be paid to France in the form of merchant ships. Lloyd's Register of Shipping, June, 1919, shows that the tonnage of France's merchant fleet exceeds the prewar figure.

SWIFT RECOVERY.

The French people have made surprising progress since the armistice in readjusting industry to a peace basis. As early as February, 1919, the minister of industrial reconstruction reported that out of a total of 1,700,000 employees occupied on November 11, 1918, in a group of Government and private plants, 1,300,000 were then engaged in peaceful pursuits. An investigation by the Department of Labor in April revealed the fact that the reemployment of the war workers in peace activities had progressed remarkably well.

One of the most striking developments of the reconstruction period is found in the rapidity with which the means of communication, destroyed or impaired during the war, have been restored. It is reported that 90 per cent of the destroyed railways have been reconstructed and that approximately one-third of the highways damaged during the war have been repaired. The minister of liberated regions reported in June that 70,000 houses had already been repaired, that 10,000 new houses had been completed, and that between 55,000 and 70,000 houses were under construction.

ABLE TO SUPPLY MUCH EQUIPMENT.

While a great volume of raw materials from abroad will be required in the work of rehabilitation, for the most part French industries are themselves able to supply the necessary equipment. The great need is not foreign machines and tools, but materials with which to operate idle equipment. The country is handicapped somewhat at the present time in its purchase of materials abroad by the unfavorable exchange rates. As an offset, however, the depreciation of the franc in foreign markets tends to restrict the importation of goods which are not essential in the necessary work of reconstruction.

Moreover, it does not follow that French industry can not proceed successfully on a large scale until the franc is restored to par in international exchange. It is possible that a measure of stability can be obtained which will enable the French people to conduct their trade advantageously with outsiders, although the franc may remain for a long time at a discount in other markets; and especially in the trade with other nations whose exchanges are not at par the difficulties will not be insuperable.

THE RECOVERY OF FRANCE AFTER 1870.

After the decisive defeat at the hands of the Germans, France agreed in the treaty of 1871 to surrender Alsace-Lorraine and to pay in addition an indemnity of 5,000,000,000 francs within a period of approximately three years. It is well known that France displayed remarkable recuperative powers in the face of such tremendous obstacles. The indemnity was paid in a shorter time than had been allotted. For some years after 1871 the industry and trade of France gave evidence of unusual prosperity. It is noteworthy that approximately four-fifths of all indemnity payments were in bills of exchange and not in money.

There are, of course, marked differences between the problems which confronted France in 1871 and those of to-day. But, if after an overwhelming defeat and the loss of an important portion of French territory the nation was able to recover so rapidly in the seventies, now heartened by victory and with productive equipment enlarged, it may be expected that recovery in the present period of reconstruction will be no less phenomenal than in the earlier period. France is in a favorable situation with reference to the expansion of the nation's trade with the Near East and the French colonies in particular. The fundamental economic situation appears to be on a sound basis. With some outside assistance in the form of capital and labor, there may be built up a great industrial nation—the new France, sharing in the expanding world trade on a scale commensurate with the country's resources and advantageous location.

BELGIUM.

The case of Belgium is in some respects unique. The country was all but completely overrun by the enemy, and because it was a manufacturing center the bulk of its wealth was of a sort readily destroyed or impaired.

DEBT.

The peace treaty provides that Germany shall reimburse Belgium in the form of gold bonds for advances made by the Allies before the armistice. Heads of delegations at the peace conference are said to have agreed to recommend to their respective parliamentary bodies that German reparation bonds be substituted for advances made by the Allies to Belgium, thus canceling this debt.

The debt of Belgium, exclusive of war loans from the United States and Allies prior to the signing of the armistice, is equivalent at par of exchange to approximately \$2,000,000,000. This is a little more than twice the debt in July, 1914. Of the \$294,000,000 external debt \$227,000,000 represents advances by allies since the armistice, which is to be repaid from first German reparation payments.

The best approach, perhaps, to an estimate of Belgium's ability to cope with the debt is a consideration of the prewar industrial situation and how the nation's capacity for the production of wealth has been modified by the war.

On the eve of the war Belgium was one of the busiest countries of the world. Although in area only a little larger than Vermont, it nevertheless supported a population of more than 7,500,000.

AGRICULTURAL RESOURCES.

Belgium's prosperity and high position among the industrial nations before the war had an especially sound basis in the country's highly developed agriculture. About three-fifths of the total area was under cultivation. The average value of the produce per acre was approximately \$100, a yield equalled by no other country. Land owning in small units by workers has been encouraged. The intensive cultivation of small farms, a certain traditional aptitude for agriculture, an excellent system of agricultural education, low railroad rates, good roads, and a spirit of mutual helpfulness, as shown by the more than 1,300 cooperative societies, have all contributed to the prosperity of the farming element.

Important as has been the unparalleled development of Belgium's agriculture, it is the manufacturing and related industries, diversified and intensively developed, that have given the country so prominent a place among the commercial nations.

COAL AND IRON DEPOSITS.

An important key to a nation's industrial progress and possibilities is its coal supply. For some years before the war the output averaged about 23,000,000 tons, and until 1907 Belgium exported more coal than it imported. Since 1907, however, increased domestic consumption, due primarily to the very rapid growth of industries, has brought about a reversal of this condition. Two years before the war Belgium was consuming 12 per cent more coal than the domestic production, the imported coal coming principally from Germany.

Along with the coal resources in the southern Provinces are rich deposits of iron ore, but owing in part to legal restrictions governing the extraction of these deposits the production of ore has been small for a long time. However, Belgium's 50 blast furnaces produced in 1912, chiefly from Luxemburg ores, 2,300,000 tons of pig iron. This output of iron was reflected in the country's prosperous steel industry. Although the steel business is an old and well-established one it has recently experienced a remarkable expansion. In the decade before the war Belgium increased its production 160 per cent, the total production being, in round numbers, 2,500,000 tons. The output of finished iron and steel was greatly in excess of the domestic needs, and there was a growing market for the high-grade Belgian steels, famous the world over.

In keeping with the development of the iron and steel industry there has been a significant expansion of various related lines of manufacturing, especially machine and engine works, and the construction of railway equipment and automobiles. The zinc, lead, chemical, glass, and textile industries are among the other more important enterprises.

There are more miles of railway in Belgium in proportion to area than in any other country. Practically all the standard-gauge roads are owned by the State.

The operation of the State railways since 1835 has been financially successful. The capital invested in the roads in 1912, \$320,000,000, was equal to two-thirds of the State debt.

The Belgians have for a long time held a prominent position in international finance, the estimated volume of foreign investments in 1911 being \$549,000,000, almost twice the present external debt. Belgian capital is found in a great variety of enterprises almost all over the world. There are Belgian banks, mines, railways, etc., in South America, China, Spain, and Italy, and more than 100 tramway and electric-power enterprises in various parts of Europe have been financed with Belgian capital. The greater part of Russia's pig-iron output before the war was produced by Belgian companies recently established, or by firms in which Belgian capital was invested. Belgian companies supplied equipment for numerous tramways in our western cities, and many American utility securities are still owned by Belgians.

DESTRUCTION OF PROPERTY DURING THE WAR.

The national wealth of Belgium was estimated in 1912 at 29,863,000,000 francs, or approximately \$9,000,000,000. In considering the ratio of the debt to the value of the wealth at the present time it must be recognized that both are expressed in terms of a money whose value is greatly below that of prewar times.

It is well known that the Germans destroyed and carried away great quantities of wealth. How much of this was in the form of relatively fixed capital equipment as compared with consumption goods it is impossible to say.

By the terms of the peace treaty Belgium is to be compensated for all the destruction or appropriation of property incidental to the war. But the indemnities can not be immediately available in full; nor, if they were immediately collectible, could they be transformed at once into buildings, machinery, etc. In any event, the country is confronted with a situation characterized chiefly by a shortage both of consumable goods and the means of producing them.

RECONSTRUCTION ACTIVITIES.

A report made early in 1919, after investigation by the central industrial committee of Belgium, showed that the condition of Belgian industries was not so unfavorable as had generally been supposed. It was found that most of the industries could resume operation in part, at least, immediately. Belts and other accessories of the industrial plants had in many cases been removed, but the deliberate wrecking of

plants was shown to have been narrowly confined. The Germans had need of the output of various industries during the occupation and these had been carefully preserved. The greatest handicap was found in the inability to resume adequate operations promptly in the basic metallurgical industries.

TRANSPORTATION.

The main Belgian railways were completely Germanized during the war. The rolling stock which fell into enemy hands was in general worked almost to the point of destruction. Rapid progress has been made in restoring the roads to a workable condition. Considerable replacement of equipment from German stocks has been effected, and practically all the stationary equipment has been so far restored as to provide slow transportation of freight about as in normal times.

An interesting project in connection with the reconstruction of Belgian railways is the proposed electrification of the whole system, the power to be supplied by generating stations in the coal-producing areas. The project has recently received official sanction and work is expected to proceed promptly.

LIGHT RAILWAYS.

For its size, Belgium had a larger and more efficient system of narrow-gauge local railways than any other European country before the war. In many sections rails were taken from the lines and relaid by the Germans. Rolling stock was also commandeered.

However, the business of the light railways, as measured by the receipts of the company operating practically all the lines, continued to grow throughout the war period. The receipts were \$4,543,000 in 1914 and \$8,198,000 in 1918. Dividends grew year by year from \$1,172,600 in 1914 to \$1,691,750 in 1918, while appropriations to reserve increased proportionately even more in this period than did dividends.

PORTS.

The port facilities of Belgium were damaged in varying degree by the Germans. Their repair was no less urgent than that of the railways. The work of clearing obstructions was undertaken immediately upon the signing of the armistice. Within a few weeks navigation between the sea and Antwerp was completely reestablished, with all buoys and lights relaid. The cargo-handling facilities of this port are in good condition. Work at the port of Ostend has been pushed vigorously, and by April the harbor could accommodate vessels of 14 feet draft.

These examples are indicative of the rapidity with which the transport system of Belgium is being restored. It is characteristic of Belgian enterprise that, in addition to repairs to ports and waterways, certain improvements planned before the war are being made at the same time.

RESUMPTION OF INDUSTRIAL ACTIVITY.

Inasmuch as Belgian steel and iron manufacturers and other allied iron and steel products comprised over 12 per cent of the total prewar export trade of Belgium, it is necessary for these industries to resume operations as soon as possible. Furthermore, as textile and other manufacturing plants have been stripped of machinery, it will be necessary for new machines to be installed, and it is desirable that the Belgian steel works should assist as much as possible in refitting these plants.

Although the Belgian steel companies were in a very bad way, due to the destruction of most of their property, several mills could operate at the time of the armistice, and others have since been put in order.

Some 10 or 12 of the largest steel companies in Belgium have undertaken the formation of a large steel corporation similar in plan to the United States Steel Corporation. Each of the plants, it is understood, will specialize in some particular branch of the steel industry.

There are multiplying evidences that Belgian industrial life in general is steadily and surely resuming a more normal appearance. German prisoners have been used to advantage in clearing away the debris of ruined buildings and in other work. Many carloads of machinery and fixtures taken away by the Germans have been returned and set in operation. And reemployment of the workers at high wages has resulted in the withdrawal of public aid from nearly all of the 800,000 persons who were being assisted in November, 1918.

And official reports indicate that the yield of this year's crops will not be much below that of normal prewar years.

CONGO.

In the Belgian Congo there is an asset which will prove of increasing importance in the future development of Belgium's industries. In area the colony is eighty times as large as Belgium itself. Although situated in equatorial Africa, its climate is, on the whole, much more salubrious than that of most tropical countries, because the greater part of the country is a comparatively high plateau.

Since the annexation of the Congo by the Kingdom of Belgium in 1908, industrial enterprise there has been concerned chiefly with preparation for a comprehensive and well rounded development of the colony through the exploitation of its enormous resources—agricultural, forest, and mineral.

Among the surest evidences of a wise preparation for the future development of the Congo is the official recognition of the fact that the foundation of a stable economic life and of enduring general prosperity there must be found in agriculture. In 1910 the Government began a comprehensive program of agricultural education and experimentation.

Quite naturally the development of the transportation system of the colony began with the utilization of the Congo River and its tributaries, the world's second largest river system, with about 10,000 miles of navigable water. In January, 1916, there were 1,165 miles of Congo railways in operation. Important additions to this mileage have since been made. From the navigable Upper Congo River it is now possible to go by train to Cape Town in the south, and to Belra on the coast of Portuguese East Africa, and by train and steamboat across German East Africa to the Indian Ocean.

The vast mineral wealth of the Congo includes copper, tin, gold, diamonds, iron, and coal. The chief mining interests are the copper properties in Katanga, the southeastern section of the colony. Only a small proportion of the total deposits are being worked, but the estimated output in 1918 was 40,000 tons.

The colony's exports and imports in 1913 had a value of approximately \$25,000,000, and in 1916 the foreign trade exceeded \$38,000,000.

BELGIUM'S CHIEF ASSETS.

The depletion of manpower in Belgium during the war was not as great proportionately as was experienced by most of the belligerent nations, for the sudden rush of the invasion made it impossible to mobilize a large number of the men of military age.

The proved industrial capacity and dependable character of the masses of the Belgian workers are the nation's best assets in the present emergency. The record of the nation's achievements in the past and its quiet and confident grappling with present difficulties are the surest guaranties that the Belgians can and will conquer in peace as they conquered in war.

ITALY.

The definite completion of Italian unity as a result of the recent war affords Italy the first opportunity to use the country's economic resources freely in the creation of a modern industrial system. This achievement has been made at great cost to the Italian people, of course. While the national debt has been greatly increased, at the same time the country's economic power has been enhanced.

The estimated value of the national wealth before the war was \$16,200,000,000; according to the estimate of the finance commission for reconstruction in Italy, the wealth at present has a value of 110,000,000,000 lire, equivalent, at the par of exchange, to \$21,230,000,000.

The debt of Italy on March 31, 1919, including paper money, was 67,667,454,963 lire, or \$13,079,918,807, of which about three-fourths was internal. The external debt, amounting to \$3,330,141,784, consisted entirely of credits extended during the war by the United States Government and Allies. The prewar debt was approximately \$2,631,748,000. The annual interest on the entire debt as of March 31, 1919, is approximately \$577,234,230.

CURRENCY AND FINANCIAL POLICY.

In July, 1914, State notes outstanding totaled \$96,307,000, and bank notes \$421,319,000. On November 30, 1918, the State notes outstanding amounted to \$403,177,000, and bank notes to \$2,238,221,000. At the earlier date the ratio of metallic reserve to State notes was 26.5 per cent. The corresponding figure for bank notes was 68.1 per cent. At the latter date these ratios were, respectively, 13 and 10.9 per cent.

The adverse effects of this inflation have been greatly tempered by the adoption of a sound taxation policy on the part of the Italian Government. Additional war taxes were imposed to meet added expenditures. The success of this taxation policy is indicated by the fact that the ratio of debt service to revenue receipts, which in the fiscal year 1912-13 was 23.6 per cent, fell below this figure only once during the war; in 1917-18 the ratio was 25.5 per cent.

Signor Nitti has estimated the peace budget of Italy at approximately 6,000,000,000 lire, or \$1,158,000,000, which is considerably less than the total revenue receipts for the fiscal year 1917-18, and is about two and one-half times the prewar revenue receipts. In this estimated peace budget the debt service will consume about 50 per cent of the revenues.

LOCATION, AREA, AND POPULATION.

Italy is situated within easy access of the Atlantic and Indian Oceans and has, therefore, special advantages for commerce. Moreover, the Italian Peninsula forms part of the shortest route from European industrial centers to the Suez Canal, and transportation across the Alps is facilitated by four or five lines of railway and by well-constructed roads.

The total area of Italy, without the new accessions of territory, is approximately 110,632 square miles; the estimated population in 1915 was 36,120,000 people. The war losses totaled 462,000 men.

Italy has been handicapped by its lack of coal and iron. While there is considerable agricultural wealth, Italy's greatest asset has been its population. The growth of population was such as to give rise to heavy annual migration, and one of the country's principal means of increasing the national wealth has been the receipt of money from Italians living in other lands.

INDUSTRIAL EXPANSION.

Italy has had a long, hard struggle to recover lost ground in her industrial activity in comparison with the countries of northern Europe. Up to 1860 the best of her energy and the lives of her sons were sacrificed to obtain national unity. Since 1860, however, Italy has striven to regain the lost ground, and up to the outbreak of the war she had succeeded in no small measure.

Although Italy is primarily an agricultural country, considerable progress has been made in manufacturing.

The continuous economic development of Italy is illustrated by the following figures reflecting the first half century of Italian unity, from 1860 to 1910. During this period the value of agricultural production increased from \$340,000,000 to \$1,740,000,000. Thirty years ago the industries of Italy were but little developed, whereas there are now approximately 150,000 establishments and factories whose production amounts to several billions of lire.

Between 1880 and 1913 the value of Italian manufactures rose from \$120,000,000 to \$600,000,000. According to the census of 1911, there were 3,000,000 Italians employed in manufacturing industries and 11,000,000 in agriculture.

IRON INDUSTRY.

The Italian iron industry is new. The output of pig iron from the Elba mines was 112,000 tons in 1909. In 1913 the output was 426,000 tons. Before the war approximately 200,000 tons of pig iron were imported every year, principally from the United Kingdom. The output of steel increased from 350,000 tons in 1909 to 1,000,000 tons in 1913.

The Italian engineering industry has made considerable progress in recent years, particularly in the decade before the war. In 1913 Italy was producing all rolling stock needed for the railways and had begun to supply French railways with equipment. Italian works had a capacity for turning out 1,500 engines and 12,000 freight and passenger cars a year. Despite the energetic competition of Germans, the Italians had made great progress before the war in the production of electrical machinery.

SILK AND CHEMICAL INDUSTRIES.

Silk manufacture has been one of the most important Italian industries. Before the war 175,000 people were engaged in this industry. Exports of silk accounted for one-quarter of the average value of Italian exports. In the years preceding the war the Italian woolen industry had reached a considerable development, gradually emancipating itself from foreign control and seeking new outlets for exportation. About four-fifths of the raw material was imported from South America and Australia. Although the prices for raw material increased about threefold after the outbreak of the war and coloring materials for dyeing became constantly more scarce, the remarkable progress achieved from 1880 to 1913 has been admirably maintained during the war period.

AGRICULTURAL PRODUCTION.

Wheat is easily the most important agricultural product of Italy, both as regards area sown and the amount of crop produced. It is estimated that about 34,000,000 acres are devoted to agriculture, and of this amount 11,700,000 are sown with wheat. The total value of the crops and products of Italian agriculture as a whole is placed at \$1,360,000,000, while the value of wheat at a normal price is estimated to be \$235,000,000. As regards other cereals, about 4,000,000 acres are planted with maize and 2,000,000 with rye, barley, rice, and oats. Sugar beets, hemp, flax, and tobacco take up about one-sixth of the total agricultural area.

Another important branch of Italian agriculture is the production of grapes and wine. The statistics for the last five years before the war, when Italian agriculture was flourishing under normal conditions, show that there were 11,000,000 acres of vineyards, producing 979,000,000 gallons of wine. There are also more than 3,000,000 acres planted with olives, from which are obtained nearly 50,000,000 gallons of oil.

Italy also raises an appreciable crop of oranges and lemons, which are grown extensively in southern Italy and Sicily, and amount to about 750,000 tons a year. Nearly 100,000 tons of oranges and about 300,000 tons of lemons are exported. Approximately 250,000 tons are manufactured into citric acid and similar products, for which Austria-Hungary has been Italy's most important customer, and Great Britain the second best. For some years before the war there existed in Italy a fruit-growing organization founded by the Government, which has been an important factor in the promotion of this industry.

Undoubtedly silk-growing holds a place next to that of wheat-growing in Italian agriculture. The amount of raw silk produced in Italy during the years just prior to the war was between 10,000,000 and 12,000,000 pounds, the greater part of which was exported.

ECONOMIC CHANGES.

During the war period industrial growth in many directions has been manifest.

In June, 1914, the total normal capital of all the limited companies registered in Italy was approximately \$1,254,500,000. This capital had risen before the end of 1918 to \$3,088,000,000, or by about 146 per cent. During the last year alone 540 new companies were registered, having a capital of about \$164,000,000, the greater part of which has been invested in the iron, steel, and engineering industries. Besides, the capitalization of old companies has also grown. Iron and steel companies, for instance, have acquired not less than \$193,000,000 of additional capital.

Technical improvements have been various. In 1913 the electric furnace was virtually unknown in the production of Italian pig iron. To-day electric furnaces are used extensively and have a capacity of 200,000 tons.

Prior to 1914 Italy imported most of the machinery used in the textile, beet sugar, and paper industries, as well as agricultural machinery. Italian concerns are now able to supply a large part of this equipment.

In common with other countries, Italy experienced a marked growth in the chemical industry during the last five years, and the development of electrical power will afford opportunity for a still further expansion in these lines.

ENGINEERING SKILL DEVELOPED.

Italy has derived another gain from her supreme economic effort put forth during the war—a gain which is less tangible than those set forth in the foregoing paragraphs, but one no less valuable in the future industrial expansion of the country. This is an enhanced valuation in the eyes of the remainder of the world of the talent and skill which has been demonstrated by the engineering ability displayed by the Italians in dealing with all sorts of complex and difficult problems presented to them in their vast war program. The production of munitions of war, the manufacture of aeroplanes, and the development of shipbuilding, all in the face of great difficulties, have proved that the skill and ability of the Italians is not a thing of tradition, but a dynamic power that can be turned to account in any crisis. In view of the very palpable gains in the industries of the country, together with the newly awakened consciousness of power on the part of the Italians, and the recognition of this power by other countries, it seems safe to assume that in the future Italy will prove to be a forceful factor in the world's industrial and commercial life.

Since the signing of the armistice Italians have been especially aggressive in restoring trade, particularly with the Balkans and the Near East.

WATER POWER.

The hydroelectric power already in use and still to be developed will be the most important factor in the industrial future of Italy. During the year 1917 Italian authorities granted 54 requests for concessions for the use of water power. These concessions included 17 sources in Piedmont, with a capacity of 62,000 horsepower; 8 in Umbria, with 34,500 horsepower; 6 in Lombardy, with 37,000 horsepower; and several in Calabria, with a capacity of 26,880 horsepower.

It has been estimated that Italian water power is capable of supplying a total of over 6,000,000 horsepower; there is in use at present more than 1,200,000 horsepower. Works under construction and those definitely planned for the immediate future will have a capacity of 800,000 horsepower. It is expected, therefore, that in a short time 2,000,000 horsepower of electrical energy will be employed. More than 200 miles of railway have already been electrified.

The agricultural resources of Italy are of far greater importance than its mineral wealth. In any future adjustment Italy will not need assistance in developing her agriculture, but will require good openings and profitable markets having quick and easy communication with the centers of production.

TRADE EXPANSION.

While an expansion of agricultural production will be sought, principally through improvements in methods rather than by extension of the area under cultivation, the greatest development is to be expected in manufacturing. The abundant and relatively cheap and efficient labor supply, coupled with remarkable engineering skill, will facilitate the intensive utilization of the nation's resources for manufacturing.

During the six years from 1908 to 1913, inclusive, the visible trade balance of Italy showed an excess of imports averaging about \$230,000,000. This so-called adverse visible balance was offset by invisible items. The principal invisible items, with estimated average amounts, were the following: Return on Italian investments abroad, \$15,500,000; net remittances of emigrants and expenditures of travelers in Italy, \$170,000,000; and receipts of the Italian merchant marine, \$20,000,000. During the war the adverse visible balance has increased and the off-

setting invisible balance has decreased. This fact, together with currency inflation, has been reflected in the depreciation of the lira in outside markets. With the restoration of normal conditions in industry and commerce, however, the balancing of the nation's trade account will be effected. Tourists' expenditures and remittances of emigrants, no doubt, will both surpass previous records.

The continued emigration of laborers and settlers to other countries will help to create markets for Italian products. Southern France and South American countries especially will be inviting fields for Italian emigrants. The overseas possessions have an area of about four times that of Italy proper, including the accessions of territory gained in consequence of the recent war. These offer important industrial and trade possibilities making for the development of a great industrial nation.

Italy is well situated to serve as the principal entre-pôt between the Far East and central and southern Europe. Italians, with their historic legacy of maritime supremacy and their proved initiative, will not fail to avail themselves of the opportunity to develop Italian industry and commerce.

PRICES YESTERDAY, TO-DAY, AND TO-MORROW.

[An address before the Editorial Conference of the New York Business Publishers' Association, New York, April, 1919, by Oscar P. Austin, statistician of the National City Bank of New York.]

INCREASE IN OTHER GOVERNMENTAL OBLIGATIONS.

In addition to the vast sums of legal tender currency turned out by 15 responsible Governments of the world, these Governments have at the same time made an even more spectacular advance in their issue of another series of promises to pay, which, while not legal tender in the ordinary sense of the term, do form a more slowly moving mass of currency. By this I mean the \$180,000,000,000 worth of bonds or other forms of national obligations issued by the Governments of the world in the past four years, for the national debts of the world have advanced from \$40,000,000,000 at the beginning of the war to \$220,000,000,000 at its close. And while these bonds or other governmental promises to pay money at some future date are not legal tender currency in the ordinary sense of the term, they do pass current in the financial world and prove a basis upon which money may be readily obtained by their holders, and to this extent are an addition to the world's circulating medium.

BANK DEPOSITS GREATLY INCREASED.

Still another increase in circulating media is found in the enormous growth in bank deposits, which of itself increases circulation through the increased use of checks, especially in countries such as the United States, where the check forms so large a share of the daily business transactions of the country. Bank deposits in 15 principal countries of the world have grown from about \$25,000,000,000 in 1913 to approximately \$75,000,000,000 at the present time.

These increases in circulation, indebtedness, and bank deposits, while occurring primarily in the countries participating in the war, have also extended to many other countries, especially in Europe, where the six principal neutrals have during the war period increased their national debts \$1,000,000,000, their note circulation over a billion dollars, and their bank deposits nearly \$1,000,000,000.

Thus in a short 4½-year period world paper money has increased \$36,000,000,000, world evidences of national indebtedness \$180,000,000,000, and world bank deposits \$50,000,000,000. Most of this enormous increase in currency has occurred in "uncovered" paper. The gold mines of the world have turned out less than \$2,000,000,000 worth of the precious metal during the war period, and most of the world's gold, which formed 55 per cent of world circulation at the beginning of the war, has passed into the vaults of the Governments or of their great banks as a basis for their paper currency, and now bears a relation of but about 20 per cent to the flood of paper money in circulation, and this proportion of gold to paper varies widely when the respective countries are compared.

INFLATION AND HIGH PRICES.

If the world's historians and financiers and economists and statisticians are right in their general belief that an advance in prices usually accompanies or closely follows inflation in currency, and especially in paper currency, can we be surprised at the world-wide advance in prices which we have witnessed during the past four years in which world currency and bank deposits trebled and national debts quintupled?

[From the Mid-November, 1919, number of Business Condition, p. 15.]

RECONSTRUCTION.

Paul M. Warburg, former governor of the Federal Reserve Board, after a two months' tour of England, Holland, France, Switzerland, and Germany, declares:

"The United States must assist the other nations of the world in restoring themselves or the whole world will fall into bankruptcy or communism. One can not spend two months in Europe without being deeply impressed with the fact that war has opened wide the dikes once protecting our old form of society and that the unloosed currents, still uncontrolled, are ranging over areas far beyond the boundaries of the countries directly involved in the war. It will be the will of men that will determine the final outcome. The lesson that one brings home from Europe is, therefore, that we must not stand idly with folded hands while the world is drowning, but that it is our duty, and within our power, to arrest a movement which, if unchecked and permitted to run into extremes, will engulf us all.

"There are many who, disgusted and disheartened, believe that we in the United States of America should wash our hands of Europe and leave it to her to straighten out her own affairs. It is too late for that. By the decisive part we played in deciding the war and the peace we have assumed a moral responsibility which we now can not shirk. For the future course of the world will be influenced very materially by economic forces, and these forces we largely control, as, inversely, to a certain extent they control us. In order to survive, Europe needs our products and requires them largely on credit, and it is our moral duty to furnish these goods. While our self-interest is involved in this, Europe's dilemma is so much more acute than ours that it places in our hands the key to the situation, but at the same time the responsibility of using it wisely. There are two fundamental evils common to all which must be eradicated if world bankruptcy or communism are to be avoided. These are the continuous 'increase of prices' and 'decrease of production.'

"Prices must continue to rise as long as the leading countries spend every year millions more than they collect from taxation and other regular revenues covering the resulting deficiencies by issuing additional currency, Treasury bills and other Government obligations. As long as this 'watering process' is indulged in the value of capital must further decline, and if persisted in long enough it must end in something like the Russian or Austro-Hungarian conditions, where the savings of the past invested in money and securities have been practically wiped out. While to some extent the present labor unrest is psychological and in certain aspects as far as it disregards the public interest, may be considered destructive and immoral, there can not be any doubt but that as long as the rise in prices continues, labor will have to fight for and be entitled to increased wages.

"On the other hand, it is obvious that a higher scale of wages is in itself a factor making for a further increase in prices. This unfortunate reaction can not be avoided until the prime driving force has been eliminated; which is the persistent depreciation of capital by the continuous issue of Government securities and currency for the purpose of covering deficiencies caused by excessive current expenditures.

"Prolonged disregard of sound economic principles will wreck business enterprises as well as Governments. To issue Government obligations of currency for the purpose of paying idling men or for providing below cost such things as transportation of food or for covering extravagant military or other expenditures is an insane business practice that sooner or later must lead to ruin or bankruptcy in every country indulging in such methods. As far as expenditures can not be reduced receipts from taxation must be increased, and—with the rapid and wide distribution of wealth resulting from the war indirect will have to play as important a part as direct taxation. (Capital levies can not be safely made in order to pay for recurrent expenditures; they may at best be applied, and even then only exceptionally, for the purpose of reducing the capital debt of a country.)

"It is easier for the United States to place its budget on a sound basis than for any other of the leading powers involved in the war. Our responsibility in this respect is a heavy one and demands not only that we establish model conditions for ourselves but that we insist that sound principles be adopted by countries requiring our financial support. Unless we work toward this end the increase of prices can not be arrested and moreover we would be acquiring the obligations of debtors headed for insolvency. Of all the leading countries we are the only one that, for the time being, has an open sold market where the relation between gold on the one hand and goods and service on the other can establish itself on a fairly natural basis. No other country, therefore, will play as decisive a rôle in determining the future level of prices as we. A great deal is being said about the necessity of stabilizing foreign exchanges.

"To my mind it is futile to attempt to tinker with this problem of stabilizing the level of these various foreign reservoirs and to establish their definite relations to one another and to the dollar, which will be the pivot of all, until the leaks have been stopped; and that is not possible as long as the Government printing presses work overtime manufacturing new money and Government obligations. When once this baneful process is arrested, discount rates may again become powerful influences in bringing about deflation.

"Until budgets are properly balanced discount rates, however, are powerless in this respect. The prewar level prices have gone for good and ever. Somehow we had to pay for the waste and expenses of the war, and the future price level should establish itself at 100 per cent higher than that prevailing before the war. Whether the destruction of capital has gone that far or how much further it will proceed will depend upon the steps that we shall now take to arrest it. The longer we wait the greater will be the loss. While the proper balancing of the budgets must therefore be the first step, without which the world can not rid itself of its present predicament, this measure in order to bring relief must be accompanied by others.

"Everybody knows that in order to prevent a further rising of prices it is necessary that production be increased and consumption be decreased. The necessity of such a course has been forcefully urged by many; it is conceded by all—and practiced by nobody. In Europe and in the United States there never was a greater recklessness in spending money than there has been prevailing since the conclusion of the armistice. The ease with which a larger amount of depreciated money can be earned has diminished the respect for money and the eagerness to save. A willingness to subordinate or sacrifice one's wishes and pleasures to the greater advantage of the country splendidly manifested during the years of war, has ended in the present reaction of an orgy of brazen self-indulgence at the very moment when the war bill is presented for payment.

"In these circumstances may we hope to be able to persuade the workman that—while his striving for adequate adjustments of wages is generally recognized as legitimate, and while honest efforts are made in almost all countries of the world to comply with his just demand for a reasonable representation and cooperation in the management of his employer's affairs—any tendency on his part to reduce production is nothing short of a crime against the very society of which he is a part? May we hope to convince the reckless consumer that his guilt is as heavy as that of the slacking producers? Only when the world ceases covering deficits by printing new money and obligations, only when a greater scarcity of money can assert its influence will excessive consumption be brought under control, and will there be called into play a consequent greater supply of labor and a greater willingness to work. This presupposes, however, that terrorism will not be permitted to threaten those willing to work.

"It is interesting to watch the various ways in which the labor problems are being studied and approached in Europe. Over there they look to the United States to take the lead in solving the question. Prewar labor conditions with us having been far better than abroad, and our men having enjoyed full political liberty and a free road to the top of the ladder in practically every enterprise, it is believed that we should find less difficulty in this respect than any other country. Meanwhile we are getting so near the brink that every further delay increases the danger that it may become too late to avoid our sliding into it.

"In Europe it is believed that our Senate does not fully realize the gravity of the situation. Friends and enemies condemn many features of the peace treaty. But all agree—even the Germans who more than any other nation deplore some of its terms—that nothing could be more fatal than to prolong the present uncertainty; that the treaty must now go into effect, and that when once a foundation, even though a defective one has been laid, we can begin successfully to combat the baneful forces that now threaten the whole world. In this work the United States can not be missed."

[From Encyclopedia Britannica, Vol. X.]

Exchange, in general, the action of mutual giving and receiving objects, interests, benefits, rights, &c. The word comes through the French from the Late Lat. *excambium* (see EXCAMBION). The present article deals with the theory and practice of exchange in monetary transactions, but this may conveniently be prefaced by a brief statement as to the law relating to the exchange of property and other matters. In English law exchange is defined as the mutual grant of equal interests, the one in consideration of the other. The ancient common law conveyance had certain restrictions, e. g., identity in quantity of interest, fee-simple for fee-simple, etc., entry to perfect the conveyance, and an implied warranty of title and right of entry by either party in case of eviction. Such exchanges are now effected by mutual conveyances with the usual covenants for title. Exchanges are also frequently made by order of the Board of Agriculture under the Inclosure Acts, and there are also statutes enabling ecclesiastical corporations to exchange benefices with the approval of the ecclesiastical commissioners. The international exchange of territories is effected by treaties. The exchange of prisoners of war is regulated by documents called "cartels" (Med. Lat. *cartellus*, diminutive of *carta*, paper bill), which specify a certain agreed-on value for each rank of prisoners. The practice superseded the older one of ransom at the end of a war. By the regimental exchanges act, 1875, the sovereign may by regulation authorize exchanges by officers from one regiment to another. (For "labor exchanges" see Unemployment.)

Exchange in relation to money affairs denotes a species of barter not of goods but of the value of goods, a payment in one place being exchanged for a payment in another place. The popular statement of the theory of exchange represents four principals involved in two transactions. A and B are two persons residing in one place different from the domicile of C and D; A sells goods to C; B buys goods from D; A sells his claim on C to B, who remits it to D in satisfaction of his debt, and D receives the cash from C, so that, assuming the two transactions to be of equal value, one piece of paper satisfies the four parties to these two transactions, and the trouble, expense, and risk of sending money from both places are avoided. The piece of paper which performs the service may be a telegraphic order, check, or bill of exchange. In this elementary proposition there would be no difficulty of exchange, as the full value of A's claim on C would be paid by B, who is under the necessity of sending in exactly similar amount of money to D; but it can be seen that in actual practice the claims of one place on another place would not be exactly balanced by the necessities of the one place to meet obligations in the other place; thus arises the complication of exchange, which may best be described as the price of monetary claims on distant debtors.

Supposing, for example, that A in London had a claim on C in Edinburgh amounting to £100, and that B in London did not require to remit more than £90 to D in Edinburgh, it is evident that B in London must be offered some inducement to take over the whole of A's claim. B might give A £99:19:0, and could then, after satisfying his debt to D, have £10 to his credit in Edinburgh, which he could retain there at interest until he had incurred further liability to D, or he could have the balance of £10 returned him in coin at an expense, say, of sixpence; this would leave B with a profit of sixpence on the transaction, and, assuming that these figures are reasonable, exchange on Edinburgh in London would be one shilling discount per £100. Supposing the necessities of B induced him to offer A only £99:14:0 for his £100 claim, A would then prefer that C remitted him £100 in coin, which, on the above scale of expenses would cost 5s. and A would receive £99:15:0 net. On these premises, exchange on Edinburgh in London can not fall below one-fourth of 1 per cent discount, and the same circumstances prevent it from rising above one-fourth of 1 per cent premium, for B in no case, would pay more for A's claim than £100 plus the cost of sending coin to Scotland. If this basis is appreciated, all exchange problems between different countries can be mastered, and the quotations in the daily papers of cable payments, sight drafts (checks) and long bills are then understood and supply an interesting indication of the state of international financial relations. As shown above, the balance of indebtedness must eventually be remitted by coin, and consequently when exchange in any city is quoted at one or other of the limit points given in our example as one-fourth of 1 per cent discount or one-fourth of 1 per cent premium, this exchange immediately acquires a very serious importance, because with the development of modern monetary systems under which enormous trade is carried on with a most moderate foundation of actual coin the weakening or strengthening of that foundation is a very vital matter.

While the understanding of the theory is essential for any facile interpretation of an exchange, there are of course innumerable details of practice which require to be known to identify the limit points of exchange in any particular city. The limit points can only be taken advantage of by banking experts, and, although we assume a trader remitting his indebtedness in coin when he is asked to pay too high a price for his bill of exchange, in actual affairs the banker will supply the check or bill and himself will do the professional business of sending away bullion. Similarly, we have represented one trader drawing on another trader and selling his draft to a third trader who remits the draft to a fourth. In actual practice, however, No. 1 draws on No. 2 and disposes of his draft to a banker; No. 4 draws on No. 3 and sells his draft to a banker; because, speaking generally, whenever goods are shipped, the shipper immediately requires his money he draws a bill against the goods, and it is the function of a banker to help, as a sort of debt-collecting agency, by buying these drafts; and the bank, being a mart for all forms of remittance, gets an immense variety of demand for cable payments, checks, and bills on all centers. This does not affect the theory, for it must be remembered that the banker is a necessary link between the buyer and seller of exchange, because the seller can only sell what he has and the buyer must have exactly what he wants.

To return to the question of limit points: If a universal currency system existed, with the same monetary standard that is used in England, and the coinage kept in a proper condition of weight and fineness, and the coin readily supplied to meet every reasonable claim—if, in fact, the pound sterling were the prevalent coin and the English banking system obtained everywhere, then we should find all exchange quotations as simple as our case of London and Edinburgh, that is to say, all exchanges would be quoted at par or a premium or a discount. The limit points in any place of the exchange on London would represent simply and obviously the cost of the transmission of the coin. These limit points would vary at each place according to the distance from London, the cost of freight, the risk involved in the transmission and the local rate of interest. On the continent of Europe some advance

has been made in the direction of a universal coinage. Countries subscribing to the Latin Union have agreed on the franc as a common unit, and Belgium, Switzerland, France, and Italy quote exchange between themselves at a premium or discount. Greece, Spain, and other countries are also parties to the arrangement, but their currencies are in a bad state, and the exchange quotations involve a considerable element of speculation. We have, however, to deal with another factor in international finance, namely, the enormous variety of currency systems; and we have then to discover, in each case, the exchange which represents par and corresponds to our £100 for £100 in the London-Edinburgh example. The United States furnishes perhaps the easiest problem, and we must find out how many dollars in gold contain exactly the same amount of the precious metal as is contained in 100 sovereigns. The answer is 486½, and the arithmetic is a question of the mint laws of the two countries. Gold coin in the United States contains one-tenth alloy and in England one-twelfth alloy. Ten dollars contain 258 grains of gold, nine-tenths fine. One pound contains 123.274 grains of gold, eleven-twelfths fine, consequently £100 is worth \$486½, or, to be exact, \$486½, and when cable payments between London and New York are quoted at 4.86½ for the £1 sterling, exchange is about par. As a cable payment is an immediate transfer from one city to another, no question of interest or other charge is involved. Owing to the cost of sending gold as detailed above, the New York cable exchange varies from about 4.84 to 4.89½; at the former point gold leaves London for New York, and at the latter point gold comes to England. Besides insurance, freight, packing, commission, and interest, there must also be considered the circumstance that coin taken in bulk is always a little worn and under full weight, and in the process of turning sovereigns into dollars, the result would not bear out the calculation based on the mint regulations; consequently, when taking gold from London, the demand would first fall on the raw metal as received from South Africa or Australia to be minted in the United States, then on any stock of American coin the Bank of England might have and be willing to sell by weight (which would be accounted by tale in New York), and lastly the demand would be satisfied by sovereigns taken by tale from the Bank of England and converted by weight in America.

The instance of the American quotation may be further taken to explain some of the numerous points which the study of the exchange involves. In the first place, it will be noted that we have quoted the price in dollars. In London, business in bills, etc., on New York is quoted either in pence or in dollars, that is to say, payments are negotiated for so many dollars either at 49½ pence per dollar, or at the equivalent rate \$4.88 for the pound. In practice it is much more convenient to quote in London in the money of the foreign country, as it makes comparison with the foreign rate on London very simple. Some foreign countries quote exchange on London in pence, and then, of course, in relation to those countries the same practice will obtain in England, but the majority of the exchange quotations on London are in francs, marks, gulden, lire, kronen, or other foreign money. Another point which must be explained is the reason why exchange varies between what we have called the limit points; why there is sometimes so much demand for bills on London and why at other times so many bills are being offered. Similar causes operate on other exchanges, and if we develop the New York case we shall provide explanations for exchange movements in other countries.

At one time the financial relations between England and America were as follows: England was the principal creditor of the United States, and the latter country had to remit continually very large amounts in payment of interest on English money and profits on English investments, in payment for shipping freights, for banking commissions, insurance premiums, and an immense variety of services, besides paying for the large imports which crossed the Atlantic from English ports. In the fall of the year these payments would be more than offset by the enormous exports of foodstuffs, cotton, tobacco, etc., so that during the first half of the year exchange would be at or about the limit of 4.89½ and gold would have to be sent from New York to supplement the deficient quantity of bills. In the autumn the produce bills would flood the exchange market and gold would be sent from London as exchange got to the other limit point of 4.84. These conditions are still very potent, but latterly another element has entered into the position, and the new development is so powerful as to reverse sometimes what we may call the natural and legitimate movement in the exchange. This new element is the more intimate banking and financial relationship which has been established between the two countries. As American conditions have become more stable, with better security for capital and an assured feeling about the currency of the United States, bankers in London have gladly allowed their banking friends in New York and other large cities to draw bills on London whenever there was a good demand for sterling remittances. We have, therefore, to consider a fresh type of bill of which the drawer has no claim on the drawee, but, on the other hand, incurs a debt to the drawee. To take a very usual method, a banker in Wall Street, New York, will advance money to stockbrokers, investors, and speculators against bonds and shares with a 20% margin. He deposits this security with a trust company in New York, which acts both for the American and English banker. The Wall Street banker then draws a bill at 60 days' sight or 90 days' sight on the banker in Lombard Street and sells this draft to supply the money he lends the stockbroker. Two or three months hence the New York banker must send money to London with which to meet the bill, so that, whereas, in the case of a commercial bill, the produce is dispatched and in due course the consignee must find the money for the bill, in the case of a finance bill, as it is called, the bill is drawn and in due course the drawer must send the value with which it is to be honored. In any event, the acceptor, the London banker, has to pay the bill, so that it will be easily understood that relations of the greatest confidence are necessary between the drawer and drawee before finance bills of this class can be created.

The profit arising from the transaction we have sketched is realized by the separate parties in this way. The New York banker lends money for three months, say, at 5 per cent per annum, he pays a commission of one-thirty-second per cent to the trust company which has custody of the security, a charge equivalent to one-eighth per cent interest per annum. He draws on London at 90 days' sight and sells the bill at 4.83½, the cable rate being 4.87½, the buyer of a three months' bill making the allowance for the English bill stamp of one-half per mille and the London discount rate of 3 per cent. The drawer of the bill must also pay a commission of three-sixteenths per cent to the London banker who accepts the draft; this is equivalent to another three-quarters per cent per annum in the rate of discount, so that money raised in this way costs one-eighth per cent for the trust company, 3 per cent the London discount rate, about one-quarter per cent for bill stamps, and three-quarters per cent for London commission—altogether, 4½ per cent; and, as the money is loaned at 5 per cent, there appears

to be seven-eighths per cent profit to the drawer of the bill. This, however, is on the assumption that the cable rate is still 4.87½ when the bill falls due for payment, and that the drawer would have to pay that price to telegraph the money to meet the draft. But exchange on London can go up or down between 4.84 and 4.89½, and if at the end of the three months the cable rate is 4.84 the New York banker will be able to cover his bill at almost the same rate at which he sold it and will only be out of pocket to the extent of the commissions and stamps, so that the accommodation will only cost him 1½ per cent and his profit will be 3½ per cent. If he has to pay more than 4.87½ for his cable at the maturity of the bill his profit will be less than seven-eighths per cent, and he may even be a loser on the transaction.

It is obvious, then, that a high rate of interest in New York, with a high rate of exchange on London and a low rate of discount in England, would induce the creation of these finance bills. The supply of these bills would prevent New York exchange reaching the limit point at which gold leaves the United States, and the maturity of these bills in the autumn would ensure a demand for the produce bills and possibly prevent exchange from falling to the other limit point at which London has to send gold to New York.

We have pointed out the essential difference between these finance bills and what we have called produce bills, but there is another very striking difference, that of the question of supply. These finance bills are obviously very difficult to limit in their amounts; produce bills are, of course, limited by the extent of the surplus crops of the United States and by the demand for the produce in Europe, but so long as it is mutually satisfactory to the big finance houses in both countries to draw on credit granted in London, so long may these accommodation bills be created, and the pressure of the bills in New York may depress exchange so much that gold leaves London at a time when it is required in other directions. In such a case the embarrassment caused by this artificial drain of the gold reserve would much more than offset the amount of the commission earned by the accepting houses. The Bank of England may have to raise its rate of discount at the expense of the entire home trade; probably, also, with the rise in the value of money, consequent on the diminished resources, all investment securities fall in value and more onerous terms must be submitted to by the Government, corporations, and Colonies, in the issue of any loans they may require. It will, therefore, be appreciated that, although these finance bills may be perfectly safe, their excessive creation is viewed with great disfavor, and considerable apprehension is felt when the adventures of speculators in New York make great demands for loans against stocks and shares, and, through the instrumentality of these finance bills, shift the burden on to the shoulders of the London discount market. The effect of this is to level money rates as between New York and London, and in the process the pressure falls on London and the relief goes to America. Eventually, of course, the bills must be met and funds sent for that purpose from across the Atlantic, but in the meanwhile the disturbance of the gold supply is an inconvenience.

We have explained the process of employing credits granted in London to finance Wall Street; there are, also, many other types of bill to which the acceptor lends his name on the assurance that he will in due course be supplied with the funds required to meet the acceptance. In the case of the produce bills, a London banker will accept the bills in order that they may be more easily marketable than if they were drawn direct on the actual consignee of the cotton, tobacco, or wheat. The consignees in Liverpool, etc., pay a commission for this assistance and reimburse the London bank as the produce is gradually disposed of. The transaction appears slightly more complicated when English bankers accept bills for produce shipped from the United States to merchants living in Hamburg, Genoa, Singapore, and all other great ports, but the principle is the same, and the influence of such business on the exchange affects, in the first instance, the quotation between America and London, but afterwards, when money must be sent to London with which to honor the bills, the exchanges with Germany, Italy, or the Straits Settlements bear their share in the eventual adjustment, the spinners, tobacco manufacturers, and corn factors requiring drafts on London where so much of the trade of the world is financed.

We shall have to consider later the reasons which ensure to London this peculiar and predominant position. We have so far used the American exchange as an example to explain causes which produce fluctuations in all the principal exchanges on London and to show the points between which fluctuations are limited. The fact that America is still developing at a much greater rate than the Old World makes an important distinction between the financial position in New York and the financial position of the big capitals in Europe. There is not in America the huge accumulation of savings and investment money which the Old World has collected, so that whereas Europe helps to finance the United States, the latter country has so many home enterprises that she can spare none of her funds to assist Europe. It would not be possible for London to draw on New York such bills as we have described as finance bills, for they could never be discounted there except on the most onerous terms, and there is nothing in America which corresponds to the London money market.

We have to deal with dollars and cents in America, with francs in France, with marks in Germany, and different money units in nearly every country; but, given the mint regulations, the theoretical par of exchange and the theoretical limit points are arrived at by simple arithmetic. An exhaustive statement with reference to every country would involve an amount of tedious repetition, so that for the purposes of this article it is more instructive to consider the essential differences between the important exchanges than to go into the details of coinage, which would appeal rather to the numismatist than to the exchange expert.

The United States, offering as it does a vast field for profitable investment, must annually remit huge amounts for interest on bonds and shares held by Europeans; coupons and dividend warrants payable in America are offered for sale daily in London, and at the end of the quarters the amount of these claims, coupons, and drawn bonds is very large, and a considerable set off to the indebtedness of Europe for American produce. It is often asserted that the United States is rapidly getting sufficient wealthy to repurchase all these bonds and shares; but whenever trade conditions are exceptionally good in the States, fresh evidence is forthcoming that assistance from London and Europe is essential to finance the commercial development of the United States. This illustrates a feature common to all new countries, and the effect is that they make annual payments to the older countries and especially to England.

A Government loan or other large borrowing arranged abroad will immediately move the exchange in favor of the borrowing country. A tendency adverse to the United States results from the drafts and letters of credit of the large number of holiday makers who cross the Atlantic and spend so much money in Europe. When remittance is made of the

incomes of Americans who have taken up their residence in the Old World the exchange is affected in a similar manner.

In one respect the United States stands far superior to most of the other countries. There are no restrictions on the free export of gold when exchange reaches the limit point showing that the demand for bills on London exceeds the supply. New York (with London and India) is a free gold market, and this is undoubtedly one of the reasons why money is so readily advanced to the United States, and the finance bills, to which we referred above, would not be allowed to the same extent were it not for the fact that New York will remit gold when other forms of remittance are insufficient to satisfy foreign creditors. When exchange between Paris and London reaches the theoretical limit point of 25.32 (25 francs 32 centimes for the £1 sterling), gold does not leave Paris for London unless the Bank of France is willing to allow it. By law, silver is also legal tender in France, and if the State Bank is pressed for gold a premium will be charged for it if it is supplied. Gold may be collected on the cheaper terms in small amounts from the great trading corporations or from the offices of the railways, but a large shipment can only be made by special arrangement with the Bank of France. Similarly, in Germany, where a gold standard is supposed to obtain, if a banker requires a large amount of gold from the Reichsbank he is warned that he had better not take it, and if he persists he incurs the displeasure of the Government institution to the prejudice of his business, so that the theoretical limit point of 20 marks 52 pfennigs to the pound sterling has no practical significance, and gold can not be secured from Berlin when exchange is against that city, and Germany has, when put to the test, an inconvertible and sometimes a debased currency. There is no State bank in the United States, and no Government interference with the natural course of paying debts. On the other hand, when monetary conditions in New York indicate a great shortage of funds, and rates of interest are uncomfortably high, the United States Treasury has sometimes parted with some of its revenue accumulations to the principal New York bankers on condition that they at once engage a similar amount of gold for import from abroad, which shall be turned over to the Treasury on arrival. As these advances are made free of interest the effect is to adjust the limit point of 484 to about 485, and the United States Treasury seems to have taken a leaf out of the book of the German Reichsbank, which frequently offers similar facilities to gold importers and creates an artificial limit point in the Berlin Exchange. The Reichsbank gives credit in Berlin for gold that has only got as far as Hamburg, and sometimes gives so many days' credit that the agent in London of German banking houses can afford an extravagant price for bar gold and even risk the loss in weight on a withdrawal of sovereigns, although the exchange may not have fallen to the other limit point of 20.32. In England the only effort that is made to attract gold is some action by the Bank of England in the direction of raising discount rates; occasionally, also, the bank outbids other purchasers for the arrivals of raw gold from South Africa, Australia, and other mining countries. Quite exceptionally, for instance during the Boer War, the Bank of England allowed advances free of interest against gold shipped to London.

Many of the principal banking houses in all the important capitals receive continually throughout the day telegraphic information of the tendency and movement of all the exchanges, and on the smallest margin of profit a large business is done in what is called arbitrage (q. v.) For instance, checks or bills on London will be bought by X in Paris and remitted to Y in London. X will recoup himself by selling a cable payment on Z in New York. Z will put himself in funds to meet the cable payment by selling 60 days' sight drafts on Y, who pays the 60 days' drafts at maturity out of the proceeds of the cheques or bills received from Paris, and this complicated transaction, involving no outlay of capital, must show some minute profit after all expense of bill stamps, discount, cables, and commissions has been allowed for. Such business is very difficult and very technical. The arbitrageur must be in first-class credit, must make the most exact calculation, and be prompt to take advantage of the small differences in exchange, differences which can be only temporary, as these operations soon bring about an adjustment.

The European exchanges with which London is chiefly concerned are Paris and Berlin, through which centers most of the financial business of the rest of Europe is conducted; for example, Scandinavia, Russia, and Austria bank more largely with Berlin than elsewhere. Italy, Switzerland, Belgium, and Spain bank chiefly in Paris. European claims on London or debts to London are settled mostly through Germany or France, and consequently the German and French rates of exchange are affected by the relation of England with the rest of the Continent. The exchanges on Paris or Berlin are therefore most carefully watched by all those big interests which are concerned with the rate of discount and the value of money in London.

If the Paris cheque falls to 25.12, gold arrivals in the London bullion market will be taken by French bankers unless the profit shown by the exchange on some other country enables other buyers to pay more for the gold than Paris can afford. If the Paris cheque falls still further, it would pay to take sovereigns from the Bank of England for export, and so much would be taken as would satisfy the demand to send money to France, or until the consequent scarcity of money in London made rates of interest so high in England that French bankers would prefer to leave money and perhaps increase their balances. As between London and Paris and Berlin the greatest factor operating the exchanges is the relative value of money in the three centers. There is no great excess of trade balance at any season in favor of Germany or France or against England. On the other hand, the banking relations between those countries are very intimate, and if funds can be very profitably employed in one of these places there will be a good demand for remittance, and exchange will move in favor of that place; that is to say, exchange will go toward that limit point at which gold will be sent. The great pastoral and agricultural countries like South America, Egypt, and India are in a position to draw very largely on London when their crops or other products are ready for shipment. In the early months of the year gold goes freely to South America to pay for the cereals, hides, and meat, and in the autumn Egypt and India send such quantities of cotton and wheat that exchange moves heavily in favor of those countries, and gold must go to adjust the trade balance. During the rest of the year the gold tends to return as these countries always require bills on London or some form of payment to meet interest and dividends on European money invested in their Government debts, railways, and trading enterprises, and to pay for the European manufactures which they import. Exchange then moves in favor of England, and the Bank of England can replenish its reserve. Over the greater part of the world the rate of exchange on London is an indication simply of the trade balance. The greater part of the world receives payment for foodstuffs, and has to pay for European manufactures, shipping freights, banking services, and professional commissions.

The greatest complication in exchange questions arises when we have to deal with a country employing a silver standard, and, fortunately for the development of trade, the problem has disappeared of late years in the case of India, Ceylon, Japan, Mexico, and the Straits Settlements, and now the only important country using silver as a standard is China. When the monetary standard in one country is only a commodity in another country we are as far removed from the ideal of an international currency as can be imagined. We can fix no limit points to the exchange and we can not settle any theoretical par of exchange. The price of silver in the gold-using country may vary as much as the price of copper or tin, and in the silver-using country gold is dealt in just as any other metal. In both cases the only metal of constant price is the metal which is used as the money standard. The easiest method of explaining the position is to consider that anyone in a gold-using country having a claim in currency on a silver-using country has to offer for sale so many ounces of silver, and vice versa the exporter in a silver-using country sending produce to London has to offer a draft representing so many ounces of gold. This introduces a very unsatisfactory element. To take a practical example: A tea grower in China has raised his crop in spite of the usual experience of weather and labor difficulties and the endless risks that a planter must face; the tea is then sent to London to take its chance of good or bad prices, and at the same time the planter has a draft to sell representing locally a certain weight of gold; now, in addition to all the risks of weather and trading conditions, and the chances of the fluctuations in the tea market, he is compelled to gamble in the metal market on the price of gold. Some years ago when a large number of important countries employed a silver standard it was seriously suggested that a fixed ratio should be agreed internationally at which gold and silver should be exchanged. This advocacy of bimetalism (q. v.) was especially persistent at a time when silver had suffered a very great fall in price and the prominent exponents could generally be identified either as extremely practical men who were interested in the price of silver or as very inexperienced theorists. The difficulty of the two standards was successfully solved by discarding the use of silver, and the chief silver-using countries adopted a gold standard which has given greater security for the investment of foreign capital, has simplified business, and brought about a large increase of trade.

In the case of a country of which the government has been subject to great financial difficulties, gold has been shipped to satisfy foreign creditors so long as the supply held out, and the exchange with such a country will continue to move adversely with every fresh political embarrassment and any other economic cause reflecting on the national credit. With the collapse of the monarchy in Brazil the value of the milreis fell from 27 pence to 5 pence, and all the Spanish-American countries have from time to time afforded most distressing examples of the demoralizing effects on the currency of unstable and reckless administration. In Europe similar results have been shown by the mistrust inspired by the Governments of Spain, Greece, Italy, and some other States. The raising of revenue by the use of the printing press creates an inconvertible and depreciating paper currency which frightens foreign capital and severely taxes the unfortunate country which must make payment abroad for the service of debt and other obligations. With the tardy appreciation of the old proverb that "honesty is the best policy" nearly every country of importance has made strenuous efforts to improve the integrity of its money.

Exchange quotations are not published from many of the British Colonies, as their financial business is in the hands of a comparatively few excellently managed banks, which establish, by agreement, conventional exchanges fixed for a considerable period, notably in the case of Australia, New Zealand, and South Africa. The Scottish and Irish banks supply similar examples of a monopoly in exchange.

The following table taken from the money article of a London daily paper indicates the exchanges which are of most interest to England:

Foreign exchanges.

	June 14.	June 15.	June 11.
Paris, cheques.....	25 f. 18 c.	25 f. 18 c.	25 f. 18 c.
Paris Mkt. discount.....	21-1/2 p.c.	21-1/2 p.c.	21-1/2 p.c.
Brussels, cheques.....	25 f. 23 c.	25 f. 23 c.	25 f. 23 c.
Berlin, sight.....	20 m. 48 1/2 pf.	20 m. 48 1/2 pf.	20 m. 48 pf.
Berlin, 8 days.....	20 m. 46 1/2 pf.	20 m. 46 1/2 pf.	20 m. 45 1/2 pf.
Berlin Mkt. discount.....	3 1/2 p.c.	3 1/2 p.c.	3 1/2 p.c.
Vienna, sight.....	Holiday.	24 kr. 02 1/2 h.	24 kr. 02 1/2 h.
Amsterdam, sight.....	12 fl. 13 1/2 c.	12 fl. 13 1/2 c.	12 fl. 13 1/2 c.
Italy, sight.....	Holiday.	25 lire 15 c.	25 lire 15 c.
Madrid, sight.....	do.	27 ps. 68.	do.
Lisbon, sight.....	do.	do.	do.
St. Petersburg, 3ms.....	94 r. 10.	94 r. 10.	94 r. 10.
Bombay, T. T.....	1s. 4d.	1s. 4d.	1s. 4d.
Calcutta, T. T.....	do.	do.	do.
Hongkong, T. T.....	2s. 1 1/2 d.	2s. 1 1/2 d.	2s. 1 1/2 d.
Shanghai, T. T.....	2s. 10 1/2 d.	2s. 10 1/2 d.	2s. 10 1/2 d.
Singapore, T. T.....	2s. 4 1/2 d.	2s. 4 1/2 d.	2s. 4 1/2 d.
Yokohama, T. T.....	2s. 0 1/2 d.	2s. 0 1/2 d.	2s. 0 1/2 d.
Rio de Janeiro, 90 days ¹	16 1/2 d.	16 1/2 d.	16 1/2 d.
Valparaiso, 60 days Coml ¹	14 1/2 d.	14 1/2 d.	14 1/2 d.
Buenos Ayres, 90 days ¹	48 1/2 d.	48 1/2 d.	48 1/2 d.

¹ These rates are telegraphed on the day preceding their receipt.

In the case of Paris and Berlin, it will be noticed that the local rate of discount is also given, as the value of money in these centers, in relation to the value of money in London, is the most important factor in a movement of the exchange. Vienna has become important owing to the improvement in the financial position of Austria, and still greater improvement is shown in the case of Italy, whose currency stands in the above list better even than that of France. Spain, which should stand at about the same rate, still has a depreciated paper currency. Lisbon stands also at a discount, as the milreis should be worth 53 1/2 pence.

In Russia the exchange showing 94.10 roubles to £10 is carefully and cleverly controlled in spite of the bad internal position. The India exchanges move slightly as the currency is firmly established at the rate of 15 rupees to the £1. Hongkong quotes for the old Mexican dollar and a British trade dollar, Shanghai for the tael containing on an average 51 1/2 grains of fine silver. The Straits Settlements have fixed their money on a gold basis at 2 shillings 4 pence per dollar, on the lines of the arrangement made in India. In Japan there is a gold standard, and par of exchange is 2 shillings 0 1/2 pence for the yen. Brazil, Chile, and Argentina have a depreciated paper currency, and the last quotation of 48 pence is for the gold dollar equal to 5 francs, but there is a premium

on gold in the River Plate of 127.27½ per cent and for the present a gold standard is reestablished on this basis. The letters "T. T." with the eastern exchanges signify telegraphic transfer or the rate for payments made by cable. The very important New York rates are always given in another part of the daily paper with other details of American commercial interest.

These rates are all quotations for payments in England, and all over the world the exchange on London is the exchange of the greatest importance. This unique position was gained originally, probably, through the geographical position of the United Kingdom, and has been maintained owing to several reasons which secure to London a peculiar position by comparison with any other capital. Britain's colossal trade ensures a supply of and a demand for English remittances. Even when goods or produce are dealt in between foreign countries a credit is opened in London, so that the shipper of the produce can offer in the local market a bill of exchange which is readily salable. With the highly developed banking system a large amount of deposits is collected in London, and the result is that bills of any usance up to six months can be immediately discounted, and the proceeds, if required, can be handed over in gold. There are in London a great number of wealthy banks and banking houses whose reputation and solidity allow any one of them to accept bills for amounts varying from £1,000,000 to £10,000,000 sterling whereby large commissions are earned.

These four advantages, namely, a free gold market, a huge trade, an enormous accumulation of wealth, and a discount market such as exists nowhere else, have made London an unrivaled financial center, and consequently bills on London are an international money and the best medium of exchange.

Authorities: A B C of the Foreign Exchanges, by George Clare; Foreign Exchanges, by Goschen; Arbitrage, by Deutsch; Arbitrages et Parités, by Ottomar Haupt; Swoboda, Arbitrage (twelfth edition), by Max Fuerst.

The VICE PRESIDENT. The question is on agreeing to the conference report.

The report was agreed to.

CALLING OF THE ROLL.

Mr. JONES of Washington. I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

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

Ashurst	Gronna	Lenroot	Simmons
Ball	Harding	McCormick	Smith, Ga.
Bankhead	Harris	McKellar	Smith, Md.
Beckham	Harrison	McLean	Smith, S. C.
Calder	Henderson	McNary	Spencer
Capper	Hitchcock	Moses	Stanley
Colt	Johnson, S. Dak.	New	Sterling
Culberson	Jones, N. Mex.	Newberry	Sutherland
Cummins	Jones, Wash.	Norris	Thomas
Curtis	Kendrick	Overman	Townsend
Dial	Kenyon	Page	Trammell
Dillingham	Keyes	Phippis	Walsh, Mass.
Edge	King	Polindexter	Walsh, Mont.
France	Kirby	Pomerene	Warren
Gay	Knox	Ransdell	Watson
Gerry	La Follette	Sheppard	Wolcott

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

LADING AND UNLADING OF VESSELS AT NIGHT.

Mr. CALDER. I ask unanimous consent for the present consideration of Senate bill 3418. This is a bill reported a few days ago by the Committee on Commerce. It provides for the lading and unlading of vessels at night. The bill was prepared by the Treasury Department, and its passage is desired by the Shipping Board and by shippers generally throughout the country.

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

There being no objection, the Senate, as in Committee of the Whole, proceeded to consider the bill (S. 3418) to amend an act entitled "An act to provide for the lading or unlading of vessels at night, the preliminary entry of vessels, and for other purposes," approved February 13, 1911.

Mr. OVERMAN. Let the bill be read, Mr. President.

The VICE PRESIDENT. The Secretary will read the bill.

The Secretary read the bill, as follows:

Be it enacted, etc., That section 5 of an act entitled "An act to provide for the lading or unlading of vessels at night, the preliminary entry of vessels, and for other purposes," approved February 13, 1911, be, and is hereby, amended to read as follows:

"SEC. 5. That the Secretary of the Treasury shall fix a reasonable rate of extra compensation for overtime services of inspectors, storekeepers, weighers, and other customs officers and employees who may be required to remain on duty between the hours of 5 o'clock p. m. and 8 o'clock a. m., or on Sundays or holidays, to perform services in connection with the lading or unlading of cargo, or the lading of cargo or merchandise for transportation in bond or for exportation in bond or for exportation with benefit of drawback, or in connection with the receiving or delivery of cargo on or from the wharf, or in connection with the unlading, receiving, or examination of passengers' baggage, such rates to be fixed on the basis of one-half day's additional pay for each two hours or fraction thereof that the overtime extends beyond 5 o'clock p. m. (but not to exceed two and one-half days' pay for the full period from 5 o'clock p. m. to 8 o'clock a. m.), and two additional days' pay for Sunday or holiday duty. The said extra compensation shall be paid by the master, owner, agent, or consignee of such vessel or other conveyance whenever such special license or permit for immediate lading or unlading or for lading or unlading at night or on Sundays or holidays shall be granted to the collector of customs, who shall pay the same to the several customs officers and employees entitled thereto

according to the rates fixed therefor by the Secretary of the Treasury: *Provided,* That such extra compensation shall be paid if such officers or employees have been ordered to report for duty and have so reported, whether the actual lading, unlading, receiving, delivery, or examination takes place or not. Customs officers acting as boarding officers and any customs officer who may be designated for that purpose by the collector of customs are hereby authorized to administer the oath or affirmation herein provided for, and such boarding officers shall be allowed extra compensation for services in boarding vessels at night or on Sundays or holidays at the rates prescribed by the Secretary of the Treasury, as herein provided, the said extra compensation to be paid by the master, owner, agent, or consignee of such vessel."

Mr. KING. Mr. President, is this the bill to which the Senator alluded a few days ago, and stated, either upon the floor of the Senate or to a number of Senators who approached him in connection with it, that it involved no expense whatever upon the part of the Government?

Mr. CALDER. No expense whatever.

Mr. KING. It merely permits the owners of vessels and the consignees and employees upon the vessels, or the longshoremen, to make such contracts as they please respecting the unloading of the vessels at night?

Mr. CALDER. Yes; and it permits customs officers to work at night and to be paid by the shipowner, with the consent of the collectors of customs in the respective districts. No expense whatever is incurred upon the Government.

Mr. KING. Mr. President, I would like to ask the Senator two questions: First, what reason is there for the Government to fix the terms of special contracts that shall be entered into between the owners of vessels and the employees of the Government for the purpose of securing the unloading of vessels on Sundays or holidays? In other words, why should the Government intervene and prescribe the contractual relations that shall exist between the parties? That is one question.

Secondly, if this bill should pass and there should be any considerable amount of overtime work done under the bill, would it not interfere with the efficiency of the employees of the Government in the performance of their duties to the Government? I can readily conceive that if there is very much Sunday work or night work the employees working for the Government and being called upon to perform this additional service would not be in condition to render efficient service to the Government. It might very materially impair their serviceability to the Government and interfere with the proper performance of their duties to the Government.

Mr. CALDER. Mr. President, this bill was prepared by the Treasury Department. We have had a law on the statute books for a number of years permitting the lading and unlading of vessels at night, for which the Government employees were paid in some such manner as is prescribed in this measure. But a year or two ago the Attorney General held that men could not be paid for passing upon the baggage taken off ships at night, but could be paid for supervising the discharging of the cargoes. That caused some difficulty, because we found a customs official examining baggage at night and being unpaid for it, and right alongside of him a customs official examining cargo and being paid for that.

These men do not work very much at night. I venture the statement that they do not average more than a day a week at the most, perhaps four or five days a month. If the Government did not have some control over it, and the shipowner were compelled to bargain with the customs inspectors and other Government employees all sorts of compensation might be demanded. This bill permits the Government to collect from the shipowners not in excess of double pay for overtime. The collector of customs fixes the pay for overtime, but can not allow more than double time for nights and Sundays. If I own a vessel and wish to have it discharged at night, it would be necessary for me to obtain a permit from the collector of customs to supervise the job. He would assign regular customs employees and keep track of their time, and the shipowner would pay the collector for it, and then, in turn, the men would be paid by the Government. The scheme is one that has been carefully considered, I will say to the Senator from Utah [Mr. KING], and meets with the approval of the Treasury Department and the Shipping Board as well; it is also satisfactory to the men who work in the Customs Service.

The bill was reported to the Senate without amendment, ordered to be engrossed for a third reading, read the third time, and passed.

PUBLIC HEALTH SERVICE.

Mr. CALDER. I ask unanimous consent for the consideration of Calendar No. 233, Senate concurrent resolution 14, creating a joint committee to make a survey of and to report on the activities of governmental departments, bureaus, and agencies which relate to public health.

Mr. JONES of Washington. I wish to suggest to the Senator from New York that it appeared before the Committee on Appropriations a year or two ago that there were 47 different departments of health activities connected with the Government activities, if not more, in the city of Washington.

Mr. CALDER. This simply provides for an inquiry into these several departments, and a report to Congress.

Mr. KING. Reserving the right to object, I would like to hear the resolution read.

The Secretary read the concurrent resolution, as follows:

Senate concurrent resolution 14.

Resolved by the Senate (the House of Representatives concurring), That a joint committee be, and is hereby, created, consisting of three Members of the United States Senate and three Members of the House of Representatives, to be appointed by the President of the Senate and the Speaker of the House, respectively, to make a survey of and report on those activities of the several departments, divisions, bureaus, offices, and agencies of the Government of the United States which relate to the protection and promotion of the public health, sanitation, care of the sick and injured, and the collection and dissemination of information relating thereto.

SEC. 2. That such committee is directed and empowered to report to the Congress not later than March 1, 1920—

(a) The statutory powers and duties conferred by the Congress on any department, division, bureau, office, or agency of the United States Government to carry on any work pertaining to the conservation and improvement of the public health, together with any rules and regulations authorized or promulgated thereunder;

(b) The organizations now existing in the Federal Government for the purpose of carrying out these powers and duties, together with the personnel of, appropriations for, and expenditures by each department, division, bureau, office, and agency during the fiscal year ending June 30, 1919;

(c) The coordination now existing between said departments, divisions, bureaus, offices, and agencies, together with any conflicts, overlapping or duplication of powers, duties, functions, organizations, and activities;

(d) The cooperation and coordination now existing between the Government of the United States and the government of the several States or extragovernmental agencies for the conservation or improvement of the public health;

(e) Such further information as such committee may deem proper;

(f) Such recommendations as such committee may deem advisable to offer for the improvement of the public health work of the United States Government.

SEC. 3. That such committee be, and hereby is, authorized during the Sixty-sixth Congress to send for persons, books, and papers, to administer oaths, and to employ experts, deemed necessary by such committee, a clerk and a stenographer to report such hearings as may be had in connection with any subject which may be before such committee, such stenographer's service to be rendered at a cost not exceeding \$1 per printed page; the expenses involved in carrying out the provisions of this resolution, one half to be paid out of the contingent fund of the Senate, and the other half out of the contingent fund of the House; and that such committee may sit during the sessions or recesses of the Congress.

Mr. OVERMAN. Mr. President, I do not think we ought to pass this resolution. The matter ought to be taken up by the Committee on Appropriations. In fact, the Appropriations Committee of the Senate have this question before them in the matter of appropriations for the Child Labor Bureau, the Census Bureau, and others that are doing this kind of work. We appointed a man who is doing work in the Treasury Department, Mr. Brown, who is known as an efficiency man, to look into this question and to report to the Appropriations Committee the amount of duplication of work that is being done, and the character of it, by the Public Health Service. I think this matter could be just as well treated, if not better treated, by the Committee on Appropriations, rather than by a special committee. I shall object to its consideration.

Mr. FRANCE. Mr. President, I wish the Senator would not object, because I feel that the Committee on Appropriations can scarcely find time to look into the question. I think that such a committee as is provided for by the concurrent resolution is necessary. It really is nothing more than a resolution authorizing the holding of hearings and the payment of stenographers, except that instead of being the Public Health Committee I thought it was better, in order to have both branches of Congress represented, to have a joint committee appointed. I might have asked the chairman of the Public Health Committee for a resolution authorizing the Public Health Committee to hold hearings, but I thought, in order that the matter might come up in a fairer way and receive the direct consideration of both branches of Congress, it would be better to have a special committee.

Mr. OVERMAN. Mr. President, I will not object to its consideration. I will not vote for it. I will withdraw my objection to its consideration.

The Senate, by unanimous consent, proceeded to consider the concurrent resolution.

Mr. CALDER. I move to amend the resolution, in line 14, page 1, by striking out the words "March 1" and in lieu thereof inserting "June 1."

The amendment was agreed to.

The concurrent resolution as amended was agreed to.

RAILROAD CONTROL.

Mr. CUMMINS. Mr. President, I move that the Senate proceed to the consideration of the unfinished business, being Senate bill 3288.

The motion was agreed to; and the Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 3288) further to regulate commerce among the States and with foreign nations and to amend an act entitled "An act to regulate commerce," approved February 4, 1887, as amended.

Mr. STANLEY. I send to the Secretary's desk the following amendment.

The VICE PRESIDENT. There is an amendment pending now. The pending amendment is the amendment of the Senator from Washington [Mr. POINDEXTER] to strike out on page 77, line 22, the paragraph extending to line 17 on the following page.

Mr. POINDEXTER. Regarding that amendment I would like to make a brief explanation.

The VICE PRESIDENT. The Chair has recognized the Senator from Kentucky [Mr. STANLEY].

Mr. STANLEY. I will yield the floor to the Senator from Washington.

Mr. POINDEXTER. I am very much obliged to the Senator from Kentucky.

Mr. President, this amendment is to strike out, on page 77, beginning with line 22, the proviso, including the balance of the paragraph, after the word "Provided" in that line, down to and including line 17, on page 78. It relates to the long-and-short-haul provision of the bill.

The effect of the amendment would be to leave the so-called long-and-short-haul rule, as it is contained in the act to regulate commerce, unqualified. I feel reassured in offering the amendment and in urging its adoption from the support which it has from the chairman of the committee, whom I regard as perhaps the best informed and most widely experienced authority upon railroad questions in the country.

The Committee on Interstate Commerce of the Senate in the last Congress considered a bill which had the same effect as this proposed amendment and reported that bill favorably, in quite an elaborate report, contained in Report 576 of the Sixty-fifth Congress, third session. I ask to have the report printed as a part of my remarks at the conclusion of what I shall have to say.

The PRESIDING OFFICER (Mr. SUTHERLAND in the chair). Without objection, permission is granted.

Mr. POINDEXTER. Before the Committee on Interstate Commerce it was testified by a reliable witness that by reason of the discrimination in railroad rates by which a lower rate was given for the long haul than for the short over the same line in the same direction for the same quality and class of goods or for passengers that a great interior section of the country, called the intermountain section, composed of States sometimes called the Rocky Mountain States—the States of Montana, Utah, Idaho, Wyoming, Arizona, Nevada, and the eastern portions of California, Oregon and Washington, east of the Cascade Range of Mountains—paid in excess freight, that is in rates that were in excess of the rates that were charged to the Pacific coast terminal points which were at a greater distance from the point of shipment, an annual amount of approximately \$11,997,248 in addition to the freight rates that they would have had to pay for the shipment of the same amount and character of goods if they had enjoyed the same freight rates with which their competitors at the more distant points were favored.

As Mr. Campbell said in his testimony—

That is \$998,104 a month, or \$33,270 a day. The average excess war tax that will have to be paid by the intermountain country upon a similar amount of traffic would amount per year, if it ran a year, to \$359,000 or \$29,000 a month or \$999 a day in excess war tax.

By that he means that in war tax upon freight bills, in addition to having to pay the excess discriminatory increased rate, that the country which was suffering from the discrimination was compelled to pay excess war tax upon the freight in excess of what the more distant communities were required to pay to the amount of \$359,000 a year.

I think perhaps the situation that is intended to be remedied by the amendment can best be explained by stating the actual transaction of the shipment of freight and naming some of the sections which are affected by the discriminations referred to.

In the shipment of freight from Chicago, New York, Pittsburgh, or the other great centers of the East—and I am only stating these by way of illustration because the same principle applies to the South and it applies also in the West to shipments that are eastbound as well as those that are westbound—upon shipments from those great supply centers, we will say to San

Francisco, a certain rate of freight is paid. The shipments pass through the city of Salt Lake. They go on 800 miles farther to the city of San Francisco. The same shipments over the same line, if delivered 800 miles short of the San Francisco destination, at Salt Lake City, or contiguous points in the State of Utah, pay a much higher rate of freight than if carried on to the terminus of the line.

It seems to me that a mere statement of the situation contains all the argument that is necessary to convince anyone who is familiar with the general principle of uniformity of taxes and uniformity of rates for public service in this country—which is a cardinal point upon which our institutions are based—the absolute necessity of removing the discrimination if that principle is to be maintained.

Mr. STERLING. I should like to have the Senator state, if he will, what reason is urged for the discrimination between the longer and the shorter haul.

Mr. POINDEXTER. The principal reason that is urged or has been urged in the past is the necessity of the railroads to meet water competition at the Pacific coast. The actual influence, I think, which has been most powerful in maintaining the discrimination, has been the powerful influence of the larger cities at the terminal points on the seaboard in holding on to the advantage or supposed advantage which they have over their competitors. It is a perfectly natural action when we understand the inevitable, universal selfishness of human nature, that when they have an advantage which transfers to them the business of the interior they will exert every means and influence that they can command to prevent a change in the situation. And yet in clinging to this advantage they have lost the greater one of manufacturing and maritime growth.

The fact of the case is, however, that instead of there being actual water competition, which is put forward as the reason on the part of the railroads for making discriminatory rates to the terminal points, during the greater part of the existence of the discrimination, which has persisted through a number of years, since long before the completion of the Panama Canal, there has been no actual water competition at all.

The great fleets that we should have in the service of the Nation in transporting goods between the coasts of the Atlantic and the Pacific have not been developed because the railroads were allowed, under an interpretation of the proviso which is now proposed to be stricken out, to make rates to meet what was called potential water competition.

In other words, it was said that if the rates were not made at the terminal points water competition would be developed and that when developed it would take business away from the railroads. To speak frankly, the proviso has been interpreted by the Interstate Commerce Commission as though it were a tribunal established for the purpose of protecting the railroads. It is a commission whose function is to regulate and supervise the railroads, and from that fact there seems to have been deduced a principle of action by which in times past, at least, it assumed the trust of securing for the railroads all of the traffic that existed between the two coasts and preventing any of it from being diverted to water lines.

Mr. MOSES. Mr. President, may I ask the Senator from Washington if the point just now argued is not cared for in section 37 of the bill before us, where it provides that "no such authorization shall be granted on account of merely potential water competition not actually in existence"?

Mr. POINDEXTER. I think so far as that point is concerned it is cared for in the provision that is contained in the bill and it was because of the practice just mentioned that the amendment was placed in the bill. But there are various other claims that have been made by the railroads and by the terminal cities, such as market competition and abuses of discriminations which arise under actual water competition which we are seeking to avoid and to abolish by striking out the proviso altogether.

Mr. KING. If the Senator will pardon me, in reply to the question propounded by the Senator from New Hampshire [Mr. Moses], I wish to supplement the statement made by the Senator from Washington by an observation. Many of the large brokers and wholesale dealers and jobbers concentrate in the coast cities such as San Francisco. They desire to build up their business there and for that reason they have induced the railroads or have been in collaboration with the railroads in securing those points as the objectives of the freight, so that the people in the inland districts have been compelled to see their freight pass by their own doors and go on to the coast and then be transhipped back to Denver and Salt Lake City and Reno and intermediate points. It has been a conspiracy between some of the cities upon the coast and in favored districts and the jobbers and wholesalers and business men there,

under which they have discriminated against many of the inland and interior points and thus built up large commercial centers where nature did not design them in many cases.

Mr. STERLING. The inference might be that the Interstate Commerce Commission in favoring the discrimination made of itself a trustee rather of the railroads with special regard for railroad interests rather than the public welfare.

Mr. POINDEXTER. I think that is a very clear inference, and my impression is that privately it is, or until recently has been claimed, by members of the Interstate Commerce Commission, that it is their function, of course within what they construe to be proper principles and legitimate limits, to protect the railroads against water competition.

The argument of the coast cities that they are entitled to discriminatory railroad rates because of their natural advantage of being located upon the ocean is entirely an illogical and inconsistent position. Nobody can take away from the coast cities their natural location and whatever advantage may be derived from it. The advantage of the terminal points on the Pacific coast is the advantage of being located upon the Pacific Ocean, and you can not take that advantage away from them, because you can not remove the Pacific Ocean. They are going to continue to be upon the ocean and it always seemed to me to be the height of inconsistency and poor logic to claim that because they had a great natural advantage, that the Government acting through its railroad commission should give them the artificial advantage of discriminatory railroad rates.

They say that they should have low rates because if they are not made freight will be shipped by water. I am at a loss to understand how it can be a disadvantage to a seaport to receive its goods by water instead of by railroads, if it receives them at a lower rate than the railroad can give them. If it is said on their behalf that the railroad service is more expeditious and they seek to gain that more expeditious service by making a special rate that is not subject to the general rule governing rates to other points, then they are seeking not a natural advantage but an artificial advantage, and they should be relegated to the competition of water lines, and the country should have the benefit which will come from the development of marine transportation, of which they are deprived if the railroads can make prohibitory rates with which the ship lines can not compete.

We have a great many terminal cities in my own State which are enjoying these discriminatory rates, but such discrimination is so abhorrent to the sense of fairness, which is characteristic of the American people, and to that right, as I regard it, to uniformity of treatment from the Government and from those agencies of Government performing public service functions, such as the railroads, that I have not the slightest doubt that the people themselves of these cities, aside from the particular interests which may be engaged in shipping over the railroads, will support this amendment and the abolishment of this discrimination.

Mr. SMITH of Georgia. The Senator's amendment goes to the extent of removing all discretion from the Interstate Commerce Commission with reference to the long and short hauls, does it not?

Mr. POINDEXTER. It does.

Mr. SMITH of Georgia. And he proposes to leave no discretion anywhere on that subject?

Mr. POINDEXTER. I propose to leave no discretion anywhere to allow the Interstate Commerce Commission to make a rate for a long haul that is less than the rate which they make for a short haul over the same line in the same direction for the same class of goods. The amendment proposes to remove any discretion under those conditions and circumstances.

I may say that that was the purpose of the original interstate-commerce act. It was expected that that would be the general principle. Although certain discretion was vested in the Interstate Commerce Commission, it was expected that it would only be exercised in special cases; but, instead of that expectation being realized, the exception has become the rule, and throughout the South and the West this discrimination exists. In what is called the official classification territory, the territory lying north of the Potomac River and east of the Mississippi River, these abuses do not exist except in a very small degree; but in the South and in the West this discrimination is universal. In other words, every terminal, every point upon a southern river or upon the Pacific Ocean enjoys a lower rate for the long haul, the more expensive haul, involving greater service on the part of the transportation company, than does the intermediate point for a short haul and for a less expensive service. It is so abhorrent in itself to the fundamental principles of uniformity and justice that I believe the discretion to grant exceptions to those principles ought to be removed.

Mr. SMITH of Georgia. My question is this: If the Senator's amendment prevails, no discretion is left anywhere with anybody to modify charges where circumstances seem to require it?

Mr. POINDEXTER. No discretion is left anywhere to modify charges under the conditions that I have just stated.

Mr. SMITH of Georgia. As between the long and short haul principle?

Mr. POINDEXTER. As between the long and short haul. While they still may charge as much for the short haul as for the long haul, they would not be allowed to charge more for the short haul than for the long haul. That is correct.

Mr. MOSES. Mr. President—

The PRESIDING OFFICER. Does the Senator from Washington yield to the Senator from New Hampshire?

Mr. POINDEXTER. I yield to the Senator from New Hampshire.

Mr. MOSES. I desire to ask the Senator if the adoption of his amendment would produce a rigid application of a flat mileage rate?

Mr. POINDEXTER. It would not; and I am not in favor of a flat mileage rate, because a flat mileage rate would simply substitute one set of discriminations for another. What I am aiming at is to remove discriminations; to put communities upon an equal footing. Although in the development of the principle of railroad regulation in the future we may possibly come to a rate in accordance with the service, I am not now discussing that; I am not in favor of it at the present time. While it has been urged by some in opposition to this amendment, or to the bill, which is equivalent to it, that it would have the effect of establishing a mileage rate, that is based upon an absolute misapprehension of the amendment. It will do nothing of the kind. On the contrary, as I said a moment ago—using the West as an illustration, because I happen to have in mind the great trunk lines of railroad passing through that section and am familiar with the relative location of the particular communities—the shipment of freight passing through Boise, Idaho, and going 500 miles farther on to Portland, Oreg., if it were based upon a mileage basis would be very greatly less to Boise than it would be to Portland, but we do not propose anything of that kind. We have an amendment here which would still allow Portland to receive goods for the long haul—an excess of 500 miles over the haul to Boise, and a very expensive piece of transportation, because it goes through a mountain country, involving difficult and expensive railroad construction and expensive transportation because of the great power that is involved in taking trains over a mountain grade—for the same rate that Boise receives.

I hope that the idea that the amendment involves a mileage rate or anything tending toward a mileage rate will not be entertained in the consideration of the amendment.

Mr. MOSES. Did the Senator state that such a provision is in the bill now?

Mr. POINDEXTER. What provision?

Mr. MOSES. A provision which under the citation which the Senator has just made in the case of Portland and Boise, Portland would be allowed, if the bill should become a law, to receive a lower rate for the long haul?

Mr. POINDEXTER. Yes; that is in the bill. There is nothing in the bill which affects that in any way at all. The railroads now grant a lower rate for the haul to Portland, and might be allowed to continue to do so if the bill should be enacted without the amendment which I propose. To illustrate, I shall tell of an incident, an actual case, which has no importance in itself because there are thousands of such cases, but it makes clear the situation. A dealer in Spokane, Wash., ordered a carload of coffee from New Orleans. The importers in New Orleans wired the Spokane house that they could not ship a carload of coffee at that time, but that there was a carload en route, on the rails, on the way from New Orleans consigned to Portland, Oreg., 350 miles farther on, and that they could arrange with a Portland house to let the Spokane house have that carload. As a matter of fact, it was switched off the main line at Spokane. If it had not been switched off it would have gone through the city of Spokane to Portland, 350 miles farther on; and yet because it was stopped 350 miles short and delivered at Spokane, the Spokane dealer, and consequently the Spokane consumers of coffee, were required to pay a much higher rate than if it had gone the longer distance.

Mr. McNARY. Mr. President—

The PRESIDING OFFICER. Does the Senator from Washington yield to the Senator from Oregon?

Mr. POINDEXTER. I yield to the Senator from Oregon.

Mr. McNARY. I wish to ask the Senator whether difference in the matter of rates is not based upon the economic

situation which arises when water routes come into competition with rail routes? In order, I may say, for the shipment of coffee referred to, to reach Portland, where it would come into competition with water transportation, it was necessary for it to bear a smaller freight charge than if shipped to Spokane.

Mr. POINDEXTER. That is the theory I have just been discussing; that is the argument which is made; but my answer to that is, if the coffee could be shipped to Portland by water under fairly comparable conditions as to service which would obtain in a shipment by rail, then there is no reason why it should not go by water. Portland would be no worse off. The railroads would claim that they might lose the business, but the transportation business of the country consequent upon the increase of population and the volume of business and in view of the still more rapid increase which we will have in the near future, is and will be so great that the railroads can not attend to it; they have been congested; there will be more business than the railroads can handle; and it is in the interest of the country to allow the water lines to procure a portion of the business and for the benefit of Portland, the metropolis of the great State which the distinguished Senator represents here so well, to receive the advantages which would accrue to her from being in reality as well as in name a maritime city, of having ship lines and all the incidental business that comes from the building, operation, and supplying of ships.

Mr. JONES of Washington. Mr. President—

The PRESIDING OFFICER. Does the Senator from Washington yield to his colleague?

Mr. POINDEXTER. I yield to my colleague.

Mr. JONES of Washington. I was just going to suggest that the policy which is now in force has the effect really of preventing the development of the American merchant marine.

Mr. POINDEXTER. My opinion is that my colleague is absolutely correct in his statement—

Mr. SMITH of Georgia. Why so?

Mr. POINDEXTER. Just a moment—and that this discrimination by which the railroads have been allowed to put their rates down under the pretext of meeting water competition, to put them down to such a point as would prevent the development of water competition, has been the most potent factor—more potent than all other circumstances put together—in preventing the development of maritime commerce upon our rivers and upon our coast lines.

Mr. WALSH of Montana. Mr. President—

The PRESIDING OFFICER. Does the Senator from Washington yield to the Senator from Montana?

Mr. POINDEXTER. I yield to the Senator from Montana.

Mr. WALSH of Montana. Referring to the inquiry a few moments ago addressed by the Senator from Georgia [Mr. SMITH] to the Senator from Washington, I am curious to know what particular conditions the Senator from Georgia had in mind which would justify a higher rate for the short haul than for the long haul. Of course, two conditions have been suggested in connection with this discussion; that is to say, competition to a point which has water communication and competition to a point which has railroad communication. Those two ideas have been advanced. Can the Senator from Georgia suggest any other conditions which would seem to justify the imposition of a greater charge for the short haul than for the long haul?

Mr. SMITH of Georgia. Those are the two main justifications that I had in view. Two railroads run between two points; one road is substantially longer than the other; the shorter line with the shorter mileage has a rate fixed for it. The very much longer line of railroad between the two points will not be able to carry any of the business unless its charge between the two terminals is the same rate which the short line charges. It might be impossible for all the business of the longer railroad to be conducted on that low mileage rate which would be essential to give it part of the business between the two places, and yet, as a part of its entire business in connection with its other business, it might be desirable for that railroad to haul the traffic which it would haul between the two points.

Mr. WALSH of Montana. Of course, that is based upon the argument of a rate to a common competitive railroad point?

Mr. SMITH of Georgia. Yes.

Mr. WALSH of Montana. That is one argument; the other is hauling to a point where there is water communication; so that we meet the same old argument; that is all.

Mr. POINDEXTER. The result of the case stated by the Senator from Georgia—and he verifies the apparent assumption of the Senator from Montana that there are no other cases except these two, rail competition and water competition—would be that he would allow this long line that he speaks of, assum-

ing the other conditions to be correct as he has stated them, in order to get a portion of this business at the junction point, to make a rate at what is called out-of-pocket cost—that is, to make a little more than the actual cost of the transaction itself without earning anything on the investment—in order to enable the railroad to get that he would tax the people along that line intermediate between the two points by compelling them to pay a higher railroad rate than they otherwise would have to pay.

Mr. SMITH of Georgia. Not at all.

Mr. POINDEXTER. That would be the effect of it.

Mr. SMITH of Georgia. Not at all.

Mr. POINDEXTER. Well, I insist that it would. The Senator may have a different opinion, and I am glad to hear it.

Mr. SMITH of Georgia. I only wish to stop the Senator long enough to say that I would not do it upon the theory that I overtaxed the intermediate points. The very power to carry this freight through as a part of the railroad's entire business might result in its being done more economically, whereas without that business it might be necessary to tax even higher the intermediate points.

It is an exceedingly complicated problem that really it is difficult for one who has not made a specialty of the study of freight rates and freight combinations to present, and I do not claim to have made a special study of it. I have gathered what information I have from certain hearings and investigations with which I have been connected, and I do not think the theory is that you increase the burden on the intermediate points, but that the whole volume of business carried by the transportation company makes it possible, even at the intermediate points, to carry freight for less than they would otherwise be able to carry it.

Mr. POINDEXTER. That is the old, old argument.

Mr. SMITH of Georgia. Yes; but not necessarily unsound because old. A great many things that are old are sound, and I have listened with pleasure in the past few months to many very eloquent speeches by the Senator from Washington insisting that the old was better than some of the new that has been suggested, especially in international affairs.

Mr. POINDEXTER. That is true. That does not mean that everything that is old, particularly old arguments, is good, however. What I was talking about were old institutions, and the old Constitution of the United States. There are lots of old threadbare arguments that have been discarded and exploded that are not necessarily good because they are old.

Mr. SMITH of Georgia. I was only desiring to contest the proposition that a thing is necessarily bad because it is old.

Mr. POINDEXTER. I did not say that it was.

Mr. SMITH of Georgia. I am beginning to reach a period in life where I object to such a suggestion.

Mr. POINDEXTER. The Senator seems to admit that it is old; and he assumes that the intermediate points on all these rail lines, in objecting to this argument, which they have had thrust at them for 25 or 30 years, are mistaken about their own interests. The Senator argues that all of this great interior country of the South, which, unlike his city of Atlanta, is suffering from these discriminatory rates while Atlanta gets the benefit of lower rates, is fighting against its own interests; that the people of that section do not know what is good for them. He is arguing that in objecting to paying this \$11,000,000 a year of excess freight rates, the intermountain country is simply preparing the way to have to pay a still greater burden of freight rates if the discrimination is removed.

There are a great many answers to that argument which we have had to meet for a generation or more. One of them is, and I think it is perfectly evident, that high rates are much less objectionable in themselves than discriminatory rates. It is not the high freight rates that people object to particularly in our country. We pay perhaps the highest freight rates that are paid in any section of the United States, and we are not seeking, directly at least, to have them reduced.

We do not know that a reduction of rates will necessarily be the result of this. What we are seeking is to remove the discrimination. What the interior towns in Georgia and in Tennessee and in other sections of the South are seeking is to remove the discrimination which they are suffering from, as against Atlanta and other points which are enjoying these lower rates which are made by the Interstate Commerce Commission at some terminal points, for the longer haul, whether on account of railroad competition or water competition. But actual experience shows that no such raising of rates would result. As a matter of fact, as shown by actual conditions on the Pacific coast, it is often the long line which gets the business in competition with the short line.

Mr. HENDERSON. Does the Senator know whether or not the railroads under Government control have discontinued these discriminatory rates?

Mr. POINDEXTER. They have to a large extent. I do not think they have done so altogether, but they have to a very large extent.

Mr. HENDERSON. I have heard that they have discontinued them to a very large extent. Now, if that is the case, is it not right and proper that under this legislation we should protect the country against a return to those practices and principles that have been going on in the past?

Mr. POINDEXTER. Undoubtedly that is the case, and that is the purpose of this amendment; and I am very glad indeed that the Senator from Nevada has pointed that out. I want to say also, in connection with that, that this apprehended injury that would be received by the terminal points, or those which are benefited by this discrimination, has not materialized at all. They have not been injured by removing the discrimination and putting them upon an equal basis with competing communities.

A large city like Atlanta is not going to be hurt because of the prosperity of the smaller towns surrounding it. Their prosperity will add to the prosperity of Atlanta, because they are tributary to it and will continue to be tributary to it; and the same thing is true of the great terminal points upon the Pacific and also upon the Atlantic.

Mr. SMITH of Georgia. Mr. President—

Mr. POINDEXTER. Just one minute. I want to complete the point to which I was calling attention. It has been no injury to New York City to establish a system of rates by which manufacturing communities have been built up along all the lines of railroad in the great North and East. In Illinois, Ohio, and Indiana, clear to the Mississippi River, great manufacturing towns have been built up. It has not been an injury to Chicago. Those farther east have not been an injury to New York. Their prosperity has contributed to the prosperity of the metropolis, and the same thing will be true in other sections of the country.

Mr. SMITH of Georgia. I wish to assure the Senator that I had no particular place in view; and I agree with him fully that the development of all places around a large city within reach of the business of that city contributes greatly to the growth of the larger city itself. My suggestions with reference to this subject were due to the fact that it seems to me absolutely essential that there must, in some instances, be a disregard of the flat long-and-short-haul rule. If the Interstate Commerce Commission have gone too far in discriminations, they should cease it; but I was afraid that to strike out entirely the privilege of any consideration of peculiar circumstances which require an abandonment, at least to an extent, of the long-and-short-haul principle would produce embarrassment to commerce and add to the confusion that already exists in connection with transportation problems; and I hesitate to approve the suggestion that to no tribunal and nowhere shall any discretion be left upon that subject. I am afraid of its consequences, and the fear of trouble from it has come to me from many sections of the Southeast, and I have heard from nowhere any special protest against existing conditions.

Mr. POINDEXTER. It is natural that "fear of trouble" would come to the Senator from every city that is favored by lower rates than those charged its competitors. That is perfectly natural. I have had the same experience. Everybody has had the same experience. Every city that enjoys discriminatory rates is going to try to hold onto them. But the Senator is too experienced a statesman, too well versed in the fundamental principles of government, to favor the use of the powers of government or of public service to favor one community as against another on account of a protest of that kind, coming from purely selfish motives, which are of the most elementary and obvious kind.

Mr. WALSH of Montana. Mr. President, will the Senator permit a further interruption?

The PRESIDING OFFICER. Does the Senator from Washington yield to the Senator from Montana?

Mr. POINDEXTER. I yield.

Mr. WALSH of Montana. Another idea in connection with the matter has suggested itself to me, in view of the recent statement of the Senator from Georgia. A great many people feel that these more or less doubtful questions should be intrusted to the discretion of the Interstate Commerce Commission, that it will act wisely in the premises, and so forth; but I submit to the consideration of the Senator from Georgia particularly whether we ought to repose any such power in the Interstate Commerce Commission or in any other board which gives it the opportunity to build up a terminal city, with the result of loss and destruction to the intervening points.

For instance, the rate from the eastern section of the country and the Middle West to Seattle, as pointed out, is considerably

less than the rate to Helena or to Spokane. An industry, for instance, a packing house, is to be established at one of these places. Of course it will go to the place that has the lower rate. All of those products are carried to Seattle, for instance, as against Helena or Great Falls or Spokane, so you place it in the power of the Interstate Commerce Commission to destroy a business, and a very profitable business, for instance, in one of these interior towns by compelling it to pay a higher rate than a competitor in the same line of business is obliged to pay at the terminal point. In other words, you place in the hands of the Interstate Commerce Commission the power to say whether the interior towns shall be permitted to grow or whether the terminal points shall absorb all of the business of that section, and I do not believe we ought to place any such power as that in the hands of the Interstate Commerce Commission or any other body.

Mr. HENDERSON. Mr. President—

Mr. POINDEXTER. In just one second.

Mr. President, I do not believe such power should be placed in the hands of a Government tribunal any more than there should be placed in its hands the power to make one rate of taxes for one individual as against another rate for another individual. Railroad rates are for service of a public nature. Taxes are for service of a public nature, and the most elementary principle of taxation is that taxes should be uniform. I want to call your attention to a decision of the Supreme Court of the United States, in which they gave expression to the idea, which is obvious without such expression, that the chief purpose of all of the intricate laws for the regulation of interstate commerce is to secure this very thing—uniformity. It could not be abused to any greater extent than it has been abused under this long-and-short-haul provision.

In the case of *Texas & Pacific Railway Co. v. The Abilene Cotton Mill Co.* (204 U. S., 426) the Supreme Court says:

That the act to regulate commerce was intended to afford an effective means for redressing the wrongs resulting from unjust discrimination and undue preference is undoubted. Indeed, it is not open to controversy that to provide for these subjects was among the principal purposes of the act. (*Interstate Commerce Commission v. Cincinnati, New Orleans & Texas Pacific Ry. Co.*, 167 U. S., 479, 494.) And it is apparent that the means by which these great purposes were to be accomplished was the placing upon all carriers the positive duty to establish schedules of reasonable rates which should have a uniform application to all.

It is quite surprising, Mr. President, that among the conspicuous abuses that have grown up under the proviso and under the exception vesting this discretion under the fourth section in the Interstate Commerce Commission is that this principle of uniformity which was the chief object of the section, as well as of the second and the third sections and of the act itself, has been absolutely destroyed in the making of comparative rates between communities, and discriminations have been established which have the same identical effect as discrimination between individuals, except that their blighting effect falls upon whole cities, States, and sections of the country. I yield to the Senator from Nevada.

Mr. HENDERSON. During all the years that these provisos and special section clauses have been in the act have they operated to the benefit of the interior States in any particular cases?

Mr. POINDEXTER. Mr. President, they have retarded the growth of the interior communities. I do not think that there is any more deadly blight that can fall upon a community than to have to pay a higher freight rate than some rival community. It is obvious, from an examination of disputes before the Interstate Commerce Commission and in the courts, that even a very slight discrimination in a rate in favor of one individual as against another will have the effect of not only benefiting the one individual and injuring the other but will have the effect of making one prosperous and destroying the business of the other. It is a question of life or death. The only circumstances which have enabled these communities that have suffered from these discriminatory rates to survive and to progress at all have been the enormous natural resources of the country. They have lived practically upon themselves. They have paid a tribute to rival communities which sapped their strength and drew away their resources by reason of an artificial system of rates which favored other sections at their expense.

Mr. HENDERSON. Has not this principle done more to retard the development and prosperity of the interior States than any other one thing?

Mr. POINDEXTER. I think more than all others together; and while it has been retarding the development of the intermediate country, it has been a national injury by the congestion of business at certain terminal points. Low freight rates in one community as compared with those in another community

are a powerful magnet to draw business to that point, and as business accumulates at that particular point it becomes more expensive, ground becomes more valuable, and consequently the cost of production is increased. The living expenses of employees are higher and the public has to bear the consequences in the higher cost of living.

In a great emergency, such as the war suddenly brought upon us, when the capacity of the transportation systems of the country was taxed, we found that on account of this congestion at certain terminal points, like New York City, which happened to be on that side of the continent from which shipments to the scene of war were being made, the congestion was so great as to paralyze transportation for weeks at a time and jeopardize the success of the Nation in a great crisis.

The policy of the country should be to encourage the distribution of manufacturing and business throughout the country at available points, in accordance with the natural opportunities and resources of those points, instead of drawing it all, as with some powerful artificial electric machine, into the vortex and maelstrom of an overcrowded and congested metropolis at the end of a railroad line.

I may say, Mr. President, that I can readily see lying back of the arguments that have been made in behalf of this abuse the benefit that the railroads have derived from it, and I am not saying this in disparagement of the railroad management. I expect people in business to look out for their interests. We do not expect men engaged in private business to subordinate the interests of that business to the public welfare. We expect that public welfare to be looked out for by the Government and by public tribunals.

Railroad companies are in the business of selling transportation, and if, in supplying a great area of country, they can establish a system by which the greatest possible amount of transportation, instead of the least necessary amount, will be sold it is manifestly to their advantage. So they have built up a system by which, beginning with the policy or theory of carrying commodities to the end of the line and then back to the intermediate points be gradually modified through the efforts and struggles of the communities which suffered from it, the railroads enjoyed the longest haul instead of the shortest.

I submit to the Senator from Georgia [Mr. SMITH] and to the Senate that a good public policy would be the reverse of that; that we should economize in transportation, that the least amount of transportation that would accomplish the object to be achieved, the delivery of the goods to the consignee, should be sought in any system of freight rates or in any regulation of railroads.

Mr. SMITH of Georgia. Will the Senator yield for a question?

The PRESIDING OFFICER (Mr. EDGE in the chair). Does the Senator from Washington yield to the Senator from Georgia?

Mr. POINDEXTER. I yield to the Senator.

Mr. SMITH of Georgia. The Interstate Commerce Commission is made up of experts who have given a thorough study to this question and a thorough study to the character of rates that are essential to furnish to the railroads themselves the most economic system of transportation. Does not the Senator think it probable that when they fix these rates they take the questions into consideration which the Senator has mentioned, and really have in view giving a system of rates that will facilitate the most economic transportation?

Mr. POINDEXTER. Not only I do not—

Mr. SMITH of Georgia. Just one word further—

Mr. POINDEXTER. I wish the Senator would not ask too many questions at one time.

Mr. SMITH of Georgia. Very well; I will stop for the present.

Mr. POINDEXTER. I not only do not think they have done what the Senator seems to think they have done, but I know they have done just the opposite. They have not only not established a system of rates which tended toward the production of an economic system of transportation, but, on the contrary, they have made rates almost universally, wherever there was ever any excuse of railroad competition or water competition, lower at the longer point than they have made at the shorter point, and that is all that is necessary to be said to controvert the assumption of the Senator from Georgia. That is not an economic system of transportation. That is the most expensive system of transportation, because it encourages, by the lower rate, the hauling of goods the longer distance. The economic system of transportation is the hauling of them the shorter distance.

Mr. SMITH of Georgia. Mr. President, is it not true that a long haul sometimes can be made cheaper than a short haul, and, entering into the whole of the business of the road, facilitates generally cheaper charges?

Mr. POINDEXTER. A long haul over the same line and in the same direction can not be made more cheaply than a short haul.

Mr. SMITH of Georgia. Suppose the business to the one point were sufficient both ways to fill a car and to another point the car would be hauled empty if a rate was not given that enabled the handling of the business?

Mr. POINDEXTER. That does not change the question in any way at all. Even if it were necessary, after you have unloaded the car of its freight, to carry it on the balance of the journey to where it gets its return cargo, that would be much cheaper than hauling a loaded car to the end of the line and then hauling a load back again for distribution in the interior.

Nobody would propose that, because it is uneconomic, but it is not nearly so uneconomic and contrary to good business principles as it is to haul the entire load to the end of the line 350 or 800 miles of unnecessary transportation.

Mr. HENDERSON. Mr. President, I should like to ask the Senator from Georgia why the shipper should be compelled to pay the freight rate on hauling an empty car any distance after his load has been delivered?

Mr. McLEAN. I should like to ask the Senator if he intends to press for a vote on his amendment this afternoon?

Mr. POINDEXTER. I do not intend to press for a vote on it, but I am not going to occupy any great amount of time.

Mr. McLEAN. I understand the amendment has been offered, but has not yet been printed.

Mr. POINDEXTER. It was offered on yesterday. I do not know whether it was printed or not. It is simply to strike out the proviso beginning on page 77.

Mr. McLEAN. I will say to the Senator that I think there will be considerable objection to the amendment, and I wanted to know whether he was going to ask for a vote on it right away or whether he was simply discussing it, intending to bring it up later.

Mr. POINDEXTER. The amendment is pending now. I am not particularly zealous about pressing it immediately to a vote. Of course I would like to get it disposed of as soon as I can. But I want everyone who is interested in it to have a full opportunity to discuss it.

Mr. McLEAN. The Senator knows that it was very thoroughly discussed in the Committee on Interstate Commerce, and the proviso finally determined upon was in the nature of a compromise, and I know that many of us had hoped that that would dispose of the matter. I shall certainly object to the amendment proposed by the Senator myself, and I think it would lead to some discussion.

Mr. POINDEXTER. I am discussing it now, and I presumed the Senator would discuss it. I do not want to shut off discussion. There is nothing in the intimation of the Senator that it should not have been offered, if that is his intimation, because it was understood, at least by some members of the committee, that I reserved the right to offer it in the Senate.

Mr. McLEAN. I am not questioning the right of the Senator to offer the amendment, but I am stating that it was pretty thoroughly considered by the committee.

Mr. POINDEXTER. What is the Senator's intimation? That it has been considered sufficiently to take a vote on it right now? If that is his intimation, I agree with him, and we will take a vote.

Mr. McLEAN. No; my intimation was contrary to that, so far as the Senate is concerned. I think it is a matter that may not be understood by the Senate, and if action was to be had, I should ask for a quorum, and should hope that those interested in it would present their views to the Senate, especially those in opposition to it.

Mr. KING. If the Senator from Washington will yield, I want to assure the Senator from Connecticut that many of us are very earnest about it, and the bill will not go through, if some of us have our way, unless this provision is stricken out. It is so unjust, it has worked such hardships, such irreparable injury, to large sections of the country, it has been so discriminatory in favor of certain terminal sections, that I would regard the passage of the bill without eliminating the provision as a public calamity.

Mr. CUMMINS rose.

Mr. McLEAN. I am not intimating—

The PRESIDING OFFICER. The Senator from Washington has the floor. Does he yield to the Senator from Connecticut?

Mr. POINDEXTER. I yield to the Senator from Iowa.

Mr. CUMMINS. I do not understand the position of the Senator from Utah. The provision is in the law now.

Mr. KING. I understand that.

Mr. CUMMINS. A failure to get out of the present law an objectionable provision ought not to be considered an objection against the bill.

Mr. KING. If the Senator will pardon me, the bill if passed in its present form would perpetuate an existing evil, and while we are remedying evils and providing a new system for the regulation of railroads we ought to eliminate some of the evils that exist now.

Mr. CUMMINS. The bill does not perpetuate the evil in all its enormity, if I may use that term—

Mr. KING. No; it is an improvement.

Mr. CUMMINS. Because it does modify to a degree, and a very material degree, the present law and removes to an extent some of the objections against the existing law.

Mr. SMITH of Georgia. But you leave the power to the Interstate Commerce Commission subject to certain limitations that were deemed advisable.

Mr. CUMMINS. At the present time the Interstate Commerce Commission has entire, complete discretion to grant authority to a railroad to charge more for a shorter than a longer distance over the same line in the same direction. The bill attaches to that discretion the requirement that the lesser charge for the longer distance must be fairly compensatory. There is some difference between that and the rule adopted by the Interstate Commerce Commission, which is that the lesser rate for the longer distance must be at least sufficient to defray the out-of-pocket costs. The bill says "compensatory." There is some difference, of course, between a rate that pays out-of-pocket cost and a rate that is compensatory.

I do not intend to interfere at the present time, but I did not want the Senator from Utah [Mr. KING] to charge up against the bill evils which have been obvious in the present law.

Mr. POINDEXTER. Mr. President, I did not understand that the Senator from Utah did charge up against the bill these evils, but he is of the opinion that so long as the entire question of railroad regulation is before the Senate, the removal of the abuse ought to be made complete and effective.

I want to call attention, in view of what has been said by the Senator from Georgia [Mr. SMITH], to a remark made by the court in reference to certain discriminations that exist in his section of the country. In the case of Behlmer against Louisville & Nashville Railroad the court said:

The appellees contend that the smaller charge for the greater distance is in this case of great importance to the city of Charleston, as well as to the section of country adjacent thereto, as by means thereof the merchants of that city are enabled to build up a trade that would otherwise be lost to them.

The city of Atlanta might be substituted for the city of Charleston, and we would have the case existing then in the Senator's own State.

But the court goes on to say:

That may be true, but is not the same argument applicable to Summerville and other interior cities along the line of the roads operated by the appellees between Charleston and Memphis? In order to build up one locality we should not tear down many others.

That, in a nutshell, is the entire case.

Perhaps a clear understanding of the enormous unjust burden which is placed upon the great interior country can be obtained from specific figures and from a mere statement of general principles, so I wish to call attention to certain specific rates upon a few of the principal commodities.

Mr. WATSON. May I interrupt the Senator?

Mr. POINDEXTER. I yield to the Senator from Indiana.

Mr. WATSON. Does the Senator intend to press the long-and-short-haul provision to a vote to-day?

Mr. POINDEXTER. That depends upon circumstances. I have not considered the question. I assumed that it would take its natural course and come up when the debate is finished.

Mr. WATSON. When the Senator from Minnesota [Mr. KELLOGG] left yesterday he requested me to say—

Mr. POINDEXTER. I have no desire to deprive any Senator of the opportunity of debating the matter, but I prefer to take that question up at the conclusion of my remarks.

Mr. WATSON. Very well.

Mr. SIMMONS. I should be very glad if the Senator would now indicate whether he will ask for a vote upon his amendment to-day. The Senator from Indiana [Mr. WATSON] has just referred to the absence of the Senator from Minnesota [Mr. KELLOGG], who is deeply interested in the amendment. The Senator from Washington must realize that this is one of the most important provisions in the bill. The amendment would make a very radical change in the present law.

A great many Senators on this side of the Chamber, to my knowledge, are very deeply interested in the amendment, both pro and con. Some of those who are deeply interested against the amendment did not expect action upon it to-day and are not present. I wish the Senator from Washington would indicate whether it is his purpose when he finishes his argument to ask for a vote.

Mr. POINDEXTER. I will take that up with the Senator at the conclusion of my remarks. I should like to have the matter discussed and disposed of.

Mr. SIMMONS. To my knowledge there is a desire to discuss it by a number of Senators who are not now here. We would be treating them with some degree of discourtesy if we should attempt to force the amendment to a vote this afternoon.

Mr. POINDEXTER. I have not said anything about forcing it to a vote.

Mr. SIMMONS. I know the Senator has not, but I just want an expression from him that he will not.

Mr. KING. Mr. President, I—

The PRESIDING OFFICER. The Senator from Washington has the floor.

Mr. POINDEXTER. I should prefer while presenting the matter, which the Senator from North Carolina says is one of the most important parts of the bill—and I agree with him in that respect—not to interfere with the consideration of it by the Senate by an agreement that we are not going to act on it at a particular time.

Mr. SIMMONS. I do not want any agreement not to act on it as soon as we possibly can do so. I only indicated that I would like an expression that we are not to act upon it to-day.

Mr. POINDEXTER. I think we ought to proceed with it in the ordinary course. I do not want to do any injustice to any Senator by unduly pressing it. It is very likely that there will be considerable debate on it by Senators. I am satisfied there will be, and I should be glad to confer with the Senator a little bit later about the matter of an agreement postponing the vote upon it.

Mr. KING. I should like to say to the Senator from North Carolina [Mr. SIMMONS] that yesterday the Senator from Washington [Mr. POINDEXTER] offered the amendment and was prepared to discuss it and ask for a vote then. At my request, as I recall, action was deferred until to-day. The motion to amend made by the Senator is in the RECORD, and the Senator made a brief statement which appears in the RECORD, a brief statement indicating his position and indicating, of course, that he would ask for a vote upon the amendment at an early opportunity.

I merely say that to indicate that there has been no purpose upon the part of the Senator from Washington to take snap judgment upon anybody.

Mr. SIMMONS. I am not intimating in any way that there has been—

Mr. POINDEXTER. Mr. President, I decline to yield any further at this point.

Mr. SIMMONS. Will the Senator let me make one observation in reply to the Senator from Utah?

The PRESIDING OFFICER. Does the Senator from Washington yield to the Senator from North Carolina?

Mr. POINDEXTER. If the Senator will make it brief—

Mr. SIMMONS. No; I will not make it if the Senator objects.

Mr. POINDEXTER. I prefer to take up the matter at some other time than in the midst of my effort to present my argument on the amendment.

I was proceeding to point out some specific abuses, specific rates, and the communities which suffer from them under the existing law, which would be removed by adoption of the amendment.

Quoting from the report of the Interstate Commerce Committee of the Senate in the last Congress, I read:

This resulted in some instances in the interior point being charged a rate double that which was charged the terminal point, and in practically all cases, before recent modifications were secured, a very much larger rate than was charged to the terminal point, although the interior point was a much shorter distance from the point of origin and the service rendered by the carrier correspondingly less.

Mr. SMOOT. Mr. President—

Mr. POINDEXTER. Just one moment and I will yield.

Goods such as structural steel, dry goods, canned goods, wire fencing, nails, iron pipe, and practically all commodities manufactured in the East or Middle West, passing through the railroad yards in Spokane, Boise, Denver, Reno, etc., in carload lots, and carried from 300 to 800 miles farther, over rivers and mountain ranges, to the ocean terminal, were charged a lower freight rate, 50 or 75 or a greater per cent less, than if the same goods, in the same car, were unloaded in the same freight yard at the interior point through which they passed en route to the terminal. A carload of coffee from New Orleans to

Portland by way of Spokane, reconsigned en route so as to be delivered in Spokane instead of being hauled 350 miles farther to Portland, bore a higher rate of freight than if carried on and delivered in Portland. Prior to December 31, 1916—

It is to prevent a return to these conditions that the amendment is sought—

the rate on a carload of structural steel, minimum weight 60,000 pounds, from Pittsburgh, Pa., to Portland, Oreg., or Seattle, Wash., was \$390 at 65 cents per hundred. In being transported from Pittsburgh to Portland or Seattle this car passed through Spokane. If the same car were consigned from Pittsburgh to Spokane the rate was \$585 at 97½ cents a hundred, although the transportation company was saved the expense of hauling this 60,000-pound car 350 miles farther to the Pacific coast terminal, crossing, in the case of consignment to Seattle or Tacoma, the great Cascade Range of mountains. A carload of canned goods, 36,000 pounds minimum weight, from New York to the Pacific coast terminal bore a rate of \$270; for the shorter distance to Spokane it bore a rate of \$396. A carload of paint, 40,000 pounds minimum weight, from New York to Seattle or Portland, bore a rate of \$300; to Spokane of \$440; of twine, 40,000 pounds minimum weight, from New York to the Pacific coast, \$300; to Spokane, \$440; of wire fencing, 50,000 pounds minimum weight, from Pittsburgh, Pa., to the coast, \$375; to Spokane, \$500; of butts and hinges from the same point, 50,000 pounds minimum weight, to the coast, \$375; to Spokane, \$500. A carload of dry goods or cotton cloth from New York, 36,000 pounds minimum weight, at 90 cents a hundred to the Pacific coast terminal, bore a rate of \$324; to Spokane a rate of \$1.25 a hundred, amounting to \$450. A carload of nails, 80,000 pounds minimum weight, from Pittsburgh, Pa., at 65 cents a hundred, had a rate to Portland and Seattle of \$520, to Spokane at \$1 a hundred, or \$800 per car.

I yield now to the Senator from Utah.

Mr. SMOOT. Did I understand the Senator to say that he was reading from a report of the Interstate Commerce Commission?

Mr. POINDEXTER. Of the Interstate Commerce Committee of the Senate, made at the last Congress.

Mr. SMOOT. I notice it stated that the rate was about double in some cases. I want to call the Senator's attention to a case that came under my personal observation. The last time I went to San Francisco to buy wool for the Provo Woolen Mills I purchased four carloads of wool. I went up to the Southern Pacific Railroad and asked, What is the rate on wool to-day? They said, "75 cents a hundred." I said, "I have four carloads that I desire to ship." "Where do you want to ship it, to Boston or Philadelphia?" I said, "No; I want to ship it to Provo, Utah." "Oh, well, then the rate is \$2.25 a hundred"; in other words, one-quarter of the distance and three times the amount. That is the condition under which we have been living in the intermountain country for a great many years. There is an overall factory at Salt Lake City, and whenever a carload of denim is shipped from New York to Salt Lake City \$400 a car more must be paid than if it were shipped through Salt Lake City to San Francisco. Mr. President, I could stand here all day long and cite similar cases.

I thought we had this matter settled years ago when the Senator from Iowa [Mr. CUMMINS] and some others of us made a fight for this very thing, but when the bill went into conference the whole provision was changed. The language was so rewritten that it amounted to nothing. So I hope, with all my heart, that the Senate of the United States will adopt the amendment which has been offered by the Senator from Washington and that when it goes to conference nothing will eliminate it from the bill.

There is nothing in connection with railroad transportation that is more detrimental to different sections of the country than the practice of such discriminations as have just been pointed out by the Senator from Washington.

Mr. POINDEXTER. Mr. President, I am obliged to the Senator from Utah [Mr. SMOOT] for the clear statement which he has made. It brings out the fact that this is such an obvious injustice that there can not be any combination of circumstances which would justify it. It is contrary to the fundamental principles of Government; and I have thought—I have not undertaken to work out the legal proposition and I do not know that any success could be achieved by so doing—but I have thought that it was contrary to the Constitution of the United States, which guarantees to every citizen equal protection under the law, to charge him or his community more for a less service on the part of a public-service corporation under the regulation of the Government than is charged to his fellow citizens for a greater service; to charge more for hauling goods a short distance than is charged to his competitor for hauling them a long distance.

It is very true, as the Senator from Utah has stated, that it was expected at the time of the amendment of the interstate commerce act in 1910 that this abuse would be abolished, but that by reason of modifications in conference those hopes were disappointed and the old abuse remained. The same thing is true, Mr. President, as to the expectation aroused on the occasion of the passage of the original act of 1887. There are incorporated in the report of the committee, which I have in-

serted as a part of my remarks, extracts from the debates, including the statement of Senator Cullom, of Illinois, at the time of the passage of the interstate commerce act in 1887 chairman of the Committee on Interstate Commerce, who was one of the conservative members and rather inclined to take the railroad viewpoint of those matters, believing it to be for the best interests of the country, that it was intended to remove this discrimination; but he said that there might be some exceptional cases in which, for a particular reason, such a general rule would work injustice. So they put in the exception; but the exception ate up the law. The result was that the abuse became universal, and there is not a point upon a river or upon the seacoast which receives goods by the long haul, at the terminus of the line, that has not set up a claim to a beneficial and a discriminatory rate under this exception which was vested in the discretion of the Interstate Commerce Commission; and there is not an interior point in the great area outside of the official classification territory that has not suffered the consequences of it.

Senators from New England are opposing this amendment, and yet if this rule, from which the South and the West are suffering, were applied in New England it would be impossible to maintain throughout the New England States, upon every watercourse where originally water power was used but now principally steam power, the factories which have made that region the greatest manufacturing center of the Union.

New England is not suffering from this abuse. A Senator from New England asked a moment ago if this would not establish a mileage basis of freight rates, indicating a misconception which has been in many instances propagated throughout the country for the purpose of maintaining the advantages which certain cities are enjoying under the present rule. All of the great manufacturing territory east of the Mississippi and north of the Potomac River has been built up by a removal of these discriminations. It would be impossible for Moline, Ill., or Rockford, Ill., to maintain the great factories, to employ the thousands and tens of thousands of people in those cities and similar cities in that section if the city of Chicago enjoyed a greatly lower rate, or even if it enjoyed a slightly lower rate, upon raw materials than is enjoyed by Rockford, Moline, and other smaller towns where such factories are located. It is only by reason of equitable rates, it is only by reason of establishing the principle of uniformity, that manufacturing has been distributed throughout that section of the country, that employment has been given to all of those communities, and, as a result, the metropolis itself has grown greatly by reason of the development of the surrounding tributary country.

As further illustrating the abuse, I wish to call attention also, in addition to what I have just read, to the fact that the great State of Idaho, which is a wool-producing State, is unable to develop a wool market or a wool-compressing industry, or even to ship its product at a favorable rate to the wool markets of the East because of the discriminatory freight rate, because of freight rates which give Portland, Oreg., 500 miles farther west, a very much lower rate upon wool to the great wool market of Boston. Wool is shipped from the sheep ranges of Idaho to the Pacific coast and there baled and reshipped back through the very territory where it originated to the consuming market in the East. That is a waste of transportation; it is an injustice to the people of the interior sections of the country to take wealth out of those sections, concentrate it in another section of the country by reason of an artificial advantage which they derive from governmental regulation, when it ought to be the purpose of the Government to avoid such abuses and to secure just and equitable treatment.

Mr. SMOOT. I wish to call the attention of the Senator to the fact that if a citizen of Utah desires to purchase the pelts of sheep or the hides of cattle, the only way he can do so successfully is to move to Los Angeles, Calif. A man dealing in hides and pelts living in Los Angeles can come into Utah, buy the hides and pelts, ship them from Utah to Los Angeles, and then reship them from Los Angeles to the East, and make a profit on the transaction. A merchant is not supposed to go into the business of purchasing pelts and hides in the State of Utah or to be on an equal footing with the same kind of a merchant in Los Angeles, Calif. The railroads say otherwise; they want the business to go to Los Angeles and therefore they arrange, through the freight rates imposed, that it shall go there, and they make it profitable for it to go there.

Mr. POINDEXTER. Mr. President, to cite some of these rates, Portland, Oreg., is 500 miles farther from Boston than Boise, Idaho. And yet the rate on baled wool from Portland to Boston, unless it has been recently changed, is \$1.25 a hundred pounds, and from Boise to Boston it is \$2.14 a hundred pounds. The rate on wool in sacks from Boise to Portland is 96½ cents;

so that wool can be shipped from Boise to Portland, 500 miles west, and reshipped from Portland to Boston for \$2.21½ for the entire transportation, whereas the direct shipment from Boise to Boston, 1,000 miles less, is \$2.14. It is perfectly manifest that no wool-baling industry can be developed at Boise, although it is in the center of the wool-producing section of the country.

That was a case presented at the time the report to which I have referred was made, and I am not sure whether the conditions exist at the present time, because there has been some effort on the part of the Railroad Administration to remedy the most flagrant of these abuses. The entire section of the country which I have in mind has struggled, to my knowledge, for 25 years to throw off this blight of discriminatory railroad rates, and struggled unsuccessfully, until the Railroad Administration in certain sections—not everywhere—taking advantage of the fact that on account of the war, what little transportation had existed through the Panama Canal had been cut off and there could not be raised the excuse of water competition, because there was not a single ship plying between the two coasts through the Panama Canal, removed this abuse. The purpose of the amendment is to establish in the law the principle of uniformity so that communities in this country, including many great States and various great sections, will not have staring them in the face the prospect of a reestablishment of these discriminations.

It is obvious that if a man who is considering the establishment of an industry or the enlargement of a business in which he is engaged does not know that he will continue to receive equitable treatment with regard to freight rates it is impossible for him to secure the capital to carry on his business or to make a success of it, and it is only when uniformity is fixed in the law that his business will be put upon a permanent and successful basis.

Mr. KNOX. I should like to ask, for my information, whether this condition of which the Senator speaks—the much higher rate from, say, Idaho to the East than from the coast to the East—is a condition that has existed only during the Government administration of the railroads or whether it antedated that time?

Mr. POINDEXTER. It antedated that time. It has existed ever since railroads were built into that country, or very shortly after that time.

Mr. KNOX. Do not the Interstate Commerce Commission have the power to regulate that?

Mr. POINDEXTER. Yes.

Mr. KNOX. They have not done it?

Mr. POINDEXTER. They not only have not done it but they have perpetuated the abuse, and have taken positions in the past—from some of which they have gradually receded—which made the injury which resulted from the discrimination far beyond anything that could have been conceived as probable. It has not only injured immediately the communities that suffered from the high freight rates but it has had the effect of preventing the development of coastwise shipping and of river shipping.

We have spent in the neighborhood of a billion dollars in the improvement of waterways in this country, and yet, as a result of this one proposition of permitting railroads to meet water competition or under the principle which was adopted by the Interstate Commerce Commission of meeting imaginary water competition, called potential water competition, no boats are plying upon the waterways which have been constructed at such great expense. It has had the effect of retarding the development of great sections of the country and of congesting business in certain populous centers, with consequent increased expense to the people and increased cost of production. It has had the effect of putting a blight upon waterway transportation, of which, now that business has increased and the volume of transportation is greater than the railroads can care for, the country is very much in need.

I may say in further answer to the Senator from Pennsylvania, repeating to some extent what I had already said, as shown by the debate in the Senate when the interstate-commerce act of 1887 was being discussed, that it was thought at that time that the fourth section of the interstate-commerce act removed this abuse; but that has been an absolute disappointment and illusion, because they put into the fourth section, which laid down the identical rule which I am seeking to have established as the law, an exception allowing the Interstate Commerce Commission in special cases to grant exceptions to the fourth-section rule, with the result that the exceptions have become the rule, and there are no cases in which either water competition or railroad competition exists in which the rule is not entirely nugatory.

Mr. HENDERSON. May I call the Senator's attention to the fact that the same conditions referred to as existing in Idaho also exist in Nevada, Utah, and other Western States? That practice is pretty general and uniform throughout the West.

Mr. POINDEXTER. Yes; and it exists also throughout the South.

Mr. HENDERSON. Throughout the South.

Mr. POINDEXTER. The only section of the country that does not suffer from it—and to that it owes its prosperity, in large part—is the North and the East, what is called official classification territory.

To illustrate the way in which this rule is applied to one section and not to another section, I have just stated the discrimination in rates, eastbound, as between Portland, Oreg., and Boise, Idaho. Now, anyone would think that if that principle is to be applied on the ground of water competition, the same discrimination would exist in those shipments as between Pittsburgh and New York, for instance, or Pittsburgh and Boston. In shipments from the West passing through Pittsburgh, say, on the Pennsylvania Railroad and going to New York, you would think New York would get a low rate and Pittsburgh a high rate, because New York has the benefit of water competition and Pittsburgh has not; but no such rule is applied in the East.

Pittsburgh gets at least as low a rate, and perhaps a lower rate, than New York does; but when you reverse the consideration, as to the great volume of manufactured goods which goes to supply the population of the Mountain States and those of the Pacific coast, you will find that all of the intermediate points pay a much higher rate than the terminal points. If we are going to have that sort of a principle it ought to be applied universally. One section of the country ought not to be relieved of it and other sections of the country suffer from it.

Senators upon the floor here from the South oppose this amendment; and yet I think you will find that in every case where a Senator is opposing it he has a city in his State, perhaps the largest city in the State, that has the good end of this proposition, that is enjoying the low rates and using its influence to prevent the removal of this benefit.

The railroads have succeeded by this system in driving off the boat lines and removing that great competitor. It is perfectly natural that they should desire a system by which they can suppress the rival transportation system. We spent \$350,000,000 in digging the Panama Canal. One of the principal purposes of the expenditure of that money was to secure cheap transportation between the Pacific and the Atlantic; and yet, as is pointed out in detail in the report of the Senate Committee on Interstate Commerce in the last Congress upon this same bill, boat transportation through the Panama Canal has not been developed, but has been suppressed and rendered impossible because of the system of meeting water competition by putting railroad rates down to a point where the boat lines could not compete.

When the railroads do this they have to make up the difference somewhere. If the railroads, in order to drive off ship lines, are allowed to put their rates down to a point which they claim, at least, and which the Interstate Commerce Commission recognizes as being so low that it would not pay interest on their bonds or dividends upon their stock, they could not operate the railroads under that system.

They have to get the money from some source, and so they get it by raising the rates at the interior points, and so far as net profits are concerned, if we accept the statement of the railroads that these low rates to the coast are merely sufficient to make a little profit on the out-of-pocket cost—that is, on the cost of the transaction itself—and not to earn interest upon bonds or dividends upon stock, the entire net earnings of the railroads come from the interior of the country, which, as I said a moment ago, could never exist and prosper even to the extent that it has prospered under such a system if it had not been for the enormous variety and extent of its natural resources, the great herds of cattle, the great volume of agricultural products, the enormous values of lumber and of minerals, the indigenous treasures of its soil and climate, from which it has received a share, notwithstanding the undue portion which was extracted from it in discriminatory rates and all the consequent injury that comes from that abuse. Not merely \$11,000,000 a year in excess rates which the intermountain States pay measures the extent of the injury which they suffer from this discrimination. In addition to that there is the retardation of their development, the destruction of the prosperity of their business, the impossibility of the establishment of business in competition with a community which has a more favorable rate under the sanction and authority of the Government.

I speak with perfect freedom about this matter because I am not situated as some Senators are whose constituency is entirely in an interior State and is suffering as a whole from this discrimination. I represent in part a State which ought to be a great maritime State. It is a maritime State, but its maritime interests have not been developed as they should have been nor as they will be in the future if shipping had not been and is not to be paralyzed by this system of discriminatory rates which rendered its full development impossible.

I think that approximately two-thirds of the population of the State of Washington are tributary in their business and industrial dependence upon the terminal cities which look out upon the sea from which should come the full complement of their growth. But, aside from the injury to those cities themselves of this system, which deprives them of that resource which should be the chief glory in their development—their maritime interests—and deadens a full hemisphere in the circle of their resources. I object to this inequality because of its inherent injustice, by which under governmental protection, by governmental fiat, there is favoritism shown one community as against another in the operation of a public service to whose support all contribute alike.

One peculiar feature of this matter is suggested by the reflection that the appropriations which we have made from year to year in the river and harbor bill, carrying from \$35,000,000 to \$40,000,000—and which I have favored as a general principle because I have believed in water transportation in its necessity for the carrying of the heavier forms of freight to supplement the railroads—have been paid in large part by the interior sections. And yet while they have been taxed for the purpose of improving the waterways and developing the harbors the fact that we have those waterways and the fact that we have those harbors is used as a reason for imposing excess freight rates upon them!

In the matter of water competition, Mr. President, which is urged as the principal ground upon which this discrimination is allowed to exist, it is quite an interesting circumstance that in the excess rate which is charged to the intermediate point upon a westbound shipment, the greater part of the transcontinental railroad line over which that shipment goes receives no part of the excess, but the benefit of the excess rate is confined to the lines west of the Mississippi River. To illustrate that, and to show how much of a hollow pretext, so far as actual competition is concerned, this theory of water transportation is, I will quote the statement of a witness before the committee, Percy P. Powell. He says:

The rate on canned goods from New York to Spokane is \$1.10 per hundred, and the minimum is 60,000 pounds. The revenue on a car of canned goods from New York to Spokane on that minimum is \$660, whereas the rate to the Pacific coast, which is 85 cents a hundred with the same minimum, produces a revenue of \$510, the rate to Spokane earning \$150 more than the rate to the Pacific coast. The carriers earn \$150 more by dropping that commodity at a point 342 miles closer than the Pacific coast point of destination. This revenue is divided as follows: The lines east of St. Paul on the Pacific coast traffic receive \$180.38 and the lines west of St. Paul receive \$329.62. On the Spokane traffic the lines east of St. Paul receive \$180.38, which is identically the same amount they receive if the car goes through to Seattle or the Pacific coast terminals, and the lines west of St. Paul on that same traffic receive \$479.62. Now, whether this car of canned goods is subject to water competition or not, the eastern lines, or the eastern carriers, deliver that car from New York to St. Paul at exactly the same rate. * * * The excess freight we pay on those goods is paid the western line that hauls the car from St. Paul to Spokane, and Commissioner Prouty, and in fact all the orders of the commission, have stated absolutely that water competition does not exist between St. Paul and Spokane.

That raises the question, Mr. President, of whether or not a railroad line, not from New York to Seattle but from St. Paul to Seattle, half of the distance, is not able to compete upon a basis of rates made under the general rule of rate making, that rates shall be fair and reasonable, with a water line shipping goods from New York, formerly around Cape Horn—for this abuse was at its worst excess before the Panama Canal was opened—or, since the canal was opened, shipping them from New York through the Panama Canal to the Pacific coast. The fact of the case is that the railroads can compete with the water lines at a profitable rate. The water lines would have difficulty in getting their share of the business even though the railroads were not subsidized to the extent of the \$11,000,000 annual excess freights levied upon the intermountain country.

When you charge the intermediate point an excess rate in order to enable the railroad to meet water competition at a terminal, even supposing that it is necessary in good faith that it should have a low rate that it is thereby enabled to make at the terminal, that amounts to a subsidy to the railroad company to enable it to meet water competition; and it is a subsidy that is not paid by all the people, but collected from those who instead of being penalized, if there is to be a discrimination in rates at all, should have the lower rate, as they have the

shorter haul. But it is for the purpose of putting all upon an equal basis, and not giving any the advantage, that this amendment is proposed.

APPENDIX.

(Calendar No. 684.)

[Senate Report No. 756, Part I, Sixty-fifth Congress, third session.]
LONG AND SHORT HAUL RAILROAD BILL.

"Mr. POINDEXTER, from the Committee on Interstate Commerce, submitted the following report, to accompany S. 313:

"The Committee on Interstate Commerce, to whom was referred the bill (S. 313) to amend section 4 of the act to regulate commerce passed February 4, 1887, and subsequent amendments thereof, have thoroughly considered the same and recommend that the bill do pass without amendment.

"From March 13 to March 21, 1918, the committee held extensive hearings on the bill and representatives of the coast terminal cities, acting through their chambers of commerce and other commercial bodies; of the interior communities, particularly those from the so-called intermountain country; of the ship lines and others directly interested in the development of intercoastal water transportation and of transportation by river and canal, as well as representatives of rail transportation companies, particularly the transcontinental lines reaching the Pacific coast, testified at length. Every phase of the question involved in this bill was thoroughly covered and the hearings were printed in a single volume of 733 pages, which is hereby referred to and made a part of this report.

"The bill as referred to the committee is as follows:

"A bill (S. 313) to amend section 4 of the act to regulate commerce passed February 4, 1887, and subsequent amendments thereof.

"Be it enacted etc., That section 4 of the act of Congress of February 4, 1887, to regulate commerce, and as subsequently amended, be, and the same is hereby, further amended so as to read as follows: 'It shall be unlawful for any common carrier subject to the provisions of this act to charge or receive any greater compensation in the aggregate for the transportation of passengers, or of like kind of property, for a shorter than for a longer distance over the same line or route in the same direction, the shorter being included within the longer distance, or to charge any greater compensation as a through route than the aggregate of the intermediate rates subject to the provisions of this act; but this shall not be construed as authorizing any common carrier within the terms of this act to charge or receive as great compensation for a shorter as for a longer distance.

"Whenever a carrier by railroad shall, in competition with a water route or routes, reduce the rates on the carriage of any species of freight to or from competitive points, it shall not increase such rates unless after hearing and an order granting permission therefor by the Interstate Commerce Commission.

"This act shall take effect 60 days after its approval by the President.

"Section 4 of the act to regulate commerce, approved February 4, 1887, was as follows:

"That it shall be unlawful for any common carrier subject to the provisions of this act to charge or receive any greater compensation in the aggregate for the transportation of passengers or of like kind of property, under substantially similar circumstances and conditions, for a shorter than for a longer distance over the same line, in the same direction, the shorter being included within the longer distance; but this shall not be construed as authorizing any common carrier within the terms of this act to charge and receive as great compensation for a shorter as for a longer distance: *Provided, however,* That upon application to the commission appointed under the provisions of this act such common carrier may, in special cases, after investigation by the commission, be authorized to charge less for longer than for shorter distances for the transportation of passengers or property; and the commission may from time to time prescribe the extent to which such designated common carrier may be relieved from the operation of this section of this act.

"On June 18, 1910, this section was amended so as to read as follows:

"That it shall be unlawful for any common carrier subject to the provisions of this act to charge or receive any greater compensation in the aggregate for the transportation of passengers, or of like kind of property, for a shorter than for a longer distance over the same line or route in the same direction, the shorter being included within the longer distance, or to charge any greater compensation as a through route than the aggregate of the intermediate rates subject to the provisions of this act; but this shall not be construed as authorizing any common carrier within the terms of this act to charge or receive as great compensation for a shorter as for a longer distance: *Provided, however,* That upon application to the Interstate Commerce Commission such common carrier may in special cases, after investigation, be authorized by the commission to charge less for longer than for shorter distances for the transportation of passengers or property; and the commission may from time to time prescribe the extent to which such designated common carrier may be relieved from the operation of this section: *Provided further,* That no rates or charges lawfully existing at the time of the passage of this amendatory act shall be required to be changed by reason of the provisions of this section prior to the expiration of six months after the passage of this act, nor in any case where application shall have been filed before the commission, in accordance with the provisions of this section, until a determination of such application by the commission.

"Whenever a carrier by railroad shall in competition with a water route or routes reduce the rates on the carriage of any species of freight to or from competitive points, it shall not be permitted to increase such rates unless after hearing by the Interstate Commerce Commission it shall be found that such proposed increase rests upon changed conditions other than the elimination of water competition.

"The substantive part of this section 4 of the act to regulate commerce has come to be designated in the administration of the act and in the discussion of questions arising therefrom as 'the long-and-short-haul clause.'

"It will be noted that the essential change made in section 4, with which the pending bill is concerned, by the amendment of June 18, 1910, was the elimination from the section of the words 'under substantially similar circumstances and conditions.'

"The amendment of 1910, however, retains in the section the proviso:

"That upon application to the Interstate Commerce Commission such common carrier may in special cases, after investigation, be authorized by the commission to charge less for longer than for shorter distances for the transportation of passengers or property.

"The pending bill, S. 313, is intended to further eliminate from section 4 this last-quoted proviso, thereby removing from the Interstate Commerce Commission any power or jurisdiction to grant to the carriers any exemption from the long-and-short-haul provision or to make any exception thereto. If enacted, this bill will make the long-and-short-haul clause absolute, unconditional, and mandatory in all cases.

"As the act was originally passed it came to be construed in the practice of the carriers and also by the rulings of the Interstate Commerce Commission in effect not to be applicable in any case where the 'circumstances and conditions' were not 'substantially similar,' and that the carriers themselves might be the judges in the first instance, subject, of course, to the revision of the Interstate Commerce Commission of whether or not the circumstances and conditions were substantially similar. Also, in practice and under the rulings of the Interstate Commerce Commission, it was held that at any point reached by a railroad where there was also water transportation, either actual or 'potential,' the circumstances and conditions, within the meaning of this language as used in section 4 of the act, were not substantially similar to the circumstances and conditions at any interior point reached by a railroad where there was not water transportation, either actual or potential.

"Under this practice the railroads were free to charge and receive greater compensation for the transportation of passengers and of like kind of property (meaning property transported a greater distance over the same lines, etc., of like kind as that transported the shorter distance) for a shorter than for a longer distance over the same line, in the same direction, the shorter being included within the longer distance in every case where the destination of the shorter haul was in the interior and not upon a navigable canal or river. The same ruling and practice was adopted as to 'rail competitive points'; that is, the carriers were permitted to charge less for the transportation of freight or passengers to a point where there was competition by other railroads than they charged for the transportation of passengers or the same kind of freight to intermediate points on the line. The result of all this was that the fourth section of the act to regulate commerce became substantially and to all intents and purposes in the actual transportation of the country null and void and of no effect whatever, except in the very limited field not affected by rail or water competition in the comparison between the longer and the shorter haul.

"The enactment of section 4 was the result of a recognized and long-standing evil. It was regarded as one of the most important features of the act. It was intended primarily to secure what the Supreme Court of the United States has declared (*Texas & Pacific Ry. Co. v. Abilene Cotton Oil Co.*, 204 U. S., 426, 439, and other cases) to be the great end and object of governmental regulation of interstate commerce, viz, uniformity of rates and service. The court said:

"That the act to regulate commerce was intended to afford an effective means for redressing the wrongs resulting from unjust discrimination and undue preference is undoubted. Indeed, it is not open to controversy that to provide for these subjects was among the principal purposes of the act. (*Interstate Commerce Commission v. Cincinnati, New Orleans & Texas Pacific Ry. Co.*, 167 U. S., 479, 494.) And it is apparent that the means by which these great purposes were to be accomplished was the placing upon all carriers the positive duty to establish schedules of reasonable rates which should have a uniform application to all.

"The object was to secure to the entire country the benefits of this public service of transportation upon equal terms and conditions and without discrimination between communities. Another object of the enactment of the fourth section was to protect those engaged in the business of transportation upon our rivers and canals and in our intercoastal water-borne commerce from unfair and destructive competition of the railroads, and the consequent rail monopoly of substantially all the transportation of the country.

"Under the construction of the act referred to above and the practice which grew up thereunder both of these objects were completely defeated. Lower rates, both passenger and freight,

were made by the railroads to so-called 'water competitive' and 'rail competitive' points than to intermediate points on the same line. This principle was carried to extravagant lengths.

"Transportation from such interior points as Pittsburgh, Cincinnati, Chicago, and St. Paul to Pacific coast terminals, such as San Francisco, Portland, and Seattle, in which there was no water competition whatever, nor, so far as practical operation was concerned, any even 'potential' water competition, was treated as subject to water competition; and for that reason it was held that transportation from the points named to the Pacific coast terminals was not 'under substantially similar circumstances and conditions' as transportation of the identical kind of freight or passengers from the same points, over the same line, in the same direction, to intermediate points in, for instance, what in the discussion of this question has come to be designated as the 'intermountain country,' such points as Spokane, Salt Lake, Denver, Reno, and hundreds of other communities in these great interior States. The same rule was applied on transportation from New York and all Atlantic coast points. In many instances the comparative rate to the several western points mentioned was based on the theory that the goods were transported to the terminal on the Pacific coast and back again to the interior point, and a rate was made to the interior point equal to the rate from the point of origin in the East to the Pacific coast terminal and the local rate from the terminal back over the same line to the intermediate point.

"This resulted in some instances in the interior point being charged a rate double that which was charged the terminal point, and in practically all cases, before recent modifications were secured, a very much larger rate than was charged to the terminal point, although the interior point was a much shorter distance from the point of origin and the service rendered by the carrier correspondingly less. Goods such as structural steel, dry goods, canned goods, wire fencing, nails, iron pipe, and practically all commodities manufactured in the East or Middle West, passing through the railroad yards in Spokane, Boise, Denver, Reno, etc., in carload lots and carried from 300 to 800 miles farther over rivers and mountain ranges to the ocean terminal, were charged a lower freight rate, 50 or 75 or a greater per cent less, than if the same goods, in the same car, were unloaded in the same freight yard at the interior point through which they passed en route to the terminal. A carload of coffee from New Orleans to Portland by way of Spokane reconsigned en route so as to be delivered in Spokane, instead of being hauled 350 miles farther to Portland, bore a higher rate of freight than if carried on and delivered in Portland. Prior to December 31, 1916, the rate on a carload of structural steel, minimum weight 60,000 pounds, from Pittsburgh, Pa., to Portland, Oreg., or Seattle, Wash., was \$390 at 65 cents per hundred. In being transported from Pittsburgh to Portland or Seattle this car passed through Spokane.

"If the same car were consigned from Pittsburgh to Spokane the rate was \$585 at 97½ cents a hundred, although the transportation company was saved the expense of hauling this 60,000-pound car 350 miles farther to the Pacific coast terminal, crossing, in the case of consignment to Seattle or Tacoma, the great Cascade Range of mountains. A carload of canned goods, 36,000 pounds minimum weight, from New York to the Pacific coast terminal bore a rate of \$270; for the shorter distance to Spokane it bore a rate of \$396. A carload of paint, 40,000 pounds minimum weight, from New York to Seattle or Portland bore a rate of \$300; to Spokane of \$440; of twine, 40,000 pounds minimum weight, from New York to the Pacific coast \$300; to Spokane, \$440; of wire fencing, 50,000 pounds minimum weight, from Pittsburgh, Pa., to the coast \$375; to Spokane, \$500; of butts and hinges from the same point, 50,000 pounds minimum weight, to the coast \$375; to Spokane, \$500. A carload of dry goods or cotton cloth from New York, 36,000 pounds minimum weight, at 90 cents a hundred to the Pacific coast terminal, bore a rate of \$324; to Spokane a rate of \$1.25 a hundred, amounting to \$450. A carload of nails, 80,000 pounds minimum weight, from Pittsburgh, Pa., at 65 cents a hundred, had a rate to Portland and Seattle of \$520, to Spokane at \$1 a hundred, or \$800 per car.

"The same discrimination, varying somewhat in amount and degree, existed on practically every important article of transportation and consumption. These instances are cited merely as illustrating the general situation which existed throughout the great region referred to. It may be well, however, by way of emphasizing the fact and the extent of this inequality of burdens for the service of the great public utility of railroad transportation between different communities, all entitled under the general theory of our Government to equal rights and uniform consideration under the law, to cite the rates on wool from the great wool-producing intermountain country to the principal

wool markets, such as Boston. Portland, Oreg., is 500 miles farther from Boston than Boise, Idaho, and yet the rate on baled wool from Portland to Boston is \$1.25 per 100 pounds; from Boise to Boston \$2.14. The rate on wool in sacks from Boise to Portland is 96½ cents; so that wool can be shipped from Boise to Portland, 500 miles west, and reshipped from Portland to Boston for \$2.21½ for the entire transportation; whereas the direct shipment from Boise to Boston, 1,000 miles less, is \$2.14. It is perfectly manifest that no wool-baling industry can be developed at Boise, although in the center of the wool-producing country, under these circumstances. (Hearings, p. 248.) We will not burden this report at this point with further details of rates, but refer to illuminating tables of rates, showing the universal character and extent of the discrimination referred to, printed in the hearings mentioned above.

"It is manifest that the great interior country, suffering from these discriminations, can not be developed to its full capacity under such a system. A very slight discrimination in transportation rates is enough to destroy or suppress a business or an industry. These discriminations and unequal burdens are overwhelming, and if continued will keep the people of the interior in a perpetual state of economic and industrial bondage. It is not a question which concerns jobbers and transportation companies alone, but affects every consumer, which means every individual in the community. The people of the small communities and the interior sections necessarily import the greater part of the necessities, utilities, and comforts of daily life. A very essential part of the cost of living, which affects the conditions in every home, is the cost of transportation. If the people in one community are to live and labor under an extra burden of this cost, which is as much a tax as the revenues paid to the Government, as compared with their fellow citizens in another community for the same service, it is manifest that they will be kept as to their conditions of life in a position of inferiority. They are denied an equal opportunity in life. Furthermore they are deprived of that "equal protection of the laws" which is one of the fundamental principles of our institutions. The cardinal principle of just taxation is that the tax shall be uniform. It is as essential that rates paid for a public utility, such as railroad transportation, operating under a Government franchise, exercising by governmental permit a function of government, and subject to the jurisdiction of the Federal control over interstate commerce, should be uniform as any tax paid directly into the Public Treasury itself. Citizens denied this protection and equality of status under the law can not develop themselves into the full stature of citizenship. The unequal treatment referred to above has been borne with patience by the people against whom the discrimination has been directed, although they have struggled constantly for relief. They have been sustained in the struggle by the constant expectation of an early remedy, either through the enactment of law or the regulation of the Interstate Commerce Commission.

"In this they have been disappointed, notwithstanding the various efforts of Congress to relieve the situation by the enactments referred to above. It can not be expected, however, that these communities, representing in the aggregate by far the greater part of the country, will indefinitely tolerate such discriminations. By their industry and by the natural wealth and resources of the land they possess and which they have reclaimed, notwithstanding the handicaps under which they have labored, they have increased in power and influence and are rapidly arriving at the point where it will not be necessary for them to petition longer, but where they will be able to demand their rights. As stated in the hearings by Hon. A. L. Freehafer, member of the Public Utilities Commission of Idaho:

"The plea that we wish to make to you to-day is that we shall simply be granted justice. As I said before, we are happy. We are fairly prosperous in our interior country; but so was the negro slave under his master in the South; but this country was not, indeed, a country of freedom until that slavery was abolished; and while we, of the interior of the West, are compelled to pay tribute to the Pacific coast, this country is not a land of equal opportunities. We ask, gentlemen, that you enact this bill into law in the light of that sacred principle of American democracy—equal rights to all and special privileges to none."

"As indicating in a practical way the effect of these discriminatory rates, Mr. Freehafer, among many other illustrations, stated this (hearings, p. 239):

"Suppose we were putting in a water system in the city of Boise, now a city of about 25,000 people. We figure that it would cost us nearly \$50,000 more for freight on our piping for that water system than it would cost the city of Portland, located 500 miles farther west. That \$50,000 must be reflected in our rates that we pay for water, and it is a perpetual tax upon the citizens of that city, and we are handicapped to that extent from developing our country. As mentioned here yesterday, by Mr. Campbell, a little iron bridge over Priest River in northern Idaho cost \$1,500 more for the freight than the same bridge would have cost if it had been over on the coast

somewhere; and the farmer's wagon and his wife's range and all of those things are subject to that handicap over the coast, so that we can not develop. We can not build up under those circumstances.

"Not only the so-called intermountain country of the West is laboring under this unjust burden, but the South and the Southwest is likewise in varying degrees, according to locality, thwarted in its aspirations and suppressed from growth and from the enjoyment of its legitimate opportunities by a similar discrimination under the long-and-short-haul system of imposing upon the vast interior country higher rates than those charged at the terminal points. To some extent, but to a much less extent, the same condition exists in the North and Northeast. In the latter section industry is more widely distributed, the country is more generally developed, and it would not tolerate the discrimination from which the South and West suffer. As stated by Mr. Freehafer (hearings, p. 239):

"It has always appeared to us strange why the railroads did not insist upon this policy on eastbound traffic to the intermediate points. Why do they not say to Pittsburgh or Cincinnati or Columbus, Ohio, 'You must pay higher rates than the through rates to New York'? Why don't they say when we are shipping wool, for instance, that 'We will charge you \$1.50 to Pittsburgh, but we will carry it through to New York or Boston for \$1'? You can imagine what kind of a howl would go out from those eastern intermediate points. They would not stand for it a minute; but because we are young and weak we have been standing it these many years and expect to continue to stand it under the present circumstances and conditions.

"As indicating the vast extent of country suffering from these discriminations, reference is made to a comparative table of rates submitted by the Northern Pacific Railroad Co. and printed on pages 114 to 118 of the testimony. As stated by Mr. J. B. Campbell, a thoroughly well-informed witness, at the hearing:

"You will notice that this gives the rate to the coast, the maximum rate to the intermediate point, the rate to Spokane, Butte, and other interior cities, and also shows how far back east the railroads practice the charging of more than to the coast cities. Take, for instance, the first item of carpeting: The rate to the terminal was \$1.25, the Spokane rate from New York was \$1.56, and a higher rate was charged to Fridley, Minn., from New York than was charged to the Pacific coast, though the distance to Fridley was twelve hundred and some odd miles shorter than from New York to Portland.

"It is a curious outcome of this rate discrimination against the intermediate points and the great interior country that the very fact that they are required to pay a higher rate for nearly every article of use and consumption inevitably automatically keeps them in such a position that they are compelled to continue to import those commodities, thereby not only being compelled to pay an extra rate for their transportation but losing the employment and consequent accumulation of wealth and improvement of conditions of life which would come from the production or manufacture of these articles in their own communities. In other words, they pay high rates because they do not manufacture the commodities, and they can not manufacture the commodities because they pay high rates on every article necessary for such manufacture. The consequence is industrial stagnation and paralysis of the great interior of the land.

"The corollary of this is the unnatural concentration and congestion of population and industry at the points having the lower rates. Last winter when the country was confronted by a great crisis and the very existence of the Nation depended upon transportation there was a blockade of the main arteries of commerce because there was a congestion of traffic and an accumulation of cars, locomotives, and ships at the great terminal points, which the Railroad Administrator recently likened to a 'log jam' or an 'ice jam' in a river. This ominous and dangerous situation was due to that system of rate making which, by giving lower rates to certain points than are given to others, tended toward the centralization of industry and population. The wholesome citizenship of the Nation is to be found more largely, perhaps, in the villages and country communities, and it is here, in the midst of their farms and small towns, that they should be enabled to develop their civilization and accumulate its comforts. Here in many instances is to be found the raw material which enters into manufacture. Here is greater space of soil and air and more opportunity for diversified movement and occupation than in the crowded quarters of the great cities, and yet, because of discriminatory transportation rates, people seeking employment must add still further to the congestion and social problems of the great cities, because industry has been centered there through this very discrimination. The relief of this situation in the future development of our population is the removal of the discrimination and the giving of equal opportunities, so far as rates are concerned, to the great interior.

SUPPRESSION OF WATER TRANSPORTATION.

"The country has expended approximately a billion dollars in the improvement of rivers and harbors and the construction

of canals. This has been raised by taxation of the Federal Government and States, and, to some extent, by voluntary contributions. The greater part of it has been paid by people who do not reside upon the harbors or waterways. And yet, although they have been taxed for these facilities, the waterways, when secured, have been used as the excuse for imposing discriminatory additional railroad rates upon the very people who largely paid for the improvements. In many cases the waterways have served for no other purpose than as such an excuse; that is, there is little or no water transportation upon them. The reason of this is that the railroads by their system of rate making and by arbitrary discrimination against shippers patronizing water routes and by refusal to give joint service, either as to rates or the handling of freight itself, and by refusal to make physical rail connection with the waterways, have prevented or destroyed water transportation on most of these lines. It is proved by the decisions of the Interstate Commerce Commission that the railroads have been permitted to make such rates at 'water competitive' points as would meet not only actual water competition but 'potential' water competition, and the effect of this has been that water transportation has been impossible in most instances, although it is a notorious fact that it is cheaper, as to actual cost, than rail transportation. By this means the people have been largely deprived, so far as river, canal, and coastwise shipping is concerned, of the benefits that should have accrued from their great expenditures for the improvement of these waterways. It is pointed out by witnesses that in the early days of railroad operation, immediately after the construction of the great railroad lines, there was but little freight, and the roads were eager to get all the transportation that existed and to make it as near a monopoly as possible, and, rather than operate at less than their capacity, they found it desirable to make whatever rates might be necessary to get the business. As the country has developed, however, and population has increased, business has far outrun the capacity of the railroads.

"The consequence is shortage of cars and locomotives, inability of shippers to get cars for loading, delay of transportation, blockade of traffic. There are periods even now when it is impossible for those great trunk lines, which heretofore have sought to exclude competition and to absorb all the business there was in sight, to transport the freight which is offered for shipment. The tendency of the situation is still more in that direction. The increase of our population and of our business, including transportation, is going on at a greatly accelerated rate. It will be from year to year immensely greater per annum in absolute quantity, even if the percentage of increase should remain the same in the future as in the past. From this it is easy to be seen that the existing railroads or any additional number which there is reasonable prospect of being constructed, will have great difficulty in handling the business. The obvious remedy for this is to follow the example of older industrial countries such as France and England, which have developed their water transportation facilities, have protected them from unfair methods of competition, and find them absolutely essential in meeting their transportation needs, especially as to bulkier commodities and raw materials. We must do the same, and in order to do it the first step is to abolish a system of railroad freight rates by which the roads are permitted to make a rate to a water competitive point covering only a small margin over what is called the 'out-of-pocket cost' or, in other words, the mere cost of operating the train and handling the freight, without any margin to pay interest upon bonds or stock. They have been permitted to adopt this policy under such a system of calculation that they were able to drive water competition out of business. Auxiliary to this, of course, were other discriminations, such as refusal to furnish joint rates, through service, necessary physical connections, etc. The most important, however, was the system of low railroad rates at the terminals and the privilege of making up the necessary railroad revenue by higher rates in the interior. By this system not only was water competition driven out of business, but the intermediate points and the great interior of the country were compelled to bear the entire burden of providing the revenue to maintain railroad capitalization. This is simply another phase of the injustice and unequal protection of the law referred to above.

"In the case Fourth Section Violation in the Southeast (30 I. C. C., pp. 262-263) the Interstate Commerce Commission says:

"The rates made to Memphis via the steamers to New Orleans, thence by rail, referred to in the preceding paragraph, were advanced in 1893 to 100, 85, 65, 45, 35, 32.

"These rates were continued until December 5, 1910, when they were canceled, so that at present there are no through rates via New Orleans to Memphis. Neither is it true at present that there is any regular water service between New Orleans and Memphis, and there are no through all-water rates open to the shipper, such as were in effect at the

time of the report above mentioned. It can not, therefore, be asserted that there is any actual active water competition existing at present between New York and Memphis. There is a disconnected service between New Orleans and Memphis, regular boats plying between Natchez and Vicksburg and Memphis. The water competition is to be regarded as potential but not actual, and the testimony in this case indicates that any material advance in the rates from New York City to Memphis would without doubt result in reestablishment of active competition on the Mississippi River.

"This is equivalent to saying that an active water transportation can not be established if the railroads are allowed to maintain the discriminatory rates, and, strange to say, this is the reason given for allowing them exemption from the fourth section.

"The refusal to enforce the long-and-short-haul clause here because its enforcement 'would without doubt result' in restoring water transportation to the river is obviously equivalent to permitting the railroads to make such rates as will, in connection with the other practices mentioned above, entirely prevent the development of transportation by water in competition with rail. This has been the actual result throughout the country by which water transportation between the Pacific and the Atlantic coasts, much of that on the South Atlantic coast, and on the rivers and canals of the interior has been largely destroyed.

"It has been testified that some years ago the merchants of San Francisco put several ships into the Atlantic-Pacific trade in order to secure lower rates of transportation. They operated them at a loss of several hundred thousand dollars. The result, however, was that the railroads lowered their rates to San Francisco, and, although the ship line was abandoned, the testimony was to the effect that the loss in its operation was much more than compensated by the lower rates made by the railroads. Of course, whatever inadequacy of return the railroads received on this business was made up by the higher rates to the interior and by the added transportation which they acquired by the system of developing the terminal points as distributing centers, carrying goods from the point of origin to the terminus of the line and then collecting high local distributing rates for carrying the same goods back over the same line to the intermediate points, through which they had originally passed on the way to the terminus, instead of being delivered to the ultimate consumer directly and by the shortest haul.

"The country is interested in the most economical use of its transportation system. One of the most important features of this is the delivery of freight by the shortest and most direct line. The system of rates allowed under the interpretation of the fourth section as it stands at present has the opposite effect, and the result is that the great mass of commodities consumed in the interior is carried the greatest possible, instead of the shortest possible, distance in order to reach the end desired. This decreases the efficiency of our transportation system and renders it inadequate to meet the demands of the country when traffic is at its peak. Such a system can not be continued if the long-and-short-haul clause is made absolute as proposed by this bill. Under the old system, even where the goods were not actually carried to the terminus and back again to the intermediate point for distribution, yet the freight rate to the intermediate point was based upon the theory, fictitious though it was in most cases, that this had actually been done. By this means the railroads receive compensation in enormous amount for services which were never rendered, imposing an annual and unnecessary tax of many millions of dollars upon the great interior country. As pointed out above, under conditions of increased traffic, this was an injury to the efficiency of the road as well as to the interior country. It was also an injury to the terminal cities, because it prevented their maritime development. Our coast cities should all be thriving centers of water-borne coastwise traffic. As a matter of fact, they are ports in name only, so far as any substantial amount of domestic commerce is concerned.

"We are entering upon a new era in international affairs. It is absolutely necessary that we should build up a mercantile marine. We have a statutory monopoly of our coastwise shipping, and this affords the Nation a magnificent opportunity to develop mercantile pursuits, industrial employment of our people in shipyards, and the creation of a nursery for sailors and seamen to man our fleets both in peace and war, in commerce, and in the Navy. The unfair system of competitive railroad rates, which were competitive in name only, because, as clearly demonstrated, they were really prohibitive of water competition, if allowed to continue or to be reestablished, as may be the case if the fourth section of the act is not amended, will make this impossible in the future as it has been in the past. By making the fourth section long-and-short-haul clause absolute and unconditional railroads will be compelled to charge a reason-

able rate at terminals and at interior points in order to earn necessary returns upon capital invested, and water lines will have an opportunity to compete. There will be ample business for all and a certain quantity of business, for various reasons, will always go by rail, even though the water rate should be lower.

"We built the Panama Canal both as a military facility and as a means of transportation between the two coasts. If the old system of railroad rates is continued, by which the roads are allowed, as stated in the case cited above, to make rates where there is 'potential' water competition which will prevent actual water competition, the \$375,000,000 expended in the construction of the Panama Canal will be almost useless so far as any commercial benefit is concerned, since the railroads will effectually prevent its substantial use for water transportation between our Atlantic and Pacific ports.

"Certain representatives of Pacific coast cities have argued that they are entitled to preferential railroad rates as against the intermediate points with a shorter haul because of the natural advantage and superiority of situation of the coast cities. The advantage, however, which they derive from a railroad rate so low that it pays barely more than the out-of-pocket cost is not a natural advantage. It is purely artificial. It is a Government favor and it is bestowed upon them by governmental permission in violation of the fundamental rules of uniformity of rates, of equality of taxation, and of equal protection of the laws. There is nothing natural about it. It is altogether unnatural. The real natural advantage which the Pacific terminals should enjoy they have been deprived of by this system. That advantage should be water transportation. That, however, has been driven away by this artificial and discriminatory system of rates.

"The real natural advantage of the Pacific coast cities is the ocean. No one can deprive them, nor will undertake to deprive them, of this advantage. They have not enjoyed it so far as coastwise shipping is concerned because of destructive, discriminatory, unequal, and prohibitive railroad rates. No greater impetus can be given to the industrial and commercial development of Seattle, Portland, San Francisco, St. Louis, Memphis, St. Paul, Cincinnati, and every other city which to a greater or less extent has the natural opportunity of developing a water-borne traffic than to remove the restrictions which have prevented its use. The ports of the Pacific with their great harbors should become thriving centers of maritime activities of all kinds, and will so become when the proper encouragement is given those who are ready and willing to invest in ships for the coastwise trade and to build ships for that purpose, by the guaranty they would have from the enactment of this law that they will not be discriminated against by what amounts to an enormous subsidy to the railroad lines levied upon the consuming public of the interior.

THE AMENDMENT OF 1910.

"The debates in Congress upon the amendment of June 18, 1910, to the fourth section show clearly that the purpose of the amendment was to do away with the injustice and evil effects of the discrimination in rates referred to above, and it was thought that as framed it would have that effect. The phrase 'under substantially similar circumstances and conditions' was omitted from the act. The purpose of the authors of the amendment was to change the ruling and practice by which water competition was considered such a dissimilar 'circumstance and condition' as to, in all cases where it existed, either actually or potentially, authorize a lower rate for the long haul than for the shorter haul to a point where this did not exist. There could have been no other object, since there was no substantial and widespread complaint of any other application of this section. As an extra precaution, however, the proviso was retained, giving the commission authority 'in special cases' to exempt the carrier from the terms of the section, the object being to allow some discretion to remedy some special case which might arise under peculiar and unforeseen conditions. In practice, however, this proviso has eaten up the rest of the law. The proviso has become the controlling and absorbing feature of the long-and-short-haul clause, and there is nothing else left of it, or was not, until the ruling going into effect March 15, 1918, by which, on account of all coastwise water transportation between the Pacific and Atlantic ports being eliminated by the slides in the Panama Canal, followed by the complete absorption of shipping in the war, the long-and-short-haul clause was applied to westbound traffic to the Pacific coast. To all intents and purposes the fourth section of the original act of 1887 was rendered null and void in practice by the controlling effect given to the words 'under substantially similar circumstances and conditions' and to the discretion and use of the same vested in the Interstate

Commerce Commission by the proviso. The only change in actual results accomplished by the amendment of 1910 was that under the original act of 1887 the railroads of their own initiative could assume for themselves the license of charging less for the longer than for the shorter haul, whereas under the amendment they were compelled to rely upon the proviso alone and to appeal, in the first instance, to the discretion thereby vested in the Interstate Commerce Commission.

"This, however, was a mere matter of procedure, and under the general rule and practice adopted by the commission it made no substantial change in the actual results so far as discriminatory rates were concerned until the order mentioned above, going into effect March 15, 1918, under a holding that water transportation, both actual and potential, had ceased to exist at that time and that consequently the circumstances and conditions at the coast were substantially similar in this respect as at the intermediate points. From this it will be seen that up to the time of this relief the evident purpose of both the original section and the amendment of 1910 was defeated.

THE PRESENT SITUATION.

"While, by the recent order just mentioned, temporary relief has been granted to the intermountain country as to west-bound rates, the old condition of gross discrimination still exists in many other sections. And even as to the intermountain country the discrimination on east-bound traffic still remains; and while the relief as to west-bound traffic, even though temporary, is most welcome and beneficial, it can not have its full effect until it is made permanent. On its present basis and under the ruling and practice which has been developed under the existing laws the old discriminations may return at any time, as they have continued to exist in many points of the South and Southwest. With this uncertainty and the experience in the past, the 38-year struggle for relief, the disappointments, the suppression of growth, and the destruction of infant industries which struggled to establish themselves in the interior country, and disasters still fresh in the memory of the people, it can not be expected that capital will be invested in industries at these intermediate points throughout the interior country with the fear of a return of the old discriminations at any time ever present with them.

"Established conditions and reasonable certainty of the future as to equal treatment in the matter of comparative, whatever the absolute rates may be, are necessary to induce people to invest their capital and to devote their time to the establishment of manufactures, of jobbing trade, and of industrial development generally. If this bill, making the long-and-short-haul clause absolute, as enacted, removing the discretion vested in the commission to grant exceptions to it, industry will have a substantial basis on which to develop and a new era of prosperity will begin throughout the vast region where so many futile attempts have been made in the past; so, also, it may be said as to the establishment of ship lines on the coast, when ships are available and the Panama Canal is open for continuous business. Money and effort will not be invested in the establishment of these lines with the knowledge that under the existing law as determined by previous practice the railroads will be permitted to make competitive rates which the boat lines can not meet and prosper. As in the case of industry in the interior, however, if assurance is given by the enactment of an absolute long-and-short-haul clause that this unfair and discriminatory competition of the rail lines will not be permitted in the future the coastwise shipping trade will have an opportunity to live and flourish with consequent benefit to the coast cities and, by reflex action, to the entire adjacent territory.

RAIL COMPETITIVE POINTS.

"If this bill is enacted into law it will apply to rail competitive as well as to water competitive points. Under the law as it stands now the Interstate Commerce Commission, under discretion vested in it in the proviso which was retained in the amendment of 1910, have allowed the railroads to charge less for a long haul to a point where two or more railroad lines competed for business than for a short haul over the same line, in the same direction, to an intermediate point where there was no such rail competition. This followed the construction given to the original act of 1887, to the effect that under these circumstances there were not 'substantially similar circumstances and conditions' at these several points, and, although this latter clause has been eliminated, it was still given as much effect as it had before it was repealed, or at least the conditions which resulted from it continued the same as they were before. It is argued by some that this discrimination in the case of rail competitive points as against intermediate points without rail competition should be allowed to continue, as otherwise a long and expensive line, competing

with a short and inexpensive line at a junction point, could not get a share of the business. This does not follow by any means, as rates at the competitive point can be adjusted upon a reasonable basis for all concerned, and it is not fair that those communities at intermediate, noncompetitive points should be mulcted in damages in order to enable the road on which they are situated to carry freight at a lower rate for the longer haul so that it may compete with another railroad at a more distant point. The fundamental principles of uniformity of rates for the service rendered to the different communities and patrons of the road are the same here as elsewhere. These principles are universal, and should be absolute and mandatory in application. Otherwise a circuitous line operating over a difficult and expensive route would be in effect subsidized by the discriminatory high rate which it would be enabled to charge to its patrons at intermediate points, and thereby put upon an equal footing in all respects as to earnings and dividends with a direct line operating over a more advantageous natural route.

GENERAL PRINCIPLES.

"We insert here an excellent statement of the principles involved in this bill by Hon. O. P. Gothlin, formerly chairman of the Public Service Commission of Ohio, and formerly president of the National Association of Railway Commissioners, and at present chief of the tariff bureau of the Public Service Commission of the State of Indiana:

"I desire to express my emphatic indorsement of Senate bill 313 and my sincere hope that it may become law. Permit me to quote from a letter I wrote last fall to the conference committee on national preparedness, New York City:

"I have read with interest your recent circular, more particularly that part of it relating to the development of water transportation.

"Kindly allow me to suggest that the first step in the direction of water-carriage development is to persuade the Interstate Commerce Commission to change its attitude toward the enforcement of the fifth section of the act to regulate commerce. The persistent violation of the intent of this section has made river traffic in the United States so unprofitable that it has almost ceased to be a factor in the commercial world. The act to regulate commerce was amended in 1910 to nullify the effect of the decision of the Supreme Court in the Alabama-Midland case (168 U. S., 144), wherein it was held that competition between a steam line and a water line at a destination point created dissimilar conditions and circumstances that justified the rail carrier in charging higher rates to intermediate points than to the destination point. The words, 'similar conditions and circumstances' were eliminated from the fourth section by the act of 1910, but the Interstate Commerce Commission was clothed with power to grant authority to rail lines to make lesser rates to destination points than to intermediate points when the situation justified. They have been so lavish in bestowing this authority that the general situation is just about the same as it was prior to 1887. In other words, the legislation intended to accomplish a good purpose has availed little because not enforced.

"In the above case cited (168 U. S., 144) this language occurs: 'When the rates to Montgomery were higher a few years ago than now, actual water-line competition by the river came in, and the rates were reduced to the level of the lowest practical paying water rates, and the volume of carriage by the river is now comparatively small.'

"A sad commentary. What became of the river transportation? Destroyed by rail competition, and to do it the rail line had to make rates that were noncompensatory, and consequently to apply unduly high rates to unprotected intermediate territory to recoup. A most unjustified economic waste. This is illustrative of the situation over the United States.

"So long as the rail lines may drive water lines out of existence by unfair competition—that is, by unduly low rates to competing points, and are allowed to make up the deficit by unduly high rates to the intermediate points—there can be no development of water transportation facilities. In the whole field of transportation no practice has been of so great an influence for evil as that of discriminating against unprotected local territory that the carriers might enjoy the privilege of destroying water traffic.

"Within the past two years the Interstate Commerce Commission issued an order authorizing the transcontinental lines to establish to Pacific coast ports rates lower than in effect to intermediate points, and as justifying the decision recited in the opinion that the opening of the Panama Canal would reduce the cost of water transportation between the Atlantic and Pacific seaboard. This is the very reason why the transcontinental lines should not be allowed to make lower rates to Pacific coast ports than to intermediate points. The Federal Government expended millions in the construction of the Panama Canal for the very purpose of fostering water traffic between the Atlantic and the Pacific seaboard, and by the action of the Interstate Commerce Commission this expenditure was in vain so far as development of water transportation is concerned. Of course, the canal is a military necessity and the expenditure is justified for that reason alone. Nevertheless the intention was also to foster and develop ocean transportation.

"So long as the transcontinental railroads may establish unduly low rates to the Pacific coast and make up the deficit by correspondingly high rates to intermediate territory, capital dare not invest in ships. Rail rates should be adjusted so as to place all territories served on a relatively equitable basis and return a reasonable margin of profit to the carrier. When a railroad charges more to transport a ton of freight to Salt Lake City from Chicago than it charges for the same ton to San Francisco, 50 per cent farther, either the Frisco rate is unduly low or the Salt Lake City rate is unduly high. A railroad must sell service at prices that will return revenue sufficient to pay operating expenses and a reasonable profit. Of course, if some service be sold at a price that returns a margin of only 5 per cent, or no margin at all, some other service must be sold at a proportionately higher than reasonably profitable price or there is a deficit. Why should rail carriers be allowed to levy an undue tax on intermediate territory to

enable them to transport to water-competing points at unprofitable rates for the purpose of crippling water transportation?

"Many years ago, when the great State of Ohio embraced within its borders but a fraction of its present population, it exhibited a most remarkable spirit of enterprise by constructing a magnificent system of canals. When railroad transportation came into the field, far-seeing statesmen enacted a long-and-short-haul law for the very purpose of protecting the waterways constructed at so great an expense. But the law was never enforced and canal transportation was killed. Had the Ohio long and short haul been properly observed Ohio would now have an effective transportation system independent of and supplemental to the rail service that has not been able to keep up with the demands of commerce. As a result of the failure to enforce the law, the once magnificent system of canals has decayed into a condition of innocuous desuetude.

"There is another point of view from which this question should be considered. The nullification of the fourth section intent by administrative action fosters and encourages circuitous transportation, a deplorable economic waste. No other single influence has operated so extensively to deplete the available car supply. It is undoubtedly true that the transportation of freight over the United States to-day involves at least 40 per cent of unnecessary mileage, which is an economic waste of power and an unnecessary detention of equipment and produces a total operating cost far beyond what it would be were carriers required to use direct routes.

"The public is entitled to the advantages of both boat and rail transportation, and each class is entitled to fair pay for the service rendered. Now, when the rail lines can not adequately meet the transportation demands, we are feeling the effects of the attitude of regulating bodies toward water transportation in the past, and the effects are serious. Instead of having ample water-carriage facilities to supply the deficiencies of rail carriage when they are badly needed, we find a woeful lack of them. The first step toward a rejuvenation of water transportation is to enforce the fourth section of the act to regulate commerce in accordance with the intent of Congress when it was enacted.

"Since the enactment of the act to regulate commerce in 1887, violations of the long-and-short-haul principle have not obtained to any great extent in that part of the United States where the density of traffic is greatest; that is, north of the Ohio and Potomac Rivers from the Mississippi River to the east line of New York. Such a policy on the part of the carriers would not be tolerated. To illustrate: Were rates to and from the very large number of manufacturing centers located within 100 miles of Chicago graded 10, 20, or 25 per cent higher than to and from Chicago, those centers would be depopulated. It would be necessary for the carriers to establish limits circumscribing the favored territory. Any line so established would be extended here and there as the power of the affected interests dictated, until in time it would be abolished entirely; because each extension would afford incontrovertible argument to the industry just beyond, that it must be taken in to eliminate the obvious discriminatory situation.

"No legislature, court, or commission has the right to require one man to pay any part of another man's transportation tax. Rates made to terminal points that yield less than a fair margin make it absolutely necessary to impose at other points rates that pay more than a fair margin or there is a deficit. Railroads must earn from the rate of service revenue sufficient to pay operating expenses and a reasonable profit on investment. If some transportation is sold at prices that do not so yield, the deficit must be made up in some way, and the only way it can be made up is by unduly taxing other patrons.

"The grand aim of regulation is to eliminate discrimination, and the greatest discrimination in the whole field of transportation is the result of the gross violations of the long-and-short-haul principle permitted by regulative bodies misled by the subtle sophistries of those desiring to profit by the loss of others.

"The Federal Government would not undertake to confer a jobbing monopoly upon particular commercial centers and prohibit wholesale dealing at all other places. The public would not stand it; yet the carriers in some localities have arrogated to themselves the right to do that very thing. By their rate structures they have said to certain centers, 'You may have the reshipping monopoly for the territory we have assigned to you,' and have enforced their edicts by so adjusting rates as to make it impossible for other centers to compete. The deplorable fact is that this arbitrary assumption of undue and unjust power has been not only condoned but affirmatively indorsed by the tribunal erected for the purpose of protecting public rights.

"Economists have for years warned us against the evils of aggregating great populations in cities. Were it possible to apply universally throughout the United States the policy of imposing higher rates to the intermediate territory than to favored terminals, commerce and manufacturing would naturally gravitate to those favored centers. It could not be otherwise. With the national freight-rate structure framed on sane principles, the population will naturally distribute itself so as to form a wholesome, healthful, economic organization, nowhere unduly dense, nowhere unduly sparse, supply within reach of demand, transportation conditions simplified, congestion eliminated.

"If Senate bill 313 becomes a law its salutary influence will be felt almost immediately, more especially, of course, in those localities now suffering from the maladministration of carriers and regulative bodies. Territories which have existed in spite of adverse conditions will flourish under natural conditions.

"It is to be deplored that it is necessary to pass this bill; that existing law has not been administered as Congress intended. Legislation has done its share toward sane and just regulation, but the administration of regulative law has failed. The results of such failure are grievously unjust conditions: the divesting of some localities of their natural advantages that artificial advantage might be conferred upon other localities. It therefore becomes necessary to make the long-and-short-haul mandate absolute, that even-handed justice may be obtained everywhere throughout the country.

"Chief Justice White, in the *Intermountain Rate cases* (234 U. S., 476, 482), said:

"Almost immediately after the adoption of the act to regulate commerce in 1887 the Interstate Commerce Commission, in considering the meaning of the law and the scope of the duties imposed on the commission in enforcing it, reached the conclusion that the words 'under substantially similar circumstances and conditions' of the fourth section dominated the long-and-short-haul clause and empowered carriers to primarily determine the existence of the required dissimilarity of circumstances and conditions, and consequently to exact in the event of such difference a lesser charge for the longer than was exacted for the shorter haul, and that competition which materially affected the

rate of carriage to a particular point was a dissimilar circumstance and condition within the meaning of the act. We say 'primarily' because, of course, it was further recognized that the authority existing in carriers to the end just stated was subject to the supervision and control of the Interstate Commerce Commission in the execution of the powers conferred upon it by the statute, and especially in view of the authority stated in the fourth section. In considering the act comprehensively it was pointed out that the generic provisions against preference and discrimination expressed in the second and third sections of the act were all embracing and therefore operative upon the fourth section as well as upon all other provisions of the act. But it was pointed out that where, within the purview of the fourth section, it had lawfully resulted that the lesser rate was charged for a longer than for a shorter haul, such exaction being authorized could not be a preference or discrimination and therefore illegal. In *re Louisville & Nashville R. R. Co.* (1 I. C. C., 31).

"This indicated clearly how the fourth section not only failed to relieve the situation it was aimed at but also under the construction given it actually weakened the other sections of the act (the second and third sections), which by their prohibition of preference and discrimination would otherwise, perhaps, have been sufficient to prevent the abuses which have grown up under the construction given to the fourth section.

"In the same case, in defining the change made by the amendment of 1910, the Chief Justice said:

"It is certain that the fundamental change which it makes is the omission of the substantially similar circumstances and conditions clause, thereby leaving the long-and-short-haul clause, in a sense, unqualified except in so far as the section gives the right to the carrier to apply to the commission for authority 'to charge less for the longer than for shorter distances for the transportation of persons and property' and gives the commission authority, from time to time, to prescribe the extent to which such designated common carrier may be received from the operation of this section.

"As has been shown above, this change has no substantial results, because the Interstate Commerce Commission, under the discretion vested in them by the proviso, adopted the same principles which had been given effect under the clause 'under substantially similar circumstances and conditions' contained in the original act. So that, although the clause was left out, the effect remained the same as before.

"In *Texas & Pacific Railway v. I. C. C.* (162 U. S., 197, 222) it was said:

"The effort of the commission, by a rigid general order, to deprive the inland consumers of the advantage of through rates, and to thus give an advantage to the traders and manufacturers of the large seaboard cities, seems to create the very mischief which it was one of the objects of the act to remedy.

"In this same case Justice Harlan, in a dissenting opinion, Justice Brown concurring, page 247, said:

"I am unable to find in these sections (secs. 2, 3, and 4 of the interstate commerce act) any authority for the commission or for a carrier, subject to the provisions of the act of Congress, to take into consideration the rates established by ocean lines as affecting the charges that an American carrier may make for the transportation of property over its routes. * * * A discrimination between A and B in respect of charges for a like and contemporaneous service in transporting the same kind of property over the same route is an unjust discrimination, because it necessarily operates to give that one to whom the most liberal rates are given an undue or unreasonable preference or advantage over the other.

"In the same case Chief Justice Fuller, in a dissenting opinion, page 255, said:

"In my judgment the second and third sections of the interstate commerce act are rigid rules of action, binding the commission as well as the railway companies. The similar circumstances and conditions referred to in the act are those under which the traffic of the railways is conducted, and the competitive conditions which may be taken into consideration by the commission are the competitive conditions within the field occupied by the carrier and not competitive conditions arising wholly outside of it.

"In *I. C. C. v. E. T., V. & G. Railway Co.* (85 Fed. Rep., 107, 118) the court said:

"But the long-and-short-haul clause is only one of the specific provisions employed for the general purpose of the act. The third section underlies the fourth and supplies the principle on which it rests, so that if the literal construction referred to be put upon the fourth section the case would still be exposed to the third section, which forbids undue preference to one locality or the subtraction of another to any undue disadvantage.

"These citations give a clear idea of the far-reaching effect the little phrase 'under substantially similar circumstances and conditions' and the proviso vesting discretion in the matter in the Interstate Commerce Commission have had in undermining and defeating the most fundamental and prominent purposes in the enactment of the interstate commerce act.

"In the case of *Behlmer v. Louisville & Nashville Railroad Co.* (83 Fed. Rep., 898, 907) it was said:

"The appellees contend that the smaller charge for the greater distance is in this case of great importance to the city of Charleston, as well as to the section of country adjacent thereto, as by means thereof the merchants of that city are enabled to build up a trade that would otherwise be lost to them. That may be true, but is not the same argument applicable to Summerville and other interior cities along the line of the roads operated by the appellees between Charleston and Memphis? In order to build up one locality we should not tear down many others.

"The evil effects of the application which has been given to the fourth section are very well stated in *I. C. C. v. E. T., V. & G. Railway Co.* (85 Fed. Rep., 107, 113), where the court in its opinion said:

"If the fact of such competition is allowed to become a dominating factor in fixing the relative charges of transportation to the different places along the lines, these communities where there is no competition must be blighted by the disadvantage with which they are burdened and the favored places grow prosperous in the sacrifice of others. * * * And public policy would also be advanced by the opposite course not only in the encouragement which would thus be given to the distribution of commerce and population, but also in extending the equality of privilege which it is one of the prime objects of legislation to promote.

"In the report of Mr. Walter Parker, assistant to the secretary of commerce for inland water transportation, for the six months ended December 31, 1917, referring to the effect upon water transportation of the exceptions granted under the fourth section of the commerce act, he says, on page 5:

"The inability of the railroads to finance the purchase of equipment in sufficient volume to make possible adequate expansion, even were the materials available, is obvious to every student of economy. This being true, resort must be had to other than the railroads if the transportation is to be so augmented as to serve without friction, inconvenience, and delay.

"The waterways—natural lines of least resistance—offer the only solution.

"Their immediate use, as an adjunct to the railroads, is handicapped—

"(6) By a railroad system which gives the waterside locality lower freight rates than are given inland localities, a system which has only just begun to be changed.

"It is my opinion that private enterprise and capital will restore commercial use of the inland navigable waterways only as a result (1) of the assurance of adequate protection of boat traffic from uneconomic railroad-rate competition (p. 10).

"The adoption of the five recommendations below will go far, I am convinced, toward producing the desired results:

"(3) That the Secretary of Commerce call the attention of the Interstate Commerce Commission to the fact that the Government's policy, growing out of the law relating to the making of railroad rates where boat competition is possible, is not yet specific or clear enough to insure popular confidence in the safety of water transportation companies from railroad-rate changes of an uneconomic character. The law permits railroad-rate reductions to meet new boat competition, but prohibits the raising of such rates should such new boat competition be removed. It is my opinion that the economy of transportation is now such as to very largely remove the old danger to boats of extremely low railroad-rate competition, but prospective investors in boat lines require specific assurance of this before they will regard investments of this character as attractive.

"Under the jurisdiction of the railroad-control act, the Railroad Administrator, representing the President, directed investigations to be made by the Army Engineers, who for years have had charge of the expenditure of appropriations made by Congress for the improvement of rivers and harbors, of the relation of water to railroad transportation, and to make recommendations of measures for the coordinating of same, and the increased use of waterways to meet the war emergencies. After exhaustive studies of the subject under this authority, and having the benefit of years of familiarity with problems involved, Col. Charles Keller (now Maj. Gen. Keller), of the United States Army Engineers, testifying before the Committee on Rivers and Harbors of the House of Representatives, printed under date of January 25, 1918, in the hearings of that committee, said:

"We already knew—we knew before we started—that there was little or no navigation. We also knew that there was comparatively little interest on the part of the various local communities that seemingly ought to be very much interested in river navigation. We found out that the causes for this condition were the familiar causes that had been reported by one commission after another (p. 6).

"And, second, there is the fear of hostility on the part of the railroads. It is possibly a familiar fact to this committee that the railroads do discriminate in their dealings with people who attempt to use our inland channels. * * * That they have the right to discriminate in this fashion no one will maintain, but that they practically do discriminate no one will deny. * * *

"But foremost of all, most fundamental of all, is the detrimental effect of the rail rates to river points. * * * I am convinced that no really successful navigation can be established unless the present structure of rail rates is completely revised, so as to take away from river communities those unjustly favorable rail rates that now exist and to distribute over the community in general, including the river communities, the burden of contributing adequately toward the support of railroads. At present the river communities do not pay their just share, and traffic is handled to river points at unremunerative rates. Of course, the ultimate effect of that condition is to render river transportation unprofitable and practically impossible. That fundamental cause of trouble was exposed many years ago, and has been emphasized again and again. There is no novelty in the conclusions to which I have come, and I will say that when I speak in the first person I speak the views of the committee. We believe that without this primary change in railroad rates comparatively little can be done to establish a really useful and prosperous traffic upon our inland navigation routes (p. 7).

"Now, then, visualized in that way, it becomes very plain that we need something in the way of additional law—I say that with apologies, because we already have a great deal of law—to establish an agency, I do not care whether it is the Interstate Commerce Commission or some-

thing else, that shall have its eye upon the general transportation problems of the country, and that shall have for its function the duty of seeing that the transportation system as a whole is the most economical that it can possibly be made to be. If we are right in believing as we do that the rivers have their proper place in an economical system of transportation, it should be the duty of this agency to see that the rivers get the traffic that they can handle more economically than it can be handled in any other way; but unless and until we have such an agency, and just as long as this discriminatory state of railroad rates and practice is permitted to continue, only in exceptional cases will any channel—any inland channel, I mean—that competes mainly with railroads that parallel both banks, let us say, be able to get any commerce at all. The conditions are such that every man who has business is practically afraid to use the river, even though deep down in his soul he may believe that the river is the economical route (p. 9).

"We have also, as I say, looked into the coastwise business and the possibility of putting to advantageous use the New York State Barge Canal, the Hudson River, and the Atlantic intercoastal routes. We find there the condition is much the same as it is in the central valleys. * * *

"We do know, however, from our investigations that the same underlying handicaps attend the New York State Barge Canal as attend the central rivers, and that the barge canal ordinarily can not do a large and profitable business except in connection with the railroads, under revised rates.

"While it is true that, on the present basis of railroad rates, general business can not profitably be done by the canal, on the other hand it is equally true that, with the breakdown of the railroads, business men are confronted with the question whether they should pay a higher rate to the canal and get their freight promptly or pay to the railroads a lower rate for a slow and undependable service. * * * The water routes, if properly used, certainly is the remedy for the breakdown of railroad transportation facilities (p. 12).

"The ACTING CHAIRMAN. Who fixes the rates that the barges receive for carrying this coal?

"Col. KELLER. The railroads virtually do. For example—I speak now in general figures; I did not arm myself with the precise figures, but the figures are approximately correct, close enough to the truth to illustrate the situation. The railroad freight rate on hard coal from the anthracite fields to Norfolk is between \$2 and \$3 a ton. * * * The railroad freight rate per ton from the anthracite fields to Philadelphia, where that coal might be transhipped to barges and from Philadelphia going to Norfolk by water, is within 50 cents or thereabouts of the rail rate to Norfolk. * * * Now, then, that determines what the barge shall get. The man who is buying coal in Norfolk is willing to allow the barge only the difference between the railroad through rate to Norfolk and the railroad local rate to Philadelphia—that is, 50 cents. The result is that the coal does not move by water. The barges have gone out of this coal business. This is the shortsightedness of the people. They do not fight against railroad rates when in normal times these rates favor the individual at the expense of the community. When things are abnormal, however, these rates may militate against the individual as well and damage his interests. We come back to the point that there is no prospect of large traffic on inland waterways until the rail situation is very radically revised (p. 13).

"Our remedy is to change the law, and that is perhaps more easily said than done. But I think that we all concede that this is the evil that must be cured, that railroads should not be permitted to discriminate in favor of certain communities and against others. That is what it amounts to. When they carry freight below cost to river points in any part of the country they must recoup themselves by getting an extravagant and unjust profit on some of the rest of the business, the business to inland points (p. 14).

"Col. Keller submitted to the committee, as a part of his statement, a memorandum on the 'Status and Needs of Inland Water Transportation in the United States,' which had been submitted by the committee of the Army engineers on waterways to the Council of National Defense. In this memorandum it is stated:

"The railroads to-day complain that their earnings do not form such a percentage on the money invested as to permit the normal amount of betterments and renewals to be made. Higher rates are demanded, and doubtless are needed, but if granted they should be gradually adjusted on the basis of public service rendered, founded on the cost of such service, and not by arbitrary charges (p. 29).

"The actual manifestations of this competition are best seen by examination of the appended table of rates now in force. The table shows, side by side, rates from river points to certain terminal points lying on rivers and to others at practically the same distance but lying inland. It is evident that, where even merely possible water competition exists, the rates are very low, whereas in the contrary case they are much higher. Just so long as the railroads are permitted to carry part of their traffic without the average profit and to reimburse themselves at the expense of the rest of the country just so long will the waterways have difficulty in carrying their just share of the country's traffic. We have been informed that in some cases the railroads intend now to raise abnormally low rates which are based upon merely possible, and not actual, water competition, but the readjustment so far appears slow. To the objection that raising of rail rates to water points will benefit only the railroads, the reply is that if rates to interior points are unduly high they should be reduced, and that, moreover, the water lines may be expected to charge rates at least as low as the present nominally competitive railroad rates, since otherwise the waterway will probably get none of the traffic in the present circumstances of location and organization of our mercantile community (p. 31).

"An example of these water competitive rates was recently brought to our notice by a river boat line, and inquiry showed that the rail rate on lumber from Arkansas City, where water competition may arise, to Cairo, Ill., is about two-thirds the rate from McGehee, Ark., an interior point, although traffic from Arkansas City to Cairo passes through McGehee. Rail rates from the lumber-producing territory in the vicinity of Arkansas City have recently been raised, but those from points having possible water competition still remain relatively low. Illustrations of this kind might be multiplied indefinitely (p. 32).

"At the hearings on this bill the only active opposition to its enactment on the part of the railroads was presented by the Southern Pacific Railway. This system, in so far as competi-

tion in transcontinental rates is concerned, controls the situation. A glance at the map will indicate that its rail lines from navigable water on the Pacific to its eastern port at Galveston, on the Gulf of Mexico, about the longitude of Omaha, is approximately one-half the length of the competitive port-to-port lines or systems operating between Atlantic and Pacific ports. Its connection with New York and other ports is maintained by a fleet of steamers which in 1917 contained an aggregate gross tonnage of 129,700 tons. This line was the gradual and prosperous growth and development of the old Morgan line, established by Mr. Charles Morgan in 1848, which operated small steamers between gulf ports. The Southern Pacific also owned the Pacific Mail Steamship Co. This company was originally organized in 1847 for the purpose of operating a steamship line between Oregon and Panama. It built three small schooners of an aggregate tonnage of 3,300 and attained great prosperity in the gold rush to California in 1850 and subsequent years. It increased its business and tonnage, with varying degrees of prosperity, until 1908, when it operated a gross tonnage of 95,600 tons. On account of the Panama Canal act prohibitions and other alleged reasons its tonnage was reduced in 1914 and subsequent years until 1916. In that year the capital of the Pacific Mail Steamship Co. was increased to \$4,000,000, and three steamers of 5,700 tons each were purchased and its trans-Pacific service was resumed, with a total tonnage of 37,800 tons.

"The interest of this company in preventing the establishment of intercoastal ship lines, during the years when the system of discriminatory Pacific terminal rates were established and maintained on the so-called basis of out-of-pocket cost, is manifest; and the possibility of successful operation of American mercantile marine in foreign trade and of competition of boat lines in the coastwise trade with railway lines when the ship lines have the cooperation of connecting railway lines is demonstrated by the history of the Southern Pacific mercantile marine. The ability of this company also to make such Pacific terminal rates and to control the terminal-rate situation is evident by a comparison of its New York to San Francisco combined rail-and-water system, with the all-rail combination of railroad lines connecting these and other important Atlantic and Pacific ports. It is largely due to this company, with the powerful weapon of the permit given it in the operation and construction of the fourth section, the long and short haul clause, to reduce its terminal Pacific rates to such a point practically as it might see fit, or as might be necessary, to destroy or deter any rival water transportation. As pointed out by Mr. Frank Lyon in a brief filed in the so-called Transcontinental case before the Interstate Commerce Commission on behalf of the Luckenbach and other steamship companies, this privilege and power of the railroad company to lower its rates in its discretion because of potential water competition to such a point as would prevent the establishment of actual water competition, was an inexpensive and practically costless substitute which took the place, in the hands of the Southern Pacific Co., of the maintenance of actual competitive steamship lines in the all-water route. He says:

"In order to compete with the boat lines by the ownership of steamships would require the investment of a large sum of money, and to be effective would require the actual movement of freight via the boat line to the destinations proposed to be served. For instance, if the Southern Pacific were operating a boat line from San Francisco to the Atlantic coast to serve the ports of Charleston, Baltimore, Philadelphia, New York, and Boston, in order to be effective it would have to actually transport the freight to those ports in regular service in competition with other boat lines serving the same ports.

"Under the practice of securing relief from the fourth section, the Southern Pacific has been enabled to publish very low rates from San Francisco via rail to Galveston and thence by water to the ports named, and at the same time maintain no service. There has been no pretense of service via that line to Charleston, Baltimore, Philadelphia, and Boston since these rates were published, and the only shipments made have been several small lots into Charleston, Boston, and Philadelphia. The rates to the other ports as well as Charleston have been held as a club over any steamship company that desired to serve those ports. They could not do so with these published rates via the Southern Pacific, which could be made applicable any day that the Southern Pacific feared real competition of any independent water line. The publication of these rates is and always will be a menace to water lines serving these out ports, as they are termed. At one time it was the intention of the American-Hawaiian to develop business to Charleston and Boston, and the Luckenbach to Philadelphia, but the publication of these rates, which are applicable only when it suits the convenience of the Southern Pacific, forestalled and eliminated the efforts of the independent water lines to serve the out ports.

"Mr. Lyon also said:

"The uselessness of pretending to encourage a merchant marine is at once apparent if the commission has authority to permit rail carriers to make less than reasonable rates in order to take from that merchant marine the business which would otherwise come to it.

"It is a matter of fact that the charging of less than reasonable rates between water points has had the effect of limiting the operation of boats. Whether this policy is to be continued may well address itself to the legislative department of the Government, and we submit

should play its part before the commission when it has before it a question the determination of which marks the boundaries of our merchant marine. * * *

"The United States has expended about \$400,000,000 in building the Panama Canal, and indications are that additional sums will be necessary for its completion. The steamship companies utilize the Panama Canal in transportation between the Atlantic and Pacific coasts. The effect of granting those applications under the fourth section is to permanently turn business from the Panama Canal to the transcontinental rail lines. This may only be done by permission of the Interstate Commerce Commission. By granting this and like applications of the transcontinental lines, we respectfully direct the commission's attention to the fact that it is to a greater or less extent decreasing the use of the Panama Canal, thereby decreasing its revenues and thereby transferring the burden of its maintenance to the taxpayers of the United States generally, by requiring direct appropriations for the Treasury in order to continue its operation.

"That the special exemptions from the application of the fourth section granted to the railroads did and would have the effect of preventing altogether water transportation and that, notwithstanding such effect was expressly recognized, exemptions thereunder were granted, is shown, in addition to the case cited above, by the decision of the Interstate Commerce Commission in the case of *Monroe Progressive League v. St. L., M. & S. Ry. Co.* (15 I. C. C., 539):

"Complainant argues that, inasmuch as low rail rates have greatly reduced the steamboat traffic on the Mississippi River, water competition no longer exists at Vicksburg, and that, therefore, justification for the lower rates all rail from St. Louis to Vicksburg through Monroe is removed. The river, however, is still at Vicksburg, and any increase in the rail rates sufficient to induce the establishment of additional steamer lines would transform the diminished but strongly potential water competition into augmented active water competition which, once established, must continue.

"In the *Nevada Railroad Commission v. S. P. Ry. Co.* (21 I. C. C., 358), Commissioner Franklin K. Lane said:

"We have thus traced the history of this protracted struggle between the ocean and the land carriers that we might clearly appreciate the strategy of the railroads and its effect upon the ocean-borne traffic. One water route after another has been rendered innocuous. To meet the competition of the railroads the tendency of the ocean carriers has been to shorten the time consumed in passing by water from coast to coast. The clipper ship has been forced to give way to the steamship and the steamship has been compelled to transship by rail a portion of the distance. The routes by way of Cape Horn and Straits of Magellan have been virtually abandoned. For nearly 40 years the Panama route has been under railroad control. When an attempt was made to reestablish this route as a vital competitor the railroads used their own ocean and rail line to eliminate it from the field. * * * While they have subsidized, bought, and controlled the water carriers, there has always been present to the mind of the traffic manager of the transcontinental railroad the existence of the ocean and the possibility of its use. Without a ship upon it the ocean has the power to restrain, in some degree, the upward tendency of rail rates.

"It was thought that considerable advance had been made in freeing ship lines from the control of competitive railroad lines by the Panama Canal act. If, however, the competitive railroad lines can accomplish their purpose by making less than reasonable rates at the competitive points, or even by the permission and possibility of doing so, and can then reimburse themselves by higher rates at the intermediate points, and so destroy water competition or prevent its establishment, it is a far cheaper process for them than the control or ownership of actual ship lines to be maintained for the purpose of fighting off competitors. By this inexpensive process they can control competition through the Panama Canal, or any other waterway, and so render entirely useless the enactment of the law referred to, prohibiting them from owning competing water lines.

"In exempting the railroads from the operation of the fourth section the Interstate Commerce Commission, in the *Louisville & Nashville* case (31 I. C. C., 495), permitted lower rates from New Orleans to Nashville than to intermediate points on the same line, and states:

"While there is no sugar moving to-day between New Orleans and Nashville by water, still the river is navigable and there is a possibility of its moving that way.

"The effect of this is that while there was a possibility of it moving that way, so far as the physical conditions were concerned there was no possibility of it moving that way under the rate as permitted by the commission.

"In the case of *Lake Line Applications* under the Panama Canal act (33 I. C. C., 712) the Interstate Commerce Commission says:

"From an examination of the congressional debates from which the act emerged (referring to the Panama Canal act) it is at once clear that the spirit which undoubtedly prompted this legislation was a desire to preserve to the common interests of the people, free and unfettered, the "water roadbed" via the Panama Canal, which was nearing completion. Coupled as it is, the legislative purpose of the other parts of the amendment with respect to waters "elsewhere" must necessarily have been to restore all the water routes of the country to the same condition of freedom from any domination that would reduce their usefulness.

"Notwithstanding this recognition of the intention and purposes of this section of the Panama Canal act, the commission

has permitted the roads, notwithstanding the long-and-short-haul clause, to make such rates as would prevent actual water competition where none existed but was only potential. Of course the same ruling would apply to the Panama Canal and utterly defeat the purpose defined by the commission in the passage just cited. In fact, the very existence of the canal itself, when open to traffic, was made by the railroads the basis of applications to the commission for further exemption from the long-and-short-haul provision of the fourth section, and in the case of the Fourth Section Application No. 205 et al. (32 I. C. C., 622) the Interstate Commerce Commission permitted the railroads to still further reduce their rates to the competitive water points and to maintain higher rates to the intermediate points for the express purpose of taking business from the Panama Canal, and rendered this opinion:

"We are of the opinion that these carriers should be permitted to compete for this long-distance traffic so long as it may be secured at rates which clearly cover the out-of-pocket cost.

"The railroads were permitted to fix rates to the coast that were admitted to be less than reasonable in order to take business from the Panama Canal. Under this a rate on structural steel from Pittsburgh to San Francisco was fixed at 65 cents per hundred pounds; while the rate to Reno, Nev., from Pittsburgh was fixed at \$1 per hundred pounds, though the distance from Pittsburgh to Reno is 244 miles shorter than from Pittsburgh to San Francisco, and the shipment to San Francisco went over the same line as that to Reno and passed through Reno to its destination. Under this system, of course, the railroads secured the business which would otherwise have passed through the canal, and at the same time were relieved of the expense of operating a competing line of boats.

"The uncertainty which exists with regard to the matter, notwithstanding the order of the commission of June 30, 1917, which went into effect March 15, 1918, withdrawing exceptions from the fourth section in the Transcontinental Rate Case (41 I. C. C., 276), appears from that decision itself, as follows:

"When the water competition again becomes sufficiently controlling in the judgment of the carriers to necessitate the reduction of the rates to the coast cities to a lower level than can reasonably be applied at intermediate points, the carriers may bring the matter to our attention for such relief as the circumstances may justify.

"It is perfectly obvious that under this suggestion and invitation no security can be felt either by industry in the interior or by prospective ship-line investors on the coast; and, in order to enable either to operate, this constant menace should be permanently removed.

"In his report as Assistant Secretary of Commerce, cited above, Mr. Walter Parker says:

"At that time (the second stage of transportation economy in America) railroad expansion was proceeding at a more rapid pace than the commerce of the country was developing and railroad exploiters felt the necessity for controlling all of the commerce of the country and completely eliminating the boats as a factor * * * (p. 4).

"Under these conditions the railroads gained a practical monopoly of the country's transportation and enjoyed a period of great prosperity and attractiveness for the investor.

"Keen competition between the railroads and keen rivalry for the control of railroad systems resulted in short-sighted policies and the frequent and persistent violation of economic laws. Interior sections developed and began entering protests against the payment of rates high enough to offset the low rates given by the railroads to navigable water-served towns. * * * Commerce requiring transportation increased beyond the capacity of the railroads to conveniently and expeditiously move it (p. 5).

"In an address before the Boston City Club, April 11, 1918, Hon. George W. Anderson, late member of the Interstate Commerce Commission, said:

"But a large part—and I think the weight of opinion is, the larger part—of the decay of water-borne traffic has been due to artificially competitive rates. The long-and-short-haul provision of the interstate commerce act has been allowed to be set aside in order to meet water competition, and "meeting water competition" has commonly resulted in the destruction of water competition. During the last few years this destruction of water competition has reacted upon the carriers. When a rail carrier is saturated with traffic, additional traffic, causing congestion or a tremendous expense for new facilities, is disproportionately expensive and therefore unremunerative. Until about June 30, 1915, the rail carriers of the country wanted all the traffic there was. But during that year some of them became engorged, congested, overburdened. A large share of the locomotives which would normally have gone to our rail carriers went abroad. This made a bad situation worse. Then, almost for the first time in two generations, the American people awoke to the fact that they had been foolishly destroying transportation facilities furnished them by Divine Providence. Our canals have been in large numbers abandoned or little used. Canal transportation has been decadent from about 1840. So also as to our rivers and, to a large degree, to our coastwise transportation. * * *

"But, passing what we hope are the short-lived troubles of the war, the relation of rail transportation to a properly developed water transportation is of fundamental and permanent importance. As I probe deeper into the rate structure and try to analyze fundamental transportation facts I am surprised to find the extent to which the growth of large cities has been due to preferential rates. Railroad managers have come almost instinctively to regard water traffic as something

to be done to death, fought without quarter. Remember that the railroads are now all under Federal control; that we have a unified national transportation system; that the Federal control act just passed by Congress provides in express terms, in section 6, for developing water transportation at the expense of the Federal Treasury; that for months the claim has been that we have not the facilities to handle our traffic.

"Yet my attention was recently called to certain evidence introduced by railroad witnesses in a case now pending. It was shown that the out-of-pocket cost of handling less than carload traffic at two terminals, plus the cost of a 10-mile haul, was about 30 cents for 100 pounds. In the same case the carriers asked the commission for permission to continue a rate for a haul of about 300 miles which was only about 1 cent higher than the 30-cent rate—this for the purpose of meeting alleged water competition. In other words, the carriers asked to be permitted to continue in traffic which admittedly paid them only 1 cent for an extra haul of about 290 miles. But this claim of the right to take traffic away from the water carriers, even at a loss, is typical of what has been going on for years, with results obvious to all.

"The destruction of water facilities is not the only untoward result of this unwise and injurious sort of competition. Rates, originally low but possibly remunerative, have given such advantages to certain advantageously situated cities that these cities have grown disproportionately, absorbing to themselves an overload of traffic with a resultant increasing terminal charge, generally absorbed by the carriers, so that it is plausibly claimed there are very many long through rates between our larger cities which, including terminal charges, show an actual, substantial out-of-pocket loss. Manifestly these railroads must become bankrupt or assess an unduly high charge upon intermediate and noncompetitive traffic. This results in subsidizing the undue growth of large cities and suppressing the proper growth of smaller cities and towns. I need not now dwell upon the disturbing social, political, and moral problems of our overgrown cities. We all agree that excessive urban growth is one of the evils of our modern society. In some of our cities the seemingly fundamental problem of housing the working population remains unsolved, and now confronts us as a war matter of first importance. Few people have had any adequate recognition of the extent to which that urban overgrowth has been caused by artificially competitive rail rates.

"In the hearings on this bill former Senator Joseph L. Bristow cited many illustrations of rate discriminations between communities in violation of the principle of the long-and-short-haul clause, and stated:

"There is not a small community in the United States that does not suffer as a result of this discrimination, and there are a vast number of large communities that are at the mercy of those that are still greater.

"He pointed out that the policy of the railroads was to acquire more transportation by a system of rates which encouraged the development of distant points on the long haul, at the terminals, necessitating a back haul and so much unnecessary haulage for distribution to the back country. This uneconomic system, which explains, in a large measure, both the congestion of cities and the breaking down and blockade of transportation referred to by Mr. Anderson, was described by Senator Bristow as follows (hearings, p. 65):

"The centering of the business that I am now discussing in Kansas City, so as to get this movement of live-stock, and then the shipment of products—the manufactured meat, the dressed products—back into the country, 50 or 100 or 250 or 400 miles, as the case may be, creates a higher and better paying business.

"It gives them more profit out of the business. It develops transportation business for the carriers. Now, that system has prevailed throughout the United States, and it has resulted in the creation of a lot of unnecessary business, because it pays the carriers to handle it. * * *

"I think that the system of rate making, which has resulted in this congestion of business in great terminals, at the expense of the smaller commercial communities, has been very unjust. * * *

"The railways, by lessening the rates on competing water points, reducing them to a point where the water carriers could not accept the commerce and handle it, and then make up the loss, if loss there was, or penalize the communities that were not on water by excessive rates, have destroyed water competition.

"If that had not been permitted this Government to-day would not be required to spend a billion dollars to create a merchant marine. The system of rate making which has been recognized by the American people, and recognized by the Interstate Commerce Commission, has destroyed the American merchant marine absolutely.

"Hon. C. C. McClord, member of the Interstate Commerce Commission, recently a member of the Railroad Wage Commission, and one of the umpires of the National War Labor Board, in a thoughtful analysis of the problems to be solved by the Nation in the reabsorption into our industrial life of the demobilized Army, in a statement published July 28, 1918, states:

"What is needed in this country is a wider diffusion of manufacturing industries and the local supply of the necessities of life. Products of our factories are distributed throughout the land, but under circumstances of economic waste as to demand a radical change.

"After describing the enterprising efforts of the Middle Western and border Southern States to develop manufacturing industries in the period of renewed industrial activity following the close of the Civil War, he calls attention to the tragedies and failures of so many of these undertakings, stating that there were various causes for their lack of success, but that:

"Most of them should have survived, and would have done so except that influences were at work that made success impossible. Among the chief of these was the fact that the railroads favored certain manufacturing centers in the way of facilities and rates. * * * Long hauls in large lots afforded attractive business that added to the aggregate of the returns to the carrier from his (the traffic manager's) efforts,

and led to his preferment by those higher up in the control and management of the road.

"Competition for business at points reached by several railroads was keen and incessant. The more railroads that served a particular point the keener the struggle between rival traffic officials for business. For many years previous to 1900 and by many roads until 1906 rebates were paid to secure business to such an extent that officials have frankly admitted in evidence in proceedings before the Interstate Commerce Commission that few carriers pretended to collect more than 80 per cent of the advertised rates on shipments from competitive points.

"Railroads were built from business centers to business centers. Some reached the objective points by short direct routes, and others by long indirect routes. The latter in order to do business at the competitive points met the rates named by the short line, meanwhile maintaining higher rates at shorter distance points on their own lines.

"In the same way competition by boats on our inland and coastwise waterways was met by all-rail carriers until transportation by water, so far as our inland rivers are concerned, has been nearly abandoned. Cities and towns along these rivers, entitled to enjoy the cheaper water transportation, were deprived of the advantage of their location. * * *

"The result was that the factory in the small town ceased to operate and its employees were compelled to seek employment in the centers of production. * * *

"The result is that workmen and women in largest numbers live under conditions that are not sanitary, wholesome, nor conducive to good morals. This has happened in a country that is less densely populated than any of the great nations of the earth, and where there is room enough for every citizen and resident to enjoy his full share of pure air and sunlight and to live under conditions conducive to health, morality, and happiness. * * *

"There are many considerations that dictate a relocation of our manufacturing industries. * * *

"Thoughtful study should now be given to the equalization of rates for freight transportation and as to whether higher rates should for the future be permitted for shorter than for longer distances over the same line or route, the shorter being included within the longer distance, and whether combinations of rates and transit privileges that now unduly favor certain jobbing and junction points should be canceled and reasonable through rates established to all points. Transportation by boat on our rivers and coast lines should be encouraged to relieve rail carriers at congested cities and ports.

"The expectations of the authors of the fourth section, and that these expectations have been disappointed in the administration of the law, may be indicated by the following remarks of Hon. John H. Reagan, at that time chairman of the Committee on Commerce of the House of Representatives (CONGRESSIONAL RECORD, Vol. VII, pp. 7280-7281, July 21, 1886):

"The object of this important provision is to protect the people at noncompetitive points from paying for the carriage of the freight shipped from the competitive points. It was found difficult to provide a rule which would be entirely equitable. It would not be right to charge the same rate per mile for a long as for a short distance, as the loading, unloading, preparation of trains, and handling would be the same in both cases. In adopting the provision that no more shall be charged for the shorter than for the longer distance, which includes the shorter, we did discriminate in favor of the long haul to the extent of providing that no more should be charged for the shorter than for the longer distance, thus leaving the provision so that if the transportation companies find it necessary they may charge as much for the short as for the long haul. This rule recognizes the territorial extent of the country and the character of shipments to be made.

"It enables the transportation companies to carry grain and flour and meats from the productive fields of the West as cheaply as from Illinois, Indiana, Ohio, West Virginia, or from the western part of Pennsylvania or New York to the seaboard.

"Justice and fair dealing could surely require no more. And in preventing charging more for the short than for the long haul it conforms to the rule adopted in the State constitutions of Pennsylvania, Missouri, Arkansas, and California and by the statute laws of Massachusetts and other States.

"Hon. Shelby M. Cullom, of Illinois, chairman of the Senate Select Committee on Interstate Commerce, said in the Senate, April 14, 1886 (CONGRESSIONAL RECORD, Vol. VII, pp. 3472, 3477):

"Section 3 (of 1532 as reported) in general terms prohibits undue discrimination against localities, but section 4 is more specifically directed against that evil, by prohibiting a greater aggregate charge for a shorter than for a longer distance over the same line, in the same direction, and from the original point of departure. This is the general declaration made, and it is agreed that this is the principle that should be observed as a general rule.

"Senator Cullom then proceeded to argue that there were exceptional cases in which this rule ought not to be absolutely applied. How far the result has been from the expectations and intention of Senator Cullom, who himself was among the most conservative of the framers of the act in regard to this particular regulation, is shown by the fact that the exceptional case which Senator Cullom had in mind has not only taken the place of the general rule, and reversed it, but has in fact become the universal practice, so that the evil of discrimination between communities, which was intended to be cured by this legislation, became more widespread and intense than before.

"The bill, as introduced in the House by Mr. Reagan and as passed by the House, contained no qualifying clause as to 'substantially similar circumstances and conditions' and no proviso giving authority to the Interstate Commerce Commission to grant exceptions from its application.

"The fourth section of the Senate bill, as reported by the Senate committee, as will have been noted by the citation from Senator Cullom's remarks above, in addition to this qualifying phrase and proviso, contained, after the word 'direction,' the words 'and from the original point of departure.' In the

vote in the Senate on May 5, 1886, these words were stricken out under the leadership of those who favored a stronger long-and-short-haul clause. In conference the words 'the shorter being included within the longer distance' were inserted after the word 'direction' in the place of those which the Senate had stricken out. Those who favored an absolute long-and-short-haul clause supported the House bill in this respect, but in conference a compromise was effected by the insertion of the words just quoted and the retention of the qualifying phrase and proviso mentioned above. It was believed by all that under the fourth section, as so framed, and which was finally enacted into law, the general rule would prohibit the charging of a greater rate for the short than for the long haul, but that in exceptional cases relief from it might be granted.

"Senator Isham G. Harris, of Tennessee, member of the Senate select committee, said, January 11, 1887 (CONGRESSIONAL RECORD, Vol. VII, pp. 527, 530):

"Most of those who oppose this section (as agreed upon in conference) claim that it fixes the same rate per ton per mile for the short as for the long haul. * * * Language could not be selected which would more clearly negative that idea than the language of the section does.

"The plain meaning is that the carrier shall not demand a larger gross sum for hauling a carload of grain or other freight over a part of its line than it demands for hauling a similar carload of the same class of freight over its whole line.

"The proviso of the fourth section confers upon the commission full and complete power whenever application is made to the commission and the commission has become satisfied after investigation that this is an exceptional case under exceptional circumstances which require that the railroad in question should be relieved from the general rule prescribed by the fourth section.

"In the amendment of 1910, eliminating the phrase 'under substantially similar circumstances and conditions,' it was obviously intended and expected to strengthen the section and to prevent the discriminations in favor of the long haul which had continued under the act of 1887. There could have been no other purpose in view, and the debates of Congress show that this was the intention. As pointed out above, however, the purpose of Congress was again wholly defeated by reason of the proviso authorizing the Interstate Commerce Commission to grant relief in special cases. Under this, as before, the special cases became the universal rule and the situation remained substantially unchanged; and it is evident the only way in which relief from these discriminations can be obtained is by removing the invitation which the section, both in its original form and after the amendment of 1910, contained, to the railroad, to apply to the Interstate Commerce Commission for exemptions from the application of the fourth section. The discretion being vested in the Interstate Commerce Commission, the commission upon application felt compelled to exercise the jurisdiction thus conferred upon it. If the discriminations which have wrought so much injustice to the South and West, and, to a lesser extent, to the North and East, are to be removed, it is perfectly evident that this invitation must be withdrawn and this jurisdiction to grant relief from the act must be repealed and the act must be made mandatory and absolute, as provided by this bill.

"The rule should be that the railroads should be allowed to compete with water transportation as far as they can do so without making discriminatory rates between communities. The only interest which the railroads can have in seeking exemption from the fourth section is to destroy the water lines and get their traffic; because, as to mere comparative rates, just as large a revenue can be obtained by such an adjustment of rates to the coast and to interior points as to avoid discrimination.

"The destruction of intercoastal shipping retards the development of an American mercantile marine in the foreign trade, as the two are closely related and interlocked. If a flourishing intercoastal mercantile marine were developed some of its ships would touch at many foreign ports and others would make the intercoastal voyage a part of a continuous voyage between foreign and domestic ports. The handicap which railroads have put upon the development of intercoastal water transportation has been one of the most potent and deterrent factors preventing the development of American shipping in the foreign trade.

"If the ship lines could not meet railroad competition, would it be claimed that the interior should be taxed to subsidize them in order to enable them to do so? Regardless of the merits of the general proposition of a ship subsidy, certainly the proposition that this subsidy should be paid by only certain portions of the country, while others should be relieved from it, would not be considered for a moment; and yet this, to all intents and purposes, is the privilege which the railroads claim to enable them to meet water competition.

"By driving away water transportation, not only are the Pacific ports deprived of its benefits, but the interior as well,

since such points as Spokane would be enabled to get the benefit of the water rate plus the local rate to Spokane. It is assumed by some representatives of the railroads that the ship lines, if allowed to engage in this business, would get practically all of the coast traffic. This is manifestly not the case, since it was testified by railroad officials themselves in the hearing that much of traffic would move by rail regardless of the water lines and, as has been recently demonstrated, the railroads would receive as much business as they can efficiently handle, notwithstanding water competition, and the people would be willing to pay for it reasonable rates so long as they were uniform to all and unjust discrimination was abolished.

"When freight rates were last year arbitrarily increased 25 per cent the discrimination against the interior was greatly intensified. While the interior was already suffering from the unjust burden of higher rates for shorter hauls the flat increase of 25 per cent on all rates in the section covered by the increase resulted in a larger absolute increase for the intermediate points than the same percentage produced when applied to the lower rates at the favored long-haul points. To still further widen the breach and aggravate the inequality of burden the percentage war tax on all freight bills was, of course, much larger on the higher freight bills of the interior points than upon the lower bills of the favored localities. In this way the original injustice was made the basis for a series of still further injustice and burdensome discriminations. As said by Mr. A. J. McGehee, secretary of the Association of Commerce of Jackson, Tenn., in the *Traffic World*, January 4, 1919:

"The recent raise in freight rates of 25 per cent on the dollar resulted in a very much greater increase of the high rates to the interior than it did the low rate to the river points; for illustration: Supposing the rate to the river point to be 50 cents per hundred, the increase made it 62½ cents per hundred, and the rate to the interior point, already, without any reasonable excuse, being \$1 per hundred, is now \$1.25 per hundred."

"It is taxation without representation, because there has not been, and is not now, one single person who has authority or a vote in the matter of fixing these rates who lives in and has his personal fortune invested in any of these interior points. It is taxation without recompense, because there is no possible return nor compensation given by the railroads, to the people of the interior, resulting from the levying of this excess tax."

"As indicating in total results the enormous surtax laid upon the people of localities against which this discrimination is practiced Mr. J. B. Campbell, of Spokane, Wash., a thoroughly well-informed and responsible witness, who, as the representative of the Spokane Merchants' Association, has studied the situation for years, in the hearings upon this bill, page 136, said:

"The average excess of transportation tax paid by the intermountain territory per year is \$11,997,248. That is \$998,104 per month, or \$33,270 per day. The average excess war tax that will have to be paid by the intermountain territory upon a similar amount of traffic would amount, per year—if it ran a year—to \$359,917.44, or \$29,993.12 per month, or \$99.77 per day. Now, excess war tax. Just think of that for a moment."

"In the hearings, page 135, Mr. Campbell testified that the annual intermountain freight tonnage hauled by the railroads, tonnage on which were paid excess freight rates, amounted to 2,994,312 tons. This estimate he arrived at by taking actual figures for four months of 1916 as supplied by the railroads. Mr. Campbell testified that this intermountain tonnage paid an average excess over the coast rates of 20 cents a hundred or \$4 a ton, making an annual total of \$11,997,248 excess freight rates paid by the intermountain country.

"One of the most illuminating and rather astonishing features of the discriminatory rate system, whereby the long haul or end-of-the-line points are given less than reasonable rates, based merely on the so-called out-of-pocket cost, because it is argued there is water competition at those points, is that in a shipment, for instance, from New York, which passes over several connecting lines, making a joint charge for the transportation, those lines which reach New York, the seaport, receive exactly the same rate whether the shipment is consigned to, we will say, Seattle, the terminal point, or Spokane, the interior point; and the enormous surplus which is paid upon a shipment to Spokane, as against a shipment to Seattle, is wholly received by the lines west of St. Paul. In other words, while the discrimination is based on the argument or assumption of water competition, the increased rate charged for the shorter haul is wholly collected and absorbed by a line which has no water competition whatever between its eastern terminal at St. Paul and its western terminal at Seattle, which shows that the excuse given for the discrimination is altogether fictitious. Mr. Percy P. Powell, a prominent wholesale merchant doing business at Spokane, Wash., in his testimony before the joint committee of Congress, which is reprinted at page 82 of the hearings on this bill, said:

"The rate on canned goods from New York to Spokane is \$1.10 per hundred and the minimum is 60,000 pounds. The revenue on a car of canned goods from New York to Spokane on that minimum is \$600, whereas the rate to the Pacific coast, which is 85 cents a hundred with the same minimum, produces a revenue of \$510, the rate to Spokane earning \$150 more than the rate to the Pacific coast. The carriers earn \$150 more by dropping that commodity at a point 342 miles closer than the Pacific coast point of destination. This revenue is divided as follows: The lines east of St. Paul on the Pacific coast traffic receive \$180.38, and the lines west of St. Paul receive \$329.62. On the Spokane traffic the lines east of St. Paul receive \$180.38, which is identically the same amount they receive if the car goes through to Seattle or the Pacific coast terminals, and the lines west of St. Paul on that same traffic receive \$479.62. Now, whether this car of canned goods is subject to water competition or not, the eastern lines, or the eastern carriers, deliver that car from New York to St. Paul at exactly the same rate. The excess freight we pay on those goods is paid the western line that hauls the car from St. Paul to Spokane, and Commissioner Prouty, and in fact all the orders of the commission, have stated absolutely that water competition does not exist between St. Paul and Spokane."

"Industries will not be developed at interior points on the basis of temporary rates. Neither will boat lines be established so long as the old system is liable to be restored at any time by which the railroads would be allowed to make rates at terminal points which would kill off water transportation. Rate uniformity must be put upon a permanent basis, as would be the case if S. 313 should be enacted into law."

The PRESIDING OFFICER. The question is upon the amendment offered by the Senator from Washington.

Mr. CUMMINS. Mr. President—

Mr. POINDEXTER. I was just going to say that while I hope that the consideration of the amendment may not be delayed, I ask unanimous consent that it be passed over, so far as the vote is concerned, until to-morrow.

Mr. CUMMINS. I rose to say that the Senator from Michigan [Mr. TOWNSEND], who, as the Senator from Washington will remember, presented the amendment to the present law which is found in the bill now before the Senate, desires an opportunity to be heard a moment upon that phase of the subject, and I have sent for him, and he will be here at once.

Mr. MOSES. Mr. President, there is still another Senator who I understand wishes to be heard on the amendment, who is not in the city to-day, but who expects to be here to-morrow, I believe. If the Senator from Washington will consent that the vote shall be taken on this amendment to-morrow it will greatly accommodate that Senator.

Mr. POINDEXTER. I asked that the amendment be passed over until to-morrow.

Mr. MOSES. I beg the Senator's pardon. I did not understand that he had asked that it be passed over until to-morrow.

Mr. CUMMINS. If the Senator from Washington consents to passing over until to-morrow the amendment which he has proposed, I hope he will withdraw it, so that other amendments may be offered and we can go forward with the bill.

The PRESIDING OFFICER. The Senator from Washington has asked unanimous consent, the Chair understands, that the vote on his amendment be passed over until to-morrow.

Mr. POINDEXTER. Yes, that was my request. I do not think it is necessary to withdraw it, if by unanimous consent it is passed over. We frequently do that.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Washington?

Mr. CUMMINS. I assume that that can be done so as not to interfere with the offering of other amendments and going on with the bill.

The PRESIDING OFFICER. The Chair so understands it. If there is no objection, such will be the order.

Mr. GAY. Mr. President, I desire to offer an amendment at this time.

The PRESIDING OFFICER. The amendment will be read.

The SECRETARY. In the first print of the bill, on page 66, after line 21, insert:

Sec. 314. The provisions of this act relating to the grouping, consolidation, or Federal incorporation of carriers by rail, the adjustment of rates, fares, and charges in rate districts to yield the returns prescribed herein, and the disposition of the excess railway operating income of carriers by rail shall not be construed to apply to or affect any belt line railroad, terminal switching railroad, or other terminal facility, owned exclusively and maintained, operated, and controlled by any State or political subdivision thereof.

Mr. CUMMINS. Mr. President, as I view the bill, I think the substance of the amendment now proposed by the Senator from Louisiana is already in the bill, in even a broader form than is contained in the amendment. I have no objection whatever to it, so far as I can assent to the adoption of the amendment.

Mr. SMOOT. Mr. President—

Mr. GAY. I yield to the Senator from Utah.

Mr. SMOOT. I was just going to say that the Senator from Iowa has made in regard to five or six other amendments the same statement just made in regard to the amendment offered by the Senator from Louisiana, and really I can not see why we should adopt amendments that are already covered by provisions of the bill. It seems to me it is simply lumbering the bill, with no good whatever coming from it.

Mr. GAY. Mr. President, this matter was discussed rather exhaustively last night, and as there seemed to be some difference of opinion as to the possible interpretation of the amendment presented on yesterday, I have had this amendment drawn which I now offer as a substitute. The object of the amendment is to exempt public-owned belt railroads, belt railroads which are exclusively within the confines of a State, similar to the one owned by the city of New Orleans, from the provisions of the bill.

Mr. SMOOT. Very well; I have no objection. I suppose all such questions will be thrashed out in conference.

Mr. GAY. I was going to suggest that, if the amendment could be adopted, I would not care to take up the time of the Senate at this time with any lengthy discussion. The amendment was gone into in some detail last evening; but if it is desired that I should go into a discussion of it, I am prepared to do so.

Mr. SMITH of Georgia. Mr. President, I wish to ask the Senator from Louisiana, as I was not here last night, just a little about the effect of the amendment. Does it exempt State-owned roads from the operation of the bill, and to what extent?

Mr. GAY. It exempts belt-line railroads and terminal switching railroads owned by any State or political subdivision thereof. The Senator from Georgia is now referring to the amendment which I first offered. I have withdrawn that amendment, and this is a substitute.

Mr. SMITH of Georgia. Then I would like to hear the substitute stated. I have read the other amendment.

The PRESIDING OFFICER. The Secretary will read the amendment.

The Secretary read the amendment.

Mr. SMITH of Georgia. I understand the amendment applies only to belt lines?

Mr. CUMMINS. Belt lines, switching facilities, switching tracks, and the like.

The bill does not propose to control belt lines, switching facilities, plant facilities, and other transportation instrumentalities of that kind, nor does it propose to take from such facilities their earnings or regulate their earnings in any way whatever, as I understand the bill.

Mr. SMITH of Georgia. My interest is not in the belt lines. The State that I have the honor to represent owns a main line from Atlanta to Chattanooga, which is the most valuable property owned by the State. It was leased out for a term of years by the State, and it was to see the effect upon that line that I was especially looking at the amendment. It does not touch it, and therefore I have no suggestion to make. I may conclude, however, that a further amendment to take care of the line to which I refer will be necessary.

Mr. OVERMAN. Mr. President, I do not want to interfere, but I prefer the original amendment. Of course, if the Senator changes it to suit the New Orleans situation I shall not object, but I should be glad to support an amendment like that originally offered, which takes care of a State's property.

Mr. GAY. That amendment was withdrawn, and therefore this is the only amendment that is before the Senate.

Mr. POMERENE. The Senator from Iowa [Mr. CUMMINS] a moment ago referred to the general provision in the bill. That proviso is to be found on page 22, as I recall it, and reads as follows:

Provided further, That terminals, belt-line railways, tap lines, and other short lines or lines owned and operated by distinct corporations and so peculiarly situated or in such financial condition as to be practically incapable of consolidation, may be excluded if, in the judgment of the board, it is for the public interest.

The PRESIDING OFFICER. The question is on the amendment of the Senator from Louisiana [Mr. GAY].

The amendment was agreed to.

Mr. FRELINGHUYSEN. Mr. President, I offer the following amendment, which I ask may be read.

The PRESIDING OFFICER. The Secretary will read the amendment.

The SECRETARY. Add at the end of section 21 a new section, to read as follows:

For the purpose of enabling carriers by railroad subject to the commerce act properly to serve the public during the transition period immediately following the termination of Federal control, any such carrier may, at any time after the passage of this act and before the expiration of two years after the termination of Federal control, make application to the transportation board hereinafter created for a loan

from the United States, setting forth the amount of the loan and the term for which it is desired, the purpose of the loan and the uses to which it will be applied, the present prospective ability of the applicant to repay the loan and meet the requirements of its obligations in that regard, the character and value of the security offered, and the extent to which the public convenience and necessity will be served. The application shall be accompanied by statements showing such facts and details as the board may require with respect to the physical situation, ownership, capitalization, indebtedness, contract obligations, operation, and earning power of the applicant, together with such other facts relating to the propriety and expediency of granting the loan applied for and the ability of the applicant to make good the obligation as the board may deem pertinent to the inquiry.

(b) If the board, after such hearing and investigation, with or without notice, as it may direct, finds that the making, in whole or in part, of the proposed loan by the United States is necessary to enable the applicant properly to meet the transportation needs of the people, and that the prospective earning power of the applicant and the character and value of the security offered are such as to furnish reasonable assurance of the applicant's ability to repay the loan within the time fixed therefor, the board may certify to the Secretary of the Treasury its findings of fact and its recommendations as to the amount of the loan which is to be made; the time, not exceeding five years from the making thereof, within which it is to be repaid; the character of the security which is to be offered therefor; and the terms and conditions of the loan.

(c) Upon receipt of such certificate from the board, the Secretary of the Treasury, at any time before the expiration of 26 months after the termination of Federal control, is authorized to make a loan, not exceeding the maximum amount recommended in such certificate, out of any moneys in the revolving fund provided for in this section. All such loans shall bear interest at the rate of 6 per cent per annum, payable semiannually to the Secretary of the Treasury, and to be placed to the credit of the revolving fund provided for in this section. The time, not exceeding five years from the making thereof, within which such loan is to be repaid, the security which is to be taken therefor, which shall be adequate to secure the loan, the terms and conditions of the loan, and the form of the obligation to be entered into, shall be prescribed by the Secretary of the Treasury.

(d) Loans so made shall be preferred liens upon the income and property of the applicant in the same manner and to the same extent that certificates issued by receivers appointed by United States courts are preferred liens upon the income and property that is being administered by the receiver.

(e) The board or the Secretary of the Treasury may call upon the Federal Reserve Board for advice and assistance with respect to any such applications or loans.

(f) There is hereby appropriated, out of any moneys in the Treasury not otherwise appropriated, the sum of \$750,000,000, which shall be used as a revolving fund for the purpose of making the loans provided for in this section.

Mr. FRELINGHUYSEN. Mr. President, the amendment as written is identical with section 208 of H. R. 10453, the bill passed by the House and now on the Senate calendar with notice of a motion to strike out all after the enacting clause and substitute S. 3288 as it shall be amended, except that the phraseology is brought into harmony with S. 3288 by substituting the words "transportation board" or "board" for "commission," and the substitution of \$750,000,000 for \$250,000,000 as a revolving fund.

The creation of such fund was not urged upon the Senate committee by anyone until a few days ago, when a situation presented itself in the market for investment funds.

The Senate committee has not considered the amendment, but I believe it is so important to the country to properly finance the roads after they are turned back that the conference committee should at least consider the maximum amount needed to meet the financial requirements of the roads which are turned back in my opinion not in as good condition as when they were taken over.

It had been assumed that upon the return of the roads under proper safeguards for their financial welfare they would be able to borrow capital from the investing public. It now is learned that a committee of bankers advising in respect to the proposed general equipment trust to take care of cars and locomotives purchased by the Director General has advised that market conditions are not favorable now to the placing of even that gilt-edge security, and as the obstacle is, therefore, a question of credit supply, the apprehension is expressed that less attractive securities offered by the railroads during the coming year may be no more successful.

The vital public interest in adequacy of facilities and service in the immediate future seems to require that in the absence of a public market for railroad securities Congress should provide a credit with which the roads can proceed with essential work. The House bill provides \$250,000,000 for this purpose. The Senate bill contains no such provision. Under conference rules if the Senate shall not act on this aspect before sending its bill to conference, the conferees would be limited to considering sums between \$250,000,000 and nothing. In view of the prospect of early passage of the Senate bill and the lack of opportunity thus far since investment conditions became clear for deliberate study of the situation, this amendment is introduced, putting the figure at \$750,000,000 in order that the conferees may, under the rules, consider any figure which may later be deemed wise between \$750,000,000 and \$250,000,000. To authorize such a revolving fund does not mean that the total

sum ever will be loaned. What is now proposed is to place the conferees in position to use their judgment in the light of information which may become available.

The sum of \$750,000,000 is the figure suggested in conversation by Director General Hines. He does not expect that the carriers will be able actually to expend in that time more than five or six hundred millions, but thinks it will be necessary for them to make commitments in addition to these sums so as to provide for continuity of work.

In the event that there should be protracted delay in placing railroad loans with the investing public, there will be a number of fixed commitments to meet. The chairman of the House committee, Mr. Esch, in his report to the House on H. R. 10453, page 38 to 41, sets forth the amount of securities now outstanding which will mature in 1920 and require new capital for their discharge. This item is \$221,234,692. During 1920, also, will come due one-fifteenth of the sums to be paid on the rolling stock already purchased by the Railroad Administration, or about \$25,000,000. Improvements other than rolling stock already contracted for are estimated by Mr. Powell, Director of Capital Expenditures of the Railroad Administration, at from two hundred to two hundred and fifty millions of new money. This is a total of \$446,234,692. If total dependence for new capital had to be placed upon the revolving fund of \$750,000,000 this would leave \$303,765,318. The Director General spent for additions and betterments in the last year for which statistics are available, 1918, about \$576,000,000. The average for 10 years, as shown by the reports of the Interstate Commerce Commission, was about \$579,000,000. Deducting from the 1918 figure the \$200,000,000, which was Director Powell's minimum estimate for additions and betterments already contracted for and now under construction, not including any rolling stock, this would leave about \$379,000,000 of capital improvements not provided for. It is generally known that the year 1919 has been a period of heavy deferred improvements on account of the near approach of a return to corporate operation.

It, therefore, seems obvious that an insurance of \$750,000,000 of loans would be moderate in case investment conditions should continue for any length of time as they now are, and the public is to be served with facility. At least it appears prudent for the Senate to permit the conferees the latitude suggested.

Mr. President, I called Mr. Hines on the telephone and asked him in regard to the capital requirements of the railroads for the present year, and I now ask the Secretary to read his written reply.

The PRESIDING OFFICER. Without objection, the Secretary will read.

The Secretary read as follows:

UNITED STATES RAILROAD ADMINISTRATION,
Washington, December 11, 1919.

Hon. JOSEPH S. FRELINGHUYSEN,
United States Senate, Washington, D. C.

DEAR SENATOR FRELINGHUYSEN: Yesterday afternoon you telephoned me to get my estimate as to the capital expenditures which ought to be provided for the railroads for the calendar year 1920.

This morning I have again gone over this question with the Director of our Division of Capital Expenditures, and as a result express the following as my judgment:

Your inquiry presupposes that the capital expenditures would be planned and carried out by the railroad companies. On that assumption it must be borne in mind that the companies will require time to formulate and adopt plans and arrange for financing. This will all require considerable time, and it is not probable that the companies would be able to enter in a confident and effective way upon the making of provision for either betterments to roadway or acquisition of additional rolling stock upon an extensive scale prior to March 1 next. The amount that they would be able to spend in the calendar year 1920 would be considerably curtailed by such a late start in putting their plans into effect. Taking this into consideration, my judgment is that \$400,000,000 would represent approximately the expenditure of cash which they would actually be able to make in the remaining part of the calendar year 1920. There is a possibility that this might be somewhat exceeded, but I do not think, in any event, it would go beyond \$500,000,000, and I think the probability is much more in favor of \$400,000,000.

I do not mean by the foregoing that the figure of \$400,000,000 represents the full amount that ought in the public interest to be expended during the year 1920. On the contrary, I should say that at least 50 per cent additional ought to be expended in order reasonably to provide for the needs of the public service; but, in my opinion, this larger and more desirable provision can not be made because of the delay which will inevitably be connected with the transition back to private control and with each company thereafter making its own independent plans and necessarily waiting until it can obtain some more definite light as to its financial status.

Sincerely, yours,

WALKER D. HINES.

Mr. FRELINGHUYSEN. Mr. President, I think possibly my view on this question is one that may not accord with that of other Senators. I look upon it as good business for the United States Government at this time, when the credit of the transportation system of the country is at its lowest ebb, when the

underlying securities are selling at figures which have not been reached before in 20 years, and when it will be almost impossible for the railroad companies to borrow sufficient funds to rehabilitate themselves when they go back into private management, to enact such legislation as is proposed in the amendment. I have but one interest in the matter, and that is to see that this transportation system, which, when it was turned over to the Federal Government was the best system of railways on the face of the globe, is properly rehabilitated.

The United States Government has been in control of the railroads for over a year and a half.

The railroads have had to stand the burden and pressure of war. They are returned to their owners at a time when their credit, as I have said, is at the lowest ebb. No one can estimate the amount of damage caused by their usage during the period while they have been under Government control. It is estimated at 10 per cent, and in some quarters as high as 20 per cent. That would run into several billion dollars; but even so, we know that the rolling stock of the roads was never in such poor condition as at present; we know that there are improvements which have to be made; and if the transportation system is to be immediately restored the roads must have money in order that they may be put into efficient condition.

In addition to that, there are maturing railroad obligations expiring in 1920 which will have to be refunded. I feel that when the roads have served the Government and in fact the world so well, and through their use we have been enabled to win the war, when they are returned to their owners the Government can do no better than to give them sufficient credit in order that they may make the necessary improvements immediately and restore the efficiency of the transportation system.

Therefore, with the idea in view that the country's best interest will thereby be served, I have offered this amendment, in order that the conference committee may consult with Director General Hines and ascertain the sum needed for the rehabilitation of the roads and that the United States Government may further sustain the roads by loaning the necessary funds for such rehabilitation.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from New Jersey [Mr. FRELINGHUYSEN].

Mr. CUMMINS. Mr. President, the subject of the amendment which has just been offered by the Senator from New Jersey was not presented to the Committee on Interstate Commerce, and I know nothing with regard to the views of the members of the committee upon it. It is impossible, however, for me to allow the amendment to be submitted to a vote without expressing my opinion with regard to it.

The House of Representatives has proposed to appropriate in the bill \$250,000,000 as a revolving fund, to be used in making loans to railroad companies after their properties shall have been returned. I have hoped, Mr. President, that Congress would adopt such legislation, fair to the railroads and fair to the public, as would enable the railroads to command the credit necessary to meet the exigencies of the coming year.

I am not willing to assume that the railroads can not, under the legislation which shall finally be adopted, borrow the money which they unquestionably will need. I do not doubt the statement of the Senator from New Jersey that the railroads will need during the coming year for additions, betterments, and other expenditures that are chargeable to capital account, together with the maturities of their funded obligations, quite \$750,000,000. There can be no real question with regard to their requirements in that respect.

Mr. POMERENE. Mr. President—

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

Mr. CUMMINS. I yield.

Mr. POMERENE. I am very much interested in the statement the Senator is making. As I was able to follow the statement made by the Senator from New Jersey, it was to the effect that the Director General of Railroads was of the opinion that \$400,000,000 would be required, or, at the outside, not to exceed \$500,000,000, and that, in his judgment, \$400,000,000 would be more nearly correct. That being so, why should we provide \$750,000,000 for the purpose indicated?

Mr. CUMMINS. I am not suggesting that we provide for \$750,000,000. If the Senator will wait for just a moment I will give him my view upon that.

Mr. POMERENE. Very well.

Mr. CUMMINS. I said a few days ago, and I have no doubt about the accuracy of the statement, that there ought to be expended upon the railways of the United States not less than \$750,000,000 during the coming year. The Director General states in his communication that in his judgment not more

than \$100,000,000, in view of the lateness of the season, can be well or properly expended for these purposes; and to that we must add, of course, \$140,000,000 or \$150,000,000 of obligations which will mature during the year; but, as I remarked a few moments ago, it seems to me that Congress ought to assume that the legislation which is to be adopted will enable the railroad companies to borrow what money is needed for these purposes. So I have not been able, and I am not now able, to give my concurrence to the proposal that there be \$750,000,000 appropriated to be loaned to the railroad companies during the coming year. To me that is a confession that private management and operation are substantially impossible.

I can see no reason in the situation for believing that the railroad companies can not, upon good security, borrow money just as readily, though not, possibly, at as low a rate of interest, during the coming year as they can borrow money during the year following the coming year or any other year in the future. If I did not believe that the legislation which will be adopted by Congress would put the transportation system of the United States in position to take care of itself and be susceptible of private management and private operation I would not be in favor of returning the railroads to their present owners. If the future shall develop or shall show that we are mistaken in that respect and that the railroad companies can not borrow the money which is necessary for adequate facilities and for adequate service, that will be the time, it seems to me, for them to come to Congress for the loan which is contemplated in the amendment.

To me the suggestion implies great doubt of the efficacy of the legislation which we are proposing, and inasmuch as I do not maintain a doubt of that character I can not support the amendment proposed by the Senator from New Jersey.

It may be true that the railroads are not in as good condition as they were when they were taken over by the Government. That is a matter of dispute, and I do not pretend to have the facts necessary to enable me to form an opinion upon the subject with respect to the railroads as a whole. I know the situation with regard to some of the railroads; but even if the condition stated by the Senator from New Jersey exists, it seems to me that it is fully met by the obligation on the part of the Government to return these properties to their owners in as good condition as when they were taken on the 1st of January, 1918. The Government of the United States must pay for any difference in condition, if that condition be adverse to the Government, and so far as an appropriation being necessary to meet that obligation is concerned, I shall be in favor of it the moment the condition appears and the moment the fact is shown, for I hope the Government never will be careless or indifferent or even slow in responding to any obligation into which it has entered, but I can not see that that consideration can support the appropriation.

Mr. POMERENE. Mr. President, if I may be permitted to ask a question of the Senator, the Senator from New Jersey has suggested that one reason why he was offering this amendment at this time was to take care of the parliamentary situation. Now, of course, I shall hope that the Senate bill shall be finally enacted, but it is the present plan of the chairman of the committee, as I understand, ultimately to move to substitute the Senate bill for the House bill. Is the Senator of the opinion that when this matter is thrown into conference, if it should be thrown into conference, it will be necessary to have in the bill some such provision as is contained in the amendment proposed by the Senator from New Jersey in order that it can be made a proper subject of conference as to the amount?

Mr. CUMMINS. I think the Senator from Ohio has not caught the exact point made by the Senator from New Jersey. If the Senate bill is substituted for the House bill, as I hope and expect it will be, and then a conference occurs, there will be in conference the propriety of appropriating \$250,000,000 for the purposes indicated in the amendment. But the Senator from New Jersey thinks that there ought to be a larger sum in controversy, so that the conference committee could agree upon an appropriation of \$500,000,000 or \$600,000,000 or \$700,000,000 or \$750,000,000, whereas at the present time and under the present prospective procedure the conference committee would be limited to an appropriation of \$250,000,000.

Mr. POMERENE. That is just the question I had in my own mind. I am not sufficiently familiar with the conference rules to be able to determine now as to whether or not we would be limited to the \$250,000,000 in the event that there was nothing of this kind in the bill.

Mr. CUMMINS. If the amendment offered by the Senator from New Jersey were adopted I assume that the conference would be limited only by the extreme—that is, the \$750,000,000—but if the amendment is not adopted, then the conference com-

mittee would be limited to making an appropriation of \$250,000,000, which is the sum named in the House bill.

Mr. POMERENE. That is what I wanted to be reassured about.

Mr. FRELINGHUYSEN. Mr. President, will the Senator yield?

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

Mr. CUMMINS. Yes; I yield.

Mr. FRELINGHUYSEN. The Senator well knows that I have no intention of opposing his views in regard to this measure. I know the study he has given to this subject, and I only felt that it would be wise for the Senate to enact this provision, in the event of the conference committee finding that not only the \$250,000,000 but more is necessary, so that they might have the opportunity of increasing that figure, and that the conference would not be practically foreclosed to a limit of \$250,000,000. Now, I am informed, and I believe credibly, that when the \$250,000,000 figure was reached in the House bill that was an estimate which they had procured for the needs of the roads next year, and that after it was enacted it was ascertained that probably the capital need would be much more. The Senate bill makes no provision for the creation of a revolving fund to take care of the credit needs of the railroads. I introduced that, and it is in my amendment, because very early, when we were considering this measure, the railroad men, the executives themselves and those interested in this problem, said that the railroads would have extreme difficulty in procuring their capital needs next year. Therefore, I simply introduced this amendment in order that the chairman of the committee, who has labored so zealously in order to solve this great problem, might not be restricted should he find himself face to face with a financial problem that possibly he himself, although at the present time opposed, might in the conference committee feel it necessary to solve.

If the Senator opposes it, of course I know that the amendment will not be adopted; but I hope, in order that there may be no limitation upon the deliberations of the conference committee, that this maximum amount may go into this bill, so that the Senator may be free either to limit it to \$250,000,000 or increase it if he believes it wise, or cut it out altogether.

Therefore, believing that the most important question at this time is the credit of the railway system of the country, I have offered this amendment so that the conference committee will not be confined to the limitations of the House bill.

Mr. POMERENE. Mr. President, I desire to ask the Senator a question. In view of the parliamentary situation, and in view of the opinion which has been given by the Director General of Railroads, it does seem to me that the Senator ought to limit the amount of loans authorized to four or five hundred millions. I am disposed to agree with the chairman of the committee that it probably would be better to take up this subject when the situation requires it; but at the same time, as this matter may be thrown into conference, why should the Senate place a figure beyond that which the Director General says could be used by the railroads? I suggest a limitation of it to \$400,000,000.

Mr. FRELINGHUYSEN. If the Senator will place it at \$500,000,000, which is the outside figure suggested by the Director General, I should be very glad to have it changed.

Mr. POMERENE. It is the Senator's amendment. I leave that matter to his judgment.

Mr. FRELINGHUYSEN. Well, I will make it five hundred millions. I will modify the amendment by changing it to five hundred millions.

I ask, Mr. President, that the amendment may be printed and go over.

The VICE PRESIDENT. That order will be made.

Mr. STANLEY obtained the floor.

Mr. LA FOLLETTE. Mr. President, will the Senator from Kentucky yield to me?

Mr. STANLEY. I yield to the Senator from Wisconsin.

Mr. LA FOLLETTE. I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

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

Bull	Elkins	Harrison	La Follette
Bankhead	Fall	Henderson	Lehrout
Brandegee	Fernald	Hitchcock	McKellar
Calder	Fletcher	Johnson, S. Dak.	McLean
Capper	France	Jones, N. Mex.	McNary
Colt	Frelinghuysen	Jones, Wash.	Moses
Cummins	Gay	Kendrick	Myers
Curtis	Gerry	Keyes	Nelson
Dial	Gore	King	New
Dillingham	Hale	Kirby	Newberry
Edge	Harris	Knox	Norris

Nugent
Overman
Page
Phipps
Polindexter
Pomerene

Ransdell
Sheppard
Simmons
Smith, Ga.
Smith, Md.
Smith, S. C.

Smoot
Spencer
Stanley
Sutherland
Thomas
Trammell

Underwood
Walsh, Mass.
Walsh, Mont.
Warren
Watson
Wolcott

Mr. SHEPPARD. I wish to announce that the Senator from Arizona [Mr. ASHURST] and the Senator from Kentucky [Mr. BECKHAM] are absent on official business.

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

Monday, December 15, 1919.

Mr. STANLEY. Mr. President, the proposed amendment contemplates the elimination of all provisions in the act providing for compulsory arbitration, including the various boards of wages and working conditions and the provisions providing for certain pains and penalties in the event of a strike after the finding of the board of transportation.

The attitude of Members of the Senate toward any legislation designed to prevent or punish striking will depend in great measure upon their varied conceptions of the meaning of the term. Webster defines a strike as "the act of quitting work, especially such an act by a body of workmen done as a means of enforcing compliance with demands made on their employers." He also defines "strike" as "an extortion of money or the attempt to extort money by the threat of injury."

Now, jurists have differed as widely in their conception of what this thing that we call a strike is as the lexicographers. If a strike is blackmail, if a strike is an attempt by illegal means to extort money, the quicker legislation is enacted to prevent it the better.

If it implies simply the refusal of one or more men to continue service in the employ of a private corporation or individual, its punishment is an entirely different matter.

The distinction between legal and illegal acts, between things which the law should not punish, which would imply the deprivation of an inherent right, an inalienable right, and the punishment of things that are palpably illegal and wrong has been clearly drawn in a decision, *Arthur v. Oakes* (63 Fed. Rept., 310), to which the Senator from Wisconsin [Mr. LA FOLLETTE] has already called the attention of the Senate.

Before inflicting heavy pains and penalties, we should know exactly what we are prohibiting and what we are penalizing. In the *Oakes* case the receivers for the railroad asked for an injunction. They alleged that irreparable injury was about to be inflicted and prayed that the employees of the carrier be restrained from committing depredations upon the property of the carrier, or from conspiring together to prevent the operation of the road, or from quitting the service of the carrier in a body with the intention to embarrass such operation, or to hinder or delay the movement of commerce.

That great, wise, level-headed jurist, who combined in a strange and a rare degree a wealth of head and heart, that superb and robust intellect, John M. Harlan, draws the distinction between the right of employees to desist, to abstain individually or collectively from the employment of the master, and the license—because it could not be a right—to prevent another from entering its employ or from inflicting injury of any character whatever upon the property of the employer. Was not that the distinction that was drawn?

Mr. LA FOLLETTE. I think it was.

Mr. STANLEY. He modified the injunction by eliminating any prohibition upon the part of the court against the quitting by employees individually or collectively and retained in the order the prohibition against any injury to property or any effort to interfere with those who chose to enter the employment of the carrier.

Said Justice Harlan in that case:

It would be an invasion of one's natural liberty to compel him to work for or to remain in the personal service of another.

Now, remember, the Government has a right to command my service unless I choose. I am of the opinion that a soldier in the service of his country or a policeman protecting the safety of a city has no right to strike. The proudest and most self-respecting citizen can render such service to the Government under conditions which render a breach of his contract a form of desertion. But you can not invest in any private citizen or corporation whatever that power which free and self-respecting men willingly render to the State. That is a sovereign power.

Said Mr. Justice Harlan:

One who is placed under such constraint is in a condition of involuntary servitude, a condition which the supreme law of the land declares shall not exist within the United States or in any place subject to their jurisdiction.

Now, as to their right to do collectively that which he says you could not prohibit them from doing singly, Justice Harlan said:

We have said that if employees were unwilling to remain in the service of the receivers for the compensation prescribed for them by the revised schedules, it was the right of each one on that account to withdraw from such service. It was equally their right without reference to the effect upon the property or upon the operation of the road to confer with each other upon the subject of the proposed reduction in wages and withdraw in a body from the service of the receivers because of the proposed change. Indeed, their right as a body of employees affected by the proposed reduction of wages to demand given rates of compensation as a condition of their remaining in the service was as absolute and perfect as was the right of the receivers representing the aggregation of persons, creditors, and stockholders interested in the trust property.

Now, let us see if the bill is designed to prohibit the positive, affirmative interference with interstate commerce. I concur with the committee that if we have not sufficient law to protect common carriers and to permit the unimpeded course of commerce, it should be passed. But there is a vast difference between such interference and sending an officer of the law into the home of an employee and commanding him to return to the service of his master or go to jail. In this very case the judge of the lower court who issued the injunction considered a strike—

Essentially a conspiracy to extort by violence; the means employed to effect the end being not only the cessation of labor by the conspirators but by the necessary prevention of labor by those who are willing to assume their places—

Is that the strike about which we are talking? Justice Hanen, in *Farer* against *Close*, an early English decision, declares:

A strike is properly defined as a simultaneous cessation of work on the part of workmen, and its legality or illegality must depend upon the means by which it is enforced and on its objects.

Justice Harlan, in the same case to which I have referred, said a strike may be—

the orderly withdrawal of a large number or in a body from the service of their employers on account simply of a reduction in their wages. Such a withdrawal is not either illegal or criminal.

Is this the thing which this proposed law is designed to prohibit? The more conservative railroad presidents of this country believe that if this bill is passed it will precipitate a strike. I have no doubt of it.

Are you going to say to 2,000,000 proud and intelligent employees of the carriers, "If you meet in your lodge rooms or in your locals or anywhere else and discuss working conditions, if you find these conditions onerous or the compensation inadequate and agree to seek better and more remunerative employment elsewhere, and as a result of such conference two or more of you quit the service of the master, you shall be forthwith imprisoned"? That is exactly what it means.

The antistrike provision of this proposed act does not design to prevent lawlessness, or the clubbing of nonunion labor, the blowing up of bridges, the demolition of cars, or the wrecking of engines. Why? Because the chairman of the committee in presenting this bill to the Senate says that was not the purpose.

Mr. KING. Would it disturb the Senator if I should interrupt him?

Mr. STANLEY. Not in the slightest. I shall be glad to have the Senator interrupt me.

Mr. KING. The policy of the Government since 1887 has been to assert control over common carriers. They are to be treated as essential to the life and the welfare and the happiness of the people of our country. Indeed, they are essential to the life, the welfare, and happiness of the people.

Mr. STANLEY. They are absolutely so.

Mr. KING. By common consent it has been agreed that the Federal Government shall take charge of these instrumentalities of commerce. This bill, however, goes further than preceding bills.

Mr. STANLEY. It goes further than any bill which has ever been passed on the subject.

Mr. KING. It aims to provide for wages, for just compensation; it fixes the rates which the carriers may charge; it provides boards and instrumentalities to curb and control and determine the activities of the railroads. Why? Because the railroads are essential to the welfare of the public. The Government says, "You must operate these roads in a certain way; you must operate them continuously."

The Government having taken the employers and their property under its charge and jurisdiction and subjected them to limitations, without expressing any opinion, I desire to ask, Is there anything improper in the Government going further and, in the aid of the people everywhere, in the aid of continuity of service, for the welfare and for the life of the people, saying to the employees, "We think that you should be impressed more or less with this public interest, this public duty; that you ought not to strike; that you ought not to conspire to interfere with transportation and with the service which is necessary for the life and welfare of the people?" That seems to be the theory of the bill; that if the Government, for the

good of the public, can take charge of the property and of the individuals who own the property, the employees who are connected with these roads ought to submit to what this bill conceives to be, I presume, reasonable rules and regulations, to the end that the public interest may not suffer and the health and the happiness of the people be materially affected. Does the Senator think that the principle which would apply to private corporations in their relations with their employees should apply to public corporations, or, in view of the Government taking charge of the railroads and their property and fixing the rates, and so on, whether or not it has authority to deal with the employees? I express no opinion. I am inclined to think that the argument which the Senator from Kentucky is making, however, is very sound.

Mr. STANLEY. I will answer the Senator by saying yes and no. Commerce is to the industrial body what the circulation of the blood is to the physical body. Any interference with the movement of traffic has the same effect upon our industrial life as strangulation has upon our physical existence. The stoppage of the movement of traffic is more than a loss to the private corporation maintaining the road; it is a positive injury to the public; that is all true. Congress has a right to protect the public, and should do so by inflicting the most drastic pains and penalties upon any man or any set of men who attempt by any overt act to stop the movement of the mails or of passengers or freight or to offer any character of physical injury to the appliances used in interstate commerce. Congress has the right to enact—and should enact—the most drastic legislation punishing the engineer who leaves his locomotive, the conductor who quits his coach, the brakeman who leaves his car and then attempts by intimidation or physical violence or any other act to prevent another from taking his place; but I do not conceive that the public—that a majority—have any rights that the minority have not.

The right to life, liberty, and the pursuit of happiness is common to all, and the right, whether a man works with his head or with his hands, high or low, to seek individually or collectively that employment which is the most congenial and most profitable, is essential to the life, liberty, and happiness of a proud man. The majority, namely, the public, may, perchance, be inconvenienced by a carrier's lack of labor, by difficulties in the movement of traffic, not because its employees have done anything to hinder the operation of trains, but simply because their personal presence is needed to move them; under such circumstances the public is not warranted in saying: "If you do not work for a wage and under conditions named by some governmental board you must go to jail." That is not tolerable in a free country; that is establishing a system of involuntary servitude for the public good; and a system of involuntary servitude in one business will spread into another. A wise reformer once stated that they who deny liberty to others shall not long enjoy it themselves. Such a pernicious principle once established among common carriers will soon spread to mines, mills, and factories.

Mr. JONES of New Mexico. Mr. President, will the Senator yield?

Mr. STANLEY. Certainly.

Mr. JONES of New Mexico. I am very much interested in this discussion and must admit that it impresses me very forcefully; but I have been thinking of this situation: Take the coal strike; the mining of coal can only be carried on by those who have been especially trained or educated along that particular line. Now, if all of the coal miners concluded to quit mining coal at once, and there were no other supply of labor to take the place of those who are quitting, can the Senator suggest any remedy, in view of the premise which he is laying down, to relieve the public of absolute suffering and misery?

Mr. STANLEY. May I borrow a Yankee habit and answer that question of the Senator by asking him one?

Mr. JONES of New Mexico. I shall be delighted to answer if I can.

Mr. STANLEY. No misfortune can be so great as positive famine. The people of this country would starve to death if the sower did not sow the seed; if the farmer did not raise cattle and hogs. That work requires technical skill; a man can not plow until he learns the business; a man can not be a farmer without considerable intelligence; and I think it takes about the most intelligent men in this country to do it successfully. Suppose the men who tilled the fields found that they could make more money operating the railroads or working in the mines and they should all quit plowing corn and raising hogs, would the Senator be in favor of an act that would send men to jail who did not stay on the farm?

Mr. JONES of New Mexico. I am not saying that I am in favor of the provision in the bill putting people in jail for striking on the railroads; I have not come to that conclusion as yet;

but I was just wondering what remedy, if any, could be provided by law.

Mr. STANLEY. I wish to say to the Senator—and I say it respectfully, because it is a hypothetical case—that he is shooting at a bogey man, a man of straw. It is absolutely futile, it is, I should say, an unfounded fear, an impossible thing that he is proposing to guard against for this reason: We had just as well pass an act in Congress punishing men for pulling their own teeth as to pass acts designed to prevent millions of men from starving or freezing themselves to death. It is impossible for all the miners of this country to stay out of the mines and everybody else stay out of the mines until the miners with the rest of us freeze to death. That is never going to happen; and it never can happen. It is just as improbable as that all the farmers of this country will ever refuse to sow wheat and to plow corn and to raise cattle until famine stalks in the streets and until they and their children die of hunger. It is impossible that 2,000,000 trainmen, with 10,000,000 dependent upon them, will ever abandon the highways until traffic rots in the ports, until trade is stagnant, and until ruin and bankruptcy and starvation desolate the land. Those things can not happen. They never have happened. They never will happen. The pain of the thing will drive the conductor back to his car, the engineer back to his engine. The force of public opinion, the inevitable suffering that they and their wives and children will be subjected to, will adjust the matter as it always has and it always will. You are providing the most dangerous, the most drastic, the most exasperating legislation to prevent a thing that is just as probable as that a meteor will strike the earth.

Mr. JONES of New Mexico. I made the inquiry and used the illustration which I gave owing to the condition which seems to have confronted the country just recently; and I believe the Senator will agree that unless that coal strike had been settled there would have been great suffering and loss of life in this country.

Mr. STANLEY. Undoubtedly.

Mr. KING. Mr. President, if the Senator will permit me, there was great suffering, and in some places there was, as I am advised, loss of life because of the inadequacy of fuel.

Mr. STANLEY. That is true.

Mr. KING. And I do not think the suffering of some of those people in the extreme West influenced the miners in going back to work, either.

Mr. WOLCOTT. Mr. President, will the Senator yield?

Mr. STANLEY. Certainly.

Mr. WOLCOTT. Referring to this coal strike, which is very recent history, are we not justified in gathering this lesson from that strike?

Before I deduce my conclusion from the facts, let me preface my statement by calling attention to the fact that while there was no statute making that strike unlawful, there was an injunction against that strike, a restraining order laid on all the mine leaders and workers and every man to whose knowledge that injunction process should come, with the indefinite pains and penalties behind a violation of that injunction, to be applied through contempt proceedings. Therefore, in that coal strike situation there was, to all intents and purposes, a law against strikes, with the most fearful kind of penalties, because they were indefinite—fine or imprisonment, or both, without limit.

Now, then, that being the case, may I not ask the Senator if it is not true that, regardless of pains and penalties, men will strike if they desire, and you can not stop them by law?

Mr. STANLEY. I entirely concur with the Senator, and further on in this argument I will come to a brief résumé of the utter failure of such legislation. Take the instance that the Senator from Washington and the Senator from Delaware have quoted. Originally, the coal miners of Pittsfield were prohibited, under the most dire pains and penalties, from forming any character of organization, or from quitting the service of their masters by any kind of agreement. For centuries that was the law. The man dug the coal, and the woman, with a leather thong about her neck, clad in a single garment, with a chain fastened to the thong and extending between her arms and her limbs, like a beast of burden, dragged it to the light. Her body was torn and maimed by the cruel links. They were dwarfed and hideous and dirty and ignorant, and philanthropists said that God could not see them, because they were in the darkness and in the bowels of the earth. One day they walked out into the light, and they said, "The last leather thong has been fastened to the body of wife or mother or daughter. You shall have beasts of burden to carry this coal to the light of day. We will die or starve or go to prison, but we will not go back into the mines as long as our women are hitched to these cars."

That was the first strike among the miners. That was their first organization. Great Britain, for a thousand years, attempted to hold these men in the mines by every character of drastic legislation, by every character of fine and imprisonment; and to-day she has wiped the whole thing off her statute books, and has affirmatively legalized and affirmatively guaranteed to labor the right to quit. What is true there is true in New Zealand, true in Australia, true in every country that ever attempted to make a vast body of men work against their will.

Mr. CUMMINS. Mr. President—

The VICE PRESIDENT. Does the Senator from Kentucky yield to the Senator from Iowa?

Mr. STANLEY. Certainly.

Mr. CUMMINS. As a preliminary to a question, I want to refer for just a moment, if the Senator will allow me, to the statement just made by the Senator from Delaware [Mr. Wolcott].

Mr. STANLEY. Why, certainly.

Mr. CUMMINS. I assume that the great body of our people are law-abiding. They intend to respect the law. It was not assumed by them that there was any law that would permit the injunction granted by the Indiana judge. On the contrary, they protested most earnestly that there was no law which authorized an injunction of that character, and they proceeded upon the assumption that there was no law under which a judge could issue an injunction of that kind.

Now, I am not saying that the injunction was issued without authority of law. I do not attempt to revise or criticize the opinion of Judge Anderson nor his action, but I only say that the coal miners and the heads of the union representing the coal miners did not understand or believe that we had any law which would forbid a strike of that character; and, of course, if we have a law of that character, it is a part of the war legislation and will pass away when the emergency which created it passes away.

I am only saying that to put the history straight with regard to the effect of legislation of this character. I do not believe that the miners would have brought about a nation-wide strike in regard to the production of coal if at that time, when we were considering their difficulties and the inadequacy of their wages, we had had a provision of law under which their disputes could have been submitted to an impartial tribunal, just exactly as it is about to be submitted to an impartial tribunal, and settled in that way. We would have had no coal strike, because sensible, law-abiding men would have known, and they know now, that a government such as our Government will not do injustice to the great body of its people.

With regard to the illustration given by the Senator from Kentucky very eloquently and very truly, a provision of law prohibiting strikes, prohibiting the struggle that goes along with the strikes, without at the same time providing a tribunal for the just settlement of the disputes, whatever they may be, would be just as abhorrent to me as it is to the Senator from Kentucky, and the great failure of Great Britain in her advance along that path has been that Great Britain never has been willing to undertake the task of doing justice to her working people. The moment Great Britain is willing to assume the enlightened duty of adjudicating disputes between the working people of the country and their employers, then the case will be parallel to the one presented in this bill.

I beg the Senator's pardon for interrupting him at such length.

Mr. STANLEY. Just at that point, does the Senator from Iowa think that a citizen is under any higher obligation to obey an act of Congress than to obey the order of a court of competent jurisdiction? Here was a court of competent jurisdiction which said, as the President of the United States said, that the strike was illegal and unlawful.

Judge Anderson said that it was in clear contravention of the law of the land; and in addition to the weight of law, solemnly enacted, you had the injunction issued by the most determined, the most pitiless judge that ever sat on an American bench, as devoid of human sympathy as a marble column, and yet to a man they did not obey. If they would not obey under those circumstances, when they had the law, the President of the United States, and the court all warning them that their act was illegal, does the Senator think any other act would have any other effect?

Mr. CUMMINS. The Senator must remember that the strike had already occurred when these announcements were made.

Mr. STANLEY. Is there any difference between the lawlessness of a man who continues a strike after he knows it is against the law and that of the fellow who starts one?

Mr. CUMMINS. I think not. I think there is no essential difference.

Mr. STANLEY. Exactly.

Mr. CUMMINS. But the strike had already occurred when the appeal was made to the court, and the order that was issued was not directed to the men. It did not direct the men to return to work. It was directed against those who were before the court, the leaders; and, so far as we know, they claim at least that they gave the utmost respect to and obeyed implicitly the injunction that was issued. I do not know whether they did or not, but I am saying again that there was nothing that gave the miners any reason to believe that they would get any other or further justice than that they could secure at the hands of their employers. Now, if it is not in accordance with enlightened civilization to provide a tribunal to which every man and woman can go for justice, then I quite agree that the provision to make it criminal to strike ought not to find its way into the laws of the country; and I want the Senator from Kentucky to remember also that while we are using the word "strike," or the term "prohibition against a strike," this bill is not quite that.

I do not want to escape any responsibility for what it does really command. Under this bill every railroad man in the United States could leave his employment if he wanted to, every man could leave his employment after conferring with his fellow workmen, and leave without any violation of the law. It is only when a dispute has arisen and the strike or the concerted and agreed suspension of employment occurs in order to compel the employer to do the thing which the employees want done. It is that thing of which the Government takes jurisdiction in this bill and says whether the employers are right or the employees are right. It seems to me that there is a vast difference between that and compulsory employment. Every man is at liberty to take whatever employment seems most attractive to him and continue it just so long as he desires to continue it, and not a moment longer; and he can leave not only individually but in as large a company as he desires to gather about him, if he desires to do it. But he can not agree or combine with his fellow employees that he will prevent the movement of commodities in interstate commerce in order to coerce submission to the terms which he has proposed.

Mr. STANLEY. Let me interrupt the Senator. The Senator says the law provides that he shall not prevent the movement of interstate commerce. This law provides that he shall not prevent the movement of interstate commerce, as I understand it, by refusing or failing to assist in its movement, if that refusal is the result of an understanding between him and other employees.

Mr. CUMMINS. Not at all. It has no such signification as that, if I correctly understand it.

Mr. STANLEY. That is my understanding of the bill.

Mr. CUMMINS. It simply means that here is a dispute which we may say all the employees of the country engaged in railroad service have with their respective employers. They are trying to settle it and they can not settle it. The employees do not want to leave the railroad service, they do not quit their work in order to indicate that they desire to seek some other field of employment, but they quit because they want, through the suffering and inconvenience which they will occasion, to compel the employer or employers to accede to the terms which are proposed. If it were a struggle only between the employers and the employees, I would be the last man to advocate any limitation or restriction upon the right to strike.

But a third and innocent party comes in at that point, and the railroads being originally operated for profit, of course you may deny them that profit, and I have not a word to say. But when you put it out of the power of the railroad companies to serve the commerce of the country, you have visited a very great injury upon innocent people, and I believe the time has come when we should have some means of settling those disputes and avoiding those calamities.

I know very well that substantially the law which is proposed here has not worked well, not perfectly, at least, in one other country. It has never been proposed in any country save one, notwithstanding all that is said here about it. It was proposed in New Zealand.

Mr. STANLEY. They have had the same act in Australia, or practically the same act, over and over again.

Mr. CUMMINS. Where?

Mr. STANLEY. In Australia.

Mr. CUMMINS. No; I do not think it is quite the same.

Mr. STANLEY. The same principle.

Mr. CUMMINS. These laws which provide for prohibition against strikes until an investigation can take place and which, after the investigation, cease to be of any binding effect, are not at all parallel with or similar to the law which we propose here.

The Senator from Kentucky and I have discussed this matter in the committee, and we know our respective views pretty well; but what would the Senator from Kentucky say about an agreement, we will say, between the producers of steel rails, that they

would not sell any steel rails to the railways of the country, and allow these railways to fall into such condition as that the properties could not be operated, in order to accomplish some purpose which the steel companies had in view? I know that it is an utterly inconceivable case, but suppose that all of the farmers of the United States should enter into an agreement with each other that they would produce just enough for their own consumption, but would not produce anything for sale? Any farmer can do that if he desires to do it, of course, and he is at perfect liberty to do it. But what would the Senator say of a society which had reached the point where, with a perfect organization of farmers, they would all agree that they would plant just enough to feed their own families, and not one ounce of foodstuffs for general distribution? If we can not do something to avoid a situation of that kind, then the Government is a failure.

Mr. STANLEY. I will say to the Senator that combinations between tradesmen for the purpose of fixing the price or limiting the output of any commodity have been illegal since the statutes of Elizabeth, since the earliest monopolies in glass, and soap, and playing cards, and what not. Such a combination as that is illegal at the common law, is in contravention of the Sherman Act, and is in violation of the statutes of almost every civilized community, and such acts have been in force, have never been repealed, and have never been opposed by any intelligent legislator who believed in the freedom of commerce and of trade. I say that you can not apply that rule to agreements between men touching the conditions and compensation of their employment, because they are not identical things. The chairman of the Committee on Interstate Commerce has never in all his useful and splendid career done anything more worthy, or anything which has brought him more fame and affection among the people of this country, than the fine distinction which he himself has drawn when he said that labor is not a commodity.

Mr. CUMMINS. Mr. President, I believe in that statement profoundly. I believe in it even more deeply than I did when it was proposed. But I do not believe that anyone should make a commodity of labor, and, as I remarked the other day, Mr. Fitzgerald or Mr. Foster or Mr. Gompers, or anybody else, should not be permitted to make a commodity of labor. I think it is just as bad for them as for Mr. Gary, or any of the other captains of industry, to make a commodity of labor.

Mr. STANLEY. Again, in answer to the statement of the chairman that men have no excuse for opposing the deprivation of a right where you afford them a tribunal to which they can go, and which will do them justice, give them something else just as good.

There is nothing that affects the community more, for instance, than marriage. Future generations depend on your wisdom and mine in selecting a companion for life, and for that reason kings and governments for years controlled that choice. There are eugenic uplifters who would do it now. What would the chairman say to a learned commission that should divest us of the right to select our own companions, look over the dames of the country, get one just as good or who would do just as well, and then if you do not marry her, put you in jail?

You have not provided a fair tribunal compensating us for the loss of the right to select our own wives.

There are certain rights that Jefferson believed were inalienable. The worst, the most pernicious thing that I see today confronting the American people, a peril greater than the red haze of war on our eastern shores, more far-reaching and peniculous in its consequences than the growls and the threats of the Bolsheviks and the anarchists, is our utter departure from the principle that there is any such thing as an inalienable right, that there is any such thing as saying to an intermeddling government, "Thus far shalt thou go and no farther."

It is not the province of government to feed men with a spoon, to circumscribe inalienable rights. There are certain rights that come from God, that no government ever created, that no government should ever destroy; and the right, with or without the consent and cooperation of my fellow workers, to work where I please and when I please, and for such compensation as I can secure, is as inalienable, as much a part of me, as inherent and as sacred, as the right to marry, as the freedom of speech or of conscience. That is the thing that this bill destroys, and when it does it is nothing more nor less than bald socialism. The whole scheme was born in the dreams of a lot of wild-eyed Australian socialists, and after they had tried it in their own country, after the law has produced the thing it was intended to prevent, after this thing had proved abortive and worthless wherever attempted anywhere else in the world, this committee has taken this discarded, this discredited, this exploded vagary, this dream of socialism, and incorporated it

into this law, over the earnest, indignant protests of 2,000,000 of intelligent Americans, who say they will not wear this yoke.

Let us see what happens to the operation of this law. Says the chairman, "The injunction issued at Indianapolis was against a few leaders; this act reaches the individual workman." So much the worse. Do you know that under this act, if a man and his wife are making out bills of lading in a freight office, and their wage is the subject of discussion before any board on earth, and he says to his wife, "I have had an offer of better employment, and I am going," and she says, "I will go with you," and thereupon they quit, you can put them both in jail?

If an engineer and a fireman discuss what they are going to do before they do it, before they leave the engine, you can send them to jail. Do you think any court will ever do that? Why enact a law that you will be unable to enforce?

Another thing: As I have said, this is pure socialism. It is nothing more nor less. I defy the chairman of the committee, I challenge any member of the committee, to show me where this thing has ever been attempted to any great extent, that it has not been in a socialistic community, advocated by labor leaders and socialists.

There are men in the Senate who remember when New Zealand was peopled by wild men. Its civilization is but a half century old. A homogeneous company of men of moderate means settled in the Pacific islands and started a socialistic community. It was not as bloody as Bolshevism, because there was nothing to be gained by attempting to rob men when they had nothing, and they did not care to rob each other. It was as wild an idea as any dream of Carl Marx.

Every commission that ever was sent to investigate the Australasian socialism has declared that the thing was predicated upon the idea that a man's labor and the employer's property alike belonged to the State, and where the State had a right to say what the man should do with his property the State has a right to say what a man shall do with his body, and that was consistent. I do not care whether I am working in a mine or a mill or a factory or on a railroad, shall the State say to me, "I have the right to your labor whether you propose voluntarily to give it to this private concern or not, because the public good demands it?" What are you going to say to Mr. Lenin or Mr. Trotski or Carl Marx when they show you that the happiness of the public alike demands that the State take your property with my labor? It is worse than the socialism of Carl Marx, wilder than the heresies of Lenin and Trotski, because of the two my body is more sacred than my property.

Our Saxon sires, devoutly worshiping their personal independence, appreciating the sanctity of their clean, brawny bodies, while permitting their Government to take their flocks and their lands, refused to endure a blow or any form of personal indignity.

It is a dangerous thing, a dangerous thing to make a commodity of the body of a free man.

Another thing: When you adopt this proposition you will go to a maximum and minimum wage scale. You can not help it. A maximum and a minimum wage scale means an inefficient; listless body of political slaves. Why? As long as a laborer is permitted to make his own bargains, either collectively or individually, and his wage is inadequate, that is his affair. If the railroad does not pay him enough, he can dig coal. If that does not pay him enough, he can plow corn. Here in this wide domain, with its multitudinous and multifarious industries, the doors of opportunity open on every side, and the man who gets an insufficient wage has every opportunity to better his condition.

But when you say to me, "You shall not leave that throttle, you shall not leave that coach, you shall continue to lay rails or to walk track—when you compel me to stay there—you are under a moral obligation to give me an adequate wage; and when you fix a maximum and a minimum wage you destroy individual initiative.

I speak not as the sponsor for labor or any other class; it is the principle I oppose, and that principle is socialism. If there is one thing on earth I fear more than anything else in the way of a political heresy and a social menace, it is socialism. None of you would fear a widely extended strike if labor was not organized.

I am the known friend of organized labor. Labor, however, does not ask the aid of the Government in perfecting an organization. It is not the province of this or any other Government to dictate to employees in this regard. It is the right of the laborer to bargain individually or collectively, and no governmental agency should attempt to control its choice in that matter.

Do you know that this bill, as every other compulsory arbitration plan ever devised, presupposes the unionization of the

employee? The House bill is more candid than the Senate bill. The House bill provides that the boards shall be made up of the heads of the various brotherhoods and unions. The Senate bill provides that the crafts shall name the boards. The same thing in effect. How can 10,000 trainmasters, for instance, or track walkers, scattered and unorganized from Hellsgate to the Pacific coast, send a representative?

Mr. SMITH of South Carolina. From Hellsgate to the Golden Gate?

Mr. STANLEY. Yes. You can not do it. You have to be organized. The provision is that the craft shall name these men. What will be the result?

If they look, as the chairman has said, to this board as the wise, just, able thing to fix their wage and protect their rights, do you not know that the advocate of organized labor must say, "You have been out of the union before, but you can not get to this board except through the door of the union," and he would organize every one of them. There never has been a compulsory arbitration measure enacted in New Zealand or Australia, or anywhere else, that it did not presuppose that it was based upon the complete unionization of the craft. Not only that, but in Australia and in New Zealand the law contained preferential clauses in favor of labor unions.

What has been done here? You have provided that the engineer can not get to the Government with his troubles, can not get to the board with his troubles, except through his craft; and the conductor can not do it.

There was an amendment offered here that certain ones were not organized and for that reason could not come in under the bill. You compel the men to organize in locals where they meet in secret and confer and consult. You say collectively they must present their demands, collectively they must ask these awards, and then "if they do not suit you and you collectively quit you go to jail."

Mr. CUMMINS. Mr. President—

The PRESIDING OFFICER (Mr. CURRIS in the chair). Does the Senator from Kentucky yield to the Senator from Iowa?

Mr. STANLEY. Certainly.

Mr. CUMMINS. Is not the Senator mistaken about that?

Mr. STANLEY. No.

Mr. CUMMINS. There is nothing in the bill to require collective bargaining or to forbid collective bargaining, or to require collective appearance or to forbid it. The individual is just as free to come to one of the boards that are organized as is the union.

Of course, we understand perfectly—the Senator need not smile—that unions will do most of the work. But the Senator, I think, is wrong in saying that we require collective movement of any kind.

Mr. STANLEY. It is physically impossible for the individual to get to the board. You do not say "You shall go this way," but you leave certain doors open and the only doors that he can go through are the union doors. You say the craft shall name the boards and that they shall be selected from nominees of the craft. The House bill says the unions shall name them. If a man is not in a craft he has no voice in the naming of the judge to try his case.

Let us take the arbitration boards to see whether they are not a mockery, a delusion, and a snare. The labor men have spewed them out from their mouths because they know they amount to nothing. You have a board under the bill called a conciliation board. Half of the board is named by the craft, by the labor union. The other half is named by the railroads, the private corporations.

As a rule the Brotherhood of Firemen and Locomotive Engineers and the Order of Railway Conductors and the heads of the railroads act in harmony. In ninety-nine cases out of one hundred they are both against the shipper. Through all the long fights I have witnessed during 12 years' service in Congress, when we were attempting to clothe the Interstate Commerce Commission with a little power to say when a rate was excessive—and the Senator from Georgia [Mr. SMITH] will remember that long fight—the railroads themselves were no stronger against it than were the brotherhoods.

Any raise in rates is usually supported by the workmen. You have a board of wage conciliation. The employer and employee each through his representative meet to determine what is an adequate wage. The president of the road says: "If this thing is agreed to and it becomes a legal rate and we can not get a fair return on the movement of the traffic by reason of this increased cost, the Interstate Commerce Commission will be bound to increase our rates because this is a legitimate charge, and if the rate is not compensatory it is confiscatory."

Here is a charge supported by a mandate of law. What would become of that poor, voiceless, forgotten goat, the public,

that pays the freight? The proposed board has no power on earth except to invite disputes that it can not settle; except to start fires that it can not put out.

What has been the experience of every country with such boards? Some claim that they have diminished strikes; all admit that they have increased the number of disputes. It is easy to get a hearing before such boards. I wish I had time to read a description of what occurred in New Zealand, from a discussion of this matter by a member of the Parliament of New Zealand. They had the same proposition, a bilateral board like the one proposed in this bill to hear disputes, and then if they could not agree they went to the highest authority, the governmental board. They said all disputes would be settled before they got there; but they found that they all went to the higher board, and it was utterly overwhelmed with work.

Not only that, but you are a thousand times worse off than if you did not have any board of conciliation at all. Why? Because you have in every court of justice the same method of conciliation that this board affords. It is equivalent to an act allowing A to employ two attorneys and B to employ two attorneys, and then if the attorneys can not agree to leave it to the judge. How many times do attorneys ever agree? What will be the result? The employees with their attorneys and representatives and the employer with his go before these boards. After they have discussed the matter until they have become inflamed and angered and set in their opinions, then they take the matter before a governmental board. How much better to take the matter before the governmental board in the beginning.

It is said that we should do this thing in order to secure the free movement of commerce. Is commerce on the land any more essential to national life than is commerce on the sea? Rome discovered, Carthage discovered, France discovered a thousand, two thousand, yes, three thousand years ago that nothing was worse than to stop the course of commerce. So they provided a very certain method of securing its movement. The motive power then was a man at the oar. To-day it is the man at the throttle. They chained the man to the oar so that he could not get away. I had fancied that the day of the galley slave was over, but this bill should be characterized as the latest and most approved method of fastening the conductor to his car and the engineer to his cab.

I wish to read here a description of how a similar provision worked in New Zealand. The industrial commission delegated to investigate this subject in New Zealand declared:

Trade-unionism and collective bargaining are not only recognized but fostered as a national policy. This is reflected in provisions whereby only associations of either employers or employees may initiate proceedings before arbitration courts, and in the rapid growth of trade-unions in membership.

The system has not prevented industrial disputes, which have, in fact, increased.

Dr. MacLaurin, of the New Zealand Parliament, years after the New Zealand bill was enacted, thus described its practical workings in that country:

What I said about the compulsory conciliation act in January, 1898, has been abundantly emphasized by over two years of local history in the operation of that law. The act in question is a symbol of perpetual industrial war. * * * This law—

And it was almost identical with the proposed law we are now considering—

generates political strife, resentment, suspicion, and reprisals subversive of the State. It does not conciliate, but it exasperates, sets class against class, trade against trade. * * * It annihilates all semblance of brotherhood and simply encourages a spirit of contentiousness, leading employers and employed to coerce each other without leaving room for individual exhibition of the golden rule. It thus generates a slavish and vindictive spirit. The act is a menace to the body politic. * * *

It was claimed that this (compulsory arbitration) act would bring about industrial peace, that strikes would be at an end, and that capital and labor would work together in harmony and with a certainty that there would be no disturbance. * * * Well might the employers say, as they did lately at Christ Church, that they intend to end the matter one way or another. Continued pin pricks become unendurable in time, and a sword thrust even might be welcomed if it ended an ever-existing trouble; and, bad as strikes are for everyone, it is questionable whether it would not be better to have a question fought out to the death than a state of things continually pressing, which tends to keep those who are interested in it in a state of unrest and irritation. * * *

The feeling is growing that even an occasional strike would be preferable to everlasting disputes, and there is undoubtedly less good feeling now between employers and employed than existed before the act.

On July 12, 1907, Mr. Loughnan, another member of Parliament, discussing the operation of these boards, said:

The wages board are, I understand—although the details have not been given to us—to be composed of experts in each particular trade—

Like this bill which is now before us—

and they will talk over matters in a friendly way and try to come to an understanding.

That is all the board under this bill can do—

This was the intention of the framers of the original conciliation and arbitration act, but for some reason the conciliation boards did not conciliate. The arbitration court was intended only to be the "bogey man"—the compelling authority of last resort; but after the failure of conciliation so many united in rushing to take their grievances to the court that the machinery of the court was checked and the court was unable to get on with its business. The result was an enormous accumulation of business, and the act—I will not say that it became a dead letter, but its work became most unsatisfactory.

Mr. KING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from Utah?

Mr. STANLEY. Certainly.

Mr. KING. I have not heard all of the Senator's observations, as I have been called from the Chamber several times; but, as I gather his position, it is this: That notwithstanding the progress we have made in civilization from the days of Rome and Carthage we can not devise any means to prevent strikes, any means of adjusting strikes, any means that will deal justly between capital and labor when controversies arise over wages, wage scales, and conditions of employment, but that the present method of war, of striking, must be continued.

Mr. STANLEY. No; I do not say that.

Mr. KING. Does the Senator suggest any other method of dealing with this problem—and it is a serious one—than that which is offered in the bill?

Mr. STANLEY. Yes; a very simple one; simple but effective. It is the obvious that frequently escapes us. In this country men seek that employment which is most remunerative; a good job will draw a good man. If the coal operators are making large profits and the men who are with them, or any number of them quit, they will offer more wages and get others; that is the whole of it. Here, in a free country, where each man is looking out for the most remunerative employment, pass and enforce laws which will punish infractions of personal liberty, that will punish assaults upon men or the destruction of property. When such acts are committed by individuals the law already covers them; and I tell you that where a body of men, union men or others, I care not what, organize to do an unlawful thing they are guilty of conspiracy, because, as is familiar to all lawyers in the Senate, any combination by unlawful means to do a lawful thing or any combination to do an unlawful thing by lawful means is a conspiracy.

If you would prevent the lawless interference with the movement of commerce, enact legislation that wherever an employee of a railroad engaged in interstate commerce is assaulted—and, as I have said, if it is done by an individual the law as it is now written against assault and mere breach of the peace will be effective—but where he is assaulted pursuant to a conspiracy make it a felony, if you like, and then enforce the law. Then you will have the common sense and conscience of mankind behind you; you will have a law you can enforce.

Mr. KING. Mr. President—

The PRESIDING OFFICER. Does the Senator from Kentucky yield further to the Senator from Utah?

Mr. STANLEY. Certainly.

Mr. KING. Then, as I understand the Senator's position, he thinks that nothing can be done to prevent strikes other than, if laws are not sufficiently drastic enough now, to enact other laws to punish assaults and batteries and overt acts, and that we may not create tribunals and compel the employer and the employee to resort to those tribunals for the purpose of determining their controversies?

Mr. STANLEY. No; I do not say that. I am arguing against the fatal defects of this bill; I am not saying that you can not stop strikes. I am not advocating strikes; I am not defending them; but I am saying that this bill is a socialistic nostrum; that is all.

To digress a little further, there is—and I will come to it later on—a very interesting report of what I think was called the Whaley Commission, named by the British Government to investigate this question. They made a very elaborate report on it within the last year, to which I will refer further on. They do not think anything will put an end to strikes, but found that shop committees would probably be very effective in tending to decrease strikes. Where only a few men are employed in an industry there is possibly no danger from a strike, if one occurs, because no especial injury to the community follows. Danger only arises in the case of enormous concerns, like steel companies, employing ten thousand men or a hundred thousand men, and in vast mining and transportation enterprises. Even in those instances, however, the head of the concern is usually in close touch with the heads of the organization. I think it might be highly advisable and I am inclined to favor a law providing for shop committees and providing that various industries might name boards of arbitration, selected by the

heads of departments and by the employees, and pending their determination of the matter it is highly improbable the industry would be menaced by a strike.

The strongest factor that broke the recent great railroad strike in Great Britain was public sentiment. The laboring people are just as eager to get public opinion on their side as is the owner of the plant. As De Tocqueville said in his wonderful review of democracy in America, public sentiment is the monarch here; it is more powerful than the President; it is stronger than the Army. When public sentiment speaks in this country, men heed it, as he well said, more quickly than the French heeded the edicts of the Grand Monarch, Louis XIV. You can utilize public sentiment. The Canadian law does that. It provides first for boards of conciliation and arbitration, to which both sides present their case. Then that report is sent to the leading labor journal, it is sent to all the daily papers in the Dominion, and a copy is sent to each of the contending parties. If either party accedes to the demand, then that is published and sent to the other party, and if he is in the wrong the whole force of public opinion is bent against him. Then, if he agrees to abide by that decision, that arbitration has the force and effect of a decree of a court and can be enforced.

What is arbitration, anyway? I do not mean to say that I am against every form of arbitration for the settlement of strikes, because I am against this impossible thing. Why, if the Senator from Utah please, this is called "compulsory arbitration." There is no such thing. You might as well talk to me about a square circle or a straight crookedness. If it is compulsory, it is not arbitration, of course. Arbitration is the settlement of a dispute by persons named by the disputants. There are three ways, and only three, of settling differences between men. One is by force of arms; another is by decree of court; the other is by arbitration. Now, a legitimate arbitration, a valid arbitration, an arbitration that is not bogus and a sham, is based upon the consent of the parties. I name one arbitrator, and you name another, and they name a third. We have a voice in it. This does not do that. This board is impotent. If it does not agree, the matter goes de novo before another board, one selected by neither, authorized by neither, but whose decrees have the effect of law.

Mr. KING. Mr. President, will the Senator yield?

The PRESIDING OFFICER. Does the Senator from Kentucky further yield to the Senator from Utah?

Mr. STANLEY. Certainly.

Mr. KING. In view of the conceded irreparable injury that comes to the public from these great strikes, particularly strikes that involve our transportation system, does not the Senator think there ought to be some method devised in this Christian age and in this Christian Nation to prevent strikes? Does the Senator think that the wisdom and the ingenuity of legislators, and of laboring men, and of the heads of our industries are utterly futile to evolve some plan that will prevent strikes, and that we must go on in the same old way that we are going now, with strikes in every State—and I think there is scarcely a State in the Union to-day where there is no strike—with all of the consequent harm and sorrow and injury and, indeed, death?

I do not know that this bill is a specific, that it will relieve against—I was about to say the intolerable situation which now exists; but it does seem to me that if this bill does not reach the situation we ought to try to devise some method by which we can prevent strikes. I would be the last man in the world to prevent a laboring man from securing his rights. I know the wrongs to which the laboring men have been subjected in the past, and perhaps in the present, in this country. I know that great corporations have been builded up by unjust exactions wrung from labor and from the consuming, toiling masses, and I know that they have secured high tariffs in order to boost prices here, and have brought pauper labor from abroad for the purpose of forcing down the price of labor in our land. Those things are intolerable, and they ought not to be permitted to exist, and I hope they never will be permitted to exist again in this land; and yet there ought to be some plan devised by which the public shall not suffer because of controversies between the employer and the employee, particularly where the industry is one affecting the public.

The controversy is not alone between the employer and the employee. Most of these wage controversies affect the public. The public have some voice; they have a right to be heard in these controversies, because they affect the lives and the welfare of the public. You are interested; I am interested; the wage earners themselves in New York and in Chicago are interested if there is a coal strike, or if the transportation systems of the country are tied up so that starvation will come to them; and it does seem to me that there ought to be some plan devised

that will not infringe personal liberty, by which, in the future, these great strikes may be averted.

The Senator has just said, or at least I understood him to say, that the question of wage would solve the problem. I do not quite agree with him.

Mr. STANLEY. No; I do not say that.

Mr. KING. The Senator made an observation something like this when I asked him—

Mr. STANLEY. I hope the Senator will differentiate sharply at this point between those things which I might suggest as alleviating and those things which would prevent. There are certain evils which we can possibly prevent, like the invasion of the country. There are other evils, like intemperance or homicide or lawlessness, that you never can entirely stop. It seems—and I say it reverently—that God Himself has not so written His laws that they are all obeyed. I doubt if it is humanly possible to make every man continue in his employment, wherever it is, at the arbitrary mandate of the Government; but you can alleviate the situation.

Mr. KING. Mr. President, I do not want to suggest or even intimate that I would compel any man to assume any position that might be regarded as involuntary servitude. That would be intolerable in a Republic such as ours. The Senator, though, if he will pardon me just a moment, indicated, as I understood him, that this question would be solved or alleviated by the question of wages. I do not think that meets the situation. For instance, as the Senator from New Mexico stated a moment ago, take the question of coal mining, or the question of railroad transportation.

Mr. STANLEY. The Senator misapprehended me. All I meant to say was that in a community where there are so many different opportunities, where wages vary so much in different professions and callings—for instance, at one time large amounts were paid to day laborers in the wheat fields in the West and at another time in the lumber camps—there is such a wide opportunity for a man to find employment, and each seeks the best employment, that any raise in compensation instantly attracts thousands of men who otherwise would pursue some other vocation; and that is, perhaps, the best strike breaker, after all—the fellow who comes peaceably and takes the work that the other fellow quits.

Mr. KING. The Senator understands that that could not be done in all cases, as I was about to observe.

Mr. STANLEY. No.

Mr. KING. Take the engineers, the brakemen, those who have been engaged in the transportation business. You could not go out among the mass of the people and recruit men, if there were a general tie-up of our railroads, to take charge of the trains and to operate them.

Mr. STANLEY. And yet, if the Senator will pardon me right there, that is exactly what they did in Great Britain. They got men to operate those locomotives.

Mr. KING. Well, they got a few, but they did not have a general resumption of business; and they had to call into requisition the motor cars and the busses, and so forth, for the purpose of transporting; and indeed the transportation then was very insufficient and defective, and it is a question, if the strike had not soon terminated, whether there would not have been the greatest sorrow and suffering. Yet, after all, you can not compare the little island of Great Britain, with its congested population and good roads, where after breakfast you can walk across the island, as the Yankee said, with the United States, with its great distances and its vast continent. You could not in a day, or in a week, or in a month, bring to coal mining, or bring to the operation of the railroads, in the case of a universal strike, a sufficient personnel for a resumption so that people would not suffer; so that the question of wages, no matter what you might pay, would not reach the difficulty. You might pay the engineers \$1,000 a week, and if there were a general strike you could not resume business and save distress and sorrow throughout our country.

So the wage question is not the solvent for this evil. There must be some other way of meeting it. It does not meet the situation and provide an adequate remedy for this very unfortunate condition that prevails in our country, where we have these persistent strikes.

I am very glad to hear the discussion, and I am not sure that this bill reaches it; but I am very anxious to have the Senator point out, if he can, some method by which, if possible, we can avert these strikes. If it is impossible, then we will have to go along in the old way, doing the best we can.

Mr. STANLEY. I hope the Senator will differentiate right here. He takes me on a wide field that is very interesting. In the first place, I admit that we have a sick body politic. Industrial dislocations, as they are called, have paralyzed indus-

try at times and imperiled the comfort and safety of the community; but it will not do to say to the doctor who objects to a certain remedy for a sick patient, "You object to curing the patient." It does not follow because I do not subscribe to this remedy either that I am in favor of strikes or that I believe that they are uncontrollable. I think there are many, many simple means of reaching these conditions.

Has the Senator from Utah ever thought of the proposition that a few years ago strikes were almost unknown in the commerce on the Great Lakes? No such thing was ever heard of as a general strike there. Now they are common. Then the commerce upon the Great Lakes was carried on by men who owned their own ships. The owner of the vessel started out as a boy before the mast or a cabin boy, and grew up with men of his own race, hardy Americans, who spoke his own language, called each other by name, and stood by one another in hours of peril. Wrecks were almost unknown. By and by a single corporation took control of that vast shipping, until to-day it is greater in tonnage than all the tonnage in New York Harbor and the combined tonnage of all our navigable streams. Men were put upon these vast steamers and these ore boats who spoke a jargon of every tongue on earth. Their employer was in Chicago or in Pittsburgh. They were known by their numbers. You had all kinds of strikes. Strikes are due in great measure to the distance between employer and employee and the lack of touch and the lack of understanding. Nothing reconciles man to man so much as personal contact. Legislation that will prevent combinations in restraint of trade, legislation that will allow smaller and more active and more efficient industries to live against combinations. A rigid enforcement of the Sherman Antitrust Act will do more than such bills as this, a thousand times more, to prevent this very thing. I am firmly convinced that the enforcement of the law against the things that produce strikes and then a rigid enforcement of the law against the lawless acts of strikers will prevent not so much the contemporaneous quitting as the evils often incident to it.

It is in the violence, in the intimidation, in the lawlessness, in the turmoil—these things are all wrong. In this very extensive term we have included these things, and also the personal liberty of the individual. In attempting to prevent things that are altogether wrong we are trying to prevent other things that no self-respecting free man can afford to give up. I believe we can ameliorate this condition. I believe that in a free country like this there is no business in the world that can not be operated, if the law is strong enough to protect the man who is operating the business from acts of lawlessness and violence and intimidation.

Mr. JONES of New Mexico. Mr. President—

The PRESIDING OFFICER. Does the Senator from Kentucky yield to the Senator from New Mexico?

Mr. STANLEY. Certainly.

Mr. JONES of New Mexico. This bill, of course, is one of the most important bills that we can possibly have before us for consideration.

Mr. STANLEY. If the Senator will pardon me right there, I concur with him to the extent of believing that this is the most vital legislation, the most perilous legislation, means more of good or evil to the commercial interests of this country, than any legislation we have before us.

Mr. JONES of New Mexico. We are all interested and anxious to bring about the right solution, and I should like to get the Senator's views regarding another method for handling this strike proposition.

In my State, more in former years than at present, the sheep industry was handled by running sheep in bands of two or three thousand out upon the public domain, at all times under the care of a herder. By legislation it was made a criminal offense for a herder to abandon his flock.

Mr. STANLEY. At what point, Senator? Excuse me for interrupting, but I think the Senator has presented a hard nut to crack. I want to get exactly what the law prevented, in order that I may be able to answer the question. Did the law compel the man to stay for any indefinite time, or prevent his leaving that herd before certain notice of an intention to quit, and certain opportunity afforded to employ somebody else in his place?

Mr. JONES of New Mexico. I can not at this time recall the specific language of the statute, but the substance of it was the law against abandonment. I assume that if the herder were to give notice to his employer that he must leave the employ, and therefore the care of the flock, it would not be an infraction of the law.

Mr. STANLEY. I am not sure, but I am under the impression that at this time a man can not abandon an engine 100 miles from its destination or from its roundhouse. I believe that if an engineer now, like the herder, would start with 500

passengers, and when they were out in the middle of the plains leave them there in the snow, abandon his engine, and refuse to go farther, he could be punished. An engineer now is morally compelled, if not by direct mandate of the law, to bring his engine in and turn it over to the hostler before quitting his employment. That is the thing that your law aimed at. With these sheep away out there without a shepherd, if they passed a law it would be perfectly proper to say to that man as a condition of his employment, "When you take this employment you take it subject to the condition that you shall not abandon your flock." It is just like an engineer, if he goes out on the mountains with 200 passengers or 10,000 tons of freight, he must carry that freight in. The same principle of law applies as with seamen. A seaman can not leave his ship save in a safe harbor. That is an old principle of law, and I am heartily in favor of its enforcement wherever it applies.

Mr. JONES of New Mexico. The Senator has anticipated precisely the application which I intended to make—in part. Let us extend that application a little further. We all know that a universal strike will affect materially the general public welfare. I understand the Senator to be agreeable to the idea that you might prevent a man quitting his work where that would endanger property.

Mr. STANLEY. Or life.

Mr. JONES of New Mexico. Or life; and give to the employer reasonable opportunity to get another employee. The public is interested in the conduct of this transportation business. Does the Senator believe that a law could be enacted which would make it a penal offense for the employees to strike en masse until the public or the company had an opportunity to put some one in their places and carry on the operation of the road?

Mr. STANLEY. Right at that point, I think it is a very, very pertinent suggestion that the Senator has made. I think these common carriers are quasi public-service corporations; in fact, they are public-service corporations, so far as their action is concerned, and I am vividly conscious of the fact that the employee of a railroad is very close akin to a public servant; that is, to the man who is in the employ of the Government or of a municipal corporation; that he in a way is a protector of society as well as a mere producer of an essential commodity; and I would go as far as I can go, preserving always inviolate a man's right to work or to leave work wherever that action does not immediately entail some injury.

Mr. HARRISON. Mr. President, will the Senator yield?

Mr. STANLEY. As soon as I answer this question I will be glad to yield.

I believe the Government has a right to say to employer and employee, "You shall make a certain kind of contract." I believe they would have a right to require, and that the employees themselves could agree, that no employee, except for sickness or some reason like that, should quit his employment without sufficient notice; and I believe if it were made punishable for a railroad to discharge a man without notice or a man to quit a railroad without notice that would do much to stop strikes. I believe we could do it without any personal invasion of the liberty of the employee.

Mr. JONES of New Mexico. I was asking the question for the purpose of bringing to the attention of the Senator legislation which, I understand, exists in the Dominion of Canada, where it is provided that the employees shall not strike until a given time after the investigation of the trouble.

Mr. STANLEY. Or pending the investigation. I have a copy of the act.

Mr. JONES of New Mexico. I should like to know of the Senator if some such provision as that would be a wholesome provision?

Mr. STANLEY. I am rather inclined to favor some provisions in it. They might do much to ameliorate conditions.

[At this point Mr. STANLEY yielded the floor for the day.]

Tuesday, December 16, 1919.

Mr. STANLEY. Mr. President, at the conclusion of my remarks on yesterday I called the attention of the Senate to the inevitable inefficiency invariably resulting from the multitudinous experiments with any system of Government control of labor through the means of alleged compulsory arbitration.

These arbitration boards, whether in Australia, or in New Zealand, or where not, all operate upon the same general principle; that is, a board of conciliation or arbitration is selected composed of representatives from both sides. In this bill it is called the board of wages and working conditions. The findings of this board go to some real tribunal named by the Government, whose determination has the force and effect of law.

It is not necessary to examine the precedents. A look into the working of the thing will convince any careful analyst of its inevitable result. Here are the representatives of the craft and the representatives of the employer endeavoring to reach a satisfactory wage. As long as the traffic will bear it, whether it has been among railroads or in private industrial institutions, the result has been to raise the wage. It does not matter whether men are mining coal or spinning cotton or operating a railroad, as a rule they are always willing to stand a raise in wages, provided that raise shall apply to all who are engaged in the industry in the country, and let the ultimate consumer absorb it.

In addition to that, as I called to the attention of the Senate yesterday, this is compulsory arbitration. The man is commanded to work, not because the conditions are suitable or the compensation satisfactory, but because the law commands it, and you can not in fairness compel a man to work without affording him a compensatory wage. For that reason a minimum wage has already accompanied a compulsory arbitration of the question.

In a report made by the board of wages and working conditions under conciliation and arbitration acts of Australia and New Zealand, Mr. Aves to the Right Hon. H. J. Gladstone, in 1908, after a thorough review of this system in both countries, says:

But the real conditions of industry are very far from being determined simply by the wages that have been paid, and if laid bare I think the attendant conditions, when coupled with the increasing inefficiency, lack of interest in work, and trade-union intervention, would be found to be a greater cause of discontent and dissatisfaction among employees than the nominal wages fixed.

Another distinguished author has said:

I am quite sure that the arbitration system has resulted in the loss of industrial efficiency far greater than ever resulted from strikes.

A thorough and exhaustive report on the working of compulsory and conciliatory and arbitration laws was made by the royal commission, a commission that visited all the countries in which these boards were in operation, and made anything but an unfavorable report. I call the attention of the Senate, however, to this pertinent paragraph, the thing that seems to have been overlooked by those who are studying simply its effect upon the employer and the employee and overlooking the rights and interest of the general public:

They said:

The effect of the working of the act—

As far as the general public is concerned, and that is the thing in which we are principally interested here—

has been undoubtedly to make the public to pay generally more for the products of an industry which has been regulated by a board or the court, when the tariff is high enough or other conditions occur to prevent foreign competition. I have already pointed out that, in the boat trade, the conditions imposed are such that outside producers are able to leap the tariff fence, and a Member of the House of Representatives said to me, "If the present duties are done away with the act may as well be repealed as far as raising wages in the manufacturing industries is concerned." The coal-mine owners agreed upon an advance in price when the cost of hewing was raised, and the flour millers acted similarly. Building has become more expensive, and in this trade the contractors at first made very little opposition to the claims for advance in wages, secure as they considered themselves in the ability to pass on the extra cost of construction to those who required their services. Now, however—

And this should give us pause at this time—

they are of opinion that the tendency of the awards is likely to narrow the scope of their business, and they are making efforts to oppose more effectually the demands of the men. Cost of living, particularly rent, is becoming dearer, I was informed.

The inevitable result of allowing the employer and the employee to agree on the wage, and then authorizing the Government to give that agreement the force and effect of law, the public unconsidered and unrepresented, is to arbitrarily raise wages. Australia and New Zealand abandoned every semblance of free trade, closed their ports when they went to this pernicious policy, and kited wages so high that they were only stopped when the cost of living became acute.

Are we prepared at this time to adopt a policy whose friends admit results in inefficiency among the laborers and increased cost of the product of labor?

In my opinion the fear that haunts the minds of Members of the Senate and of members of the committee and has induced them to adopt this dangerous expedient, the fear that there will be a universal dislocation of transportation business in the United States, a universal paralysis of the whole movement of commerce from ocean to ocean, is unwarranted. It never occurred before and we have no reason to apprehend that it will occur in the future.

A strike, especially among the employees of common carriers, among engineers and firemen and conductors, is a dernier resort

to which they never come except after long negotiations and a failure to reach any kind of agreement. These strikes, these disagreements, are the result of the failure of the employees to concur or to agree in some arrangement with their employer. Is it possible that when you have turned the roads back to not less than 20 nor more than 35 separate and distinct corporations, that each one and all of the corporations will have the same trouble at the same time? If they are local, if the walkout occurs upon one road and not upon the other, then you are not face to face with the evil and need no new legislation to handle it, and there is no reason to apprehend that it will be universal in the future any more than it has been in the past.

Now, let us suppose the thing should occur. Let us suppose that 2,000,000 men should at the same time and by common agreement all quit their work at the stroke of the clock. Remember the bill, as the chairman of the committee has said, is not like the injunction at Indianapolis. It is not directed against a half a dozen labor leaders. It applies to all, says the chairman, and that is true. It is a fundamental principle of the law of conspiracy that where a number of men agree to do an illegal thing it does not matter about the extent to which each participates in the enterprise, they are all equally guilty.

If 100 men agree to commit a robbery and 95 out of the 100 act as mere pickets, all are guilty. The same applies here. If they all agree to walk out you have 2,000,000 men who have violated an act of Congress. What are you going to do with them—put them all in jail? In 1910 the prisons of the United States accommodated a little over 111,000 men. You would have to put 20 men in each cell, if you had deputy marshals enough and soldiers enough and civil officers enough to apprehend and incarcerate 2,000,000 men. When you did, when the last railroader was in prison, who would run your railroads? If you could go and find new men to run the roads after imprisoning these men, would it not be easier to find them before you imprison them?

You know and I know and the employees upon the railroads know that the law can not in the nature of things be enforced. The only reason for passing it is the frail hope that it will never have to be executed; that it will never be violated.

The laws of the Supreme Judge, from whose decrees there is no appeal and from whose punishment and vengeance there is no escape, are violated. The children of Israel violated them before the thunders of His wrath had ceased to reverberate about Sinai's flaming top. No law has ever been written yet by God or man that has not been violated, and yet we are told that while we know this act is impotent, while we know it can not be enforced, we believe the moral effect, the sanction of it, will be such that the men will obey it, although they have told you that they will not.

The act not only never prevented a strike and never will, but the history of it in every country that has ever tried it shows that it is the most provocative thing of strikes and dislocations and revolts among labor that has ever been conceived by the wit of man. I know of nothing more interesting than the funeral orations which were delivered over the act in the New Zealand Parliament after 10 years of trial and the admission of utter failure, of failure so ludicrous and pathetic as to amount to a legislative and judicial fiasco and a farce.

In discussing the failure of an act which the chairman of the committee says in all respect is like this, that in every essential resembles it, this act is a twin of the dead New Zealand experience. Said Mr. Rigg, a member of the Australian Parliament, on July 1, 1908:

I have said it was a mistake to suppose that strikes could be prevented by coercive legislation; yet this is what we attempted (p. 48). Now, sir, I have already said that we committed a great error when we made that change. What has been the result? We have found that we have put a law on the statute book that we have been unable to enforce, and no one seems capable of suggesting any effective and proper means of enforcing it. Let me remind the honorable gentlemen that threats of imprisonment were used to compel the payment of fines under the act; that, in fact, writs of attachment were issued against strikers which entailed imprisonment if they had not been respected. Again, we know that where there is an extensive strike, and especially where the strikers are assisted and mutually supported by other unions, it is impossible to enforce the law by imprisonment—quite impossible. Without considering the obvious difficulty of accommodating as prisoners a very large number of our fellow citizens, to enforce it would be to deprive employers during the term of imprisonment of the very labor they can not do without and thus to prolong all the evils that arise from the strike itself.

This brings me to the next method of enforcing the law, which is by fine, and I ask, Is it possible to recover the fine? I say no.

This man is speaking from 10 years' experience with the operation of the act under his own eyes.

We have had recently, first, a union distributing its funds in order that they might not be attached, and then we have had the case where the goods of the strikers have been distrained, a number of articles seized, and, when put up to auction, bought in for 12s. 6d. by an interested party and returned to the owners. Now we are adopting another

method, which is the attachment of wages over and above the sum of £2 a week. Now, without expressing any opinion as to the legality of such a course, let me ask, Supposing the attachment of wages results in the men refusing to work any longer, how are you going to enforce the payment of the fine? Have you not then reproduced the conditions that existed during the strike? The strikers who have been fined say, "So long as our wages are attached by the court we will not work," and that means of recovering the fine is destroyed.

I call the attention of the Senate to another brief and graphic description of the expiring agonies of the same act in the first country that ever tried it. I quote here from the Federationist:

For the first 12 years after the adoption of compulsory arbitration in Australasia its advocates had many reasons for satisfaction. The grievances and the wrongs of the men were so obvious that no court could refuse them awards, so the workers were satisfied. As the adoption of the law coincided with the period of prosperity the employers did not seriously object to increased wages.

As long as you agree to boost wages it works. Have you any need of law on a rising scale? Are wages rising fast enough in this country to suit you, or do you want to put this thing in under them and give them another shove upward?

The high tariff wall—

That is another thing that is necessary as well as the minimum wage scale. You can not operate this proposition without excluding labor, that is governed by the law of supply and demand, and not by boards and commissions. Wages should rise according to a natural demand and not according to the maneuvers of boards and commissions, to the detriment of the general public.

Beginning with 1901, however, dissatisfaction developed among the workers. This culminated in a long series of strikes, beginning in 1906, when a strike occurred on the tramways in Auckland. In 1907 there was a large strike among the slaughtermen. In 1908 the coal miners went out—

All in the teeth of this law.

The same year the motormen and the conductors in Auckland struck, and the bakers of Wellington. The labor report for New Zealand for 1908 showed 23 strikes, affecting 2,359 men, and since then strikes have increased in number and in scope.

In February, 1907, the slaughtermen demanded an increase in wages. The packers refused to grant this and referred the question to the arbitration court. Knowing that the court would consume the most valuable time of the season in reaching a decision, which in the end would probably be unfavorable, the men struck illegally. The four principal centers of the packing business were tied up. This desperate situation forced the employers to grant the increase. The court was in a dilemma, for "the law must be upheld." They arrested the slaughtermen and fined them \$25 each. It was a long and tedious process. Men were numerous and hard to identify. Those brought in were searched, but the \$25 was not forthcoming. The wheels of justice ground slowly; when summer was ended many unfined slaughtermen had vanished. The law had been defied with impunity; it was impotent to prevent the strike and could not enforce the penalty for striking.

The necessity of enforcing the law prompted the Government to increase the penalties for its violation. In the future anyone who struck while a case was pending might be fined, and in lieu of the fine his goods confiscated or the man himself imprisoned. Any labor union ordering a strike, or permitting its members to strike, must pay a fine. Then, lest the unions evade the law by withdrawing their registration, the fine for striking was extended to all trades supplying a utility or necessity whether the trades were organized or not.

Strikes among the slaughtermen have been especially numerous in New Zealand, and for that reason are counted separately in the labor reports. In the year 1908-9 penalties were inflicted on workmen in 266 cases, the fines aggregating \$6,650, of which, at the end of six months, 58 per cent remained unpaid.

In 1908, after having presented their grievances again and again and receiving no answer except the dismissal of the men making the complaints, miners struck. Preparatory to action they divided their union funds among the individual members to prevent their being levied on for fines. The employers invoked the new law. The household goods of the men were seized—cook stoves, sewing machines, and furniture, including articles owned by wives before marriage. The goods must be sold at public auction, but buyers there were none. Finally a smiling man offered \$1.25 for the whole lot, and got it. Before night the miners' goods had been returned to the miners' homes. Thus it was again plain the law could be defied with impunity. Enforcement of law depends on popular sentiment or concept of justice.

Mere enactment of legislation is no remedy. Compulsion can not be extended beyond certain limits.

The law referred to, it will be understood, was perfectly fair; that is, it was ambidextrous; it applied to both sides. The law provided heavy pains and penalties against the employer who did not raise wages on demand. The boot and shoe makers of New Zealand refused to obey an award of the commission; at least they closed their shops and boots and shoes were imported. Then the workmen turned on the law.

J. Stephen Jeans, late secretary of the Iron and Steel Institute, in a comprehensive review of the whole question, has this to say about compulsory arbitration:

Practically, however, all experience and precedents up to the present time are dead against compulsion in any form. You can not very well compel a man to agree to submit to reference whether he shall be required to work for a certain employer for a certain wage at a certain time. This must be left entirely to the man's own choice. Nor can you deal differently with a body of men, however numerous, so long as they have broken no laws and rendered themselves amenable to no penalties. Workmen must be continued in the enjoyment of the right to dispose of their labor at whatsoever price they like, and this being so they can not be compelled to arbitrate as to what the price of that labor shall be or as to any other general condition affecting its value and duration.

In my humble opinion, you are attempting to incorporate into this act a foolish and indefensible expedient highly offensive to labor, utterly useless to capital, and eminently calculated to produce the very evils it is designed to correct. Such legislation has often produced strikes by the wholesale. It has never settled one, it has never prevented one, and it never will.

Prof. John R. Commons, of the University of Wisconsin, and Prof. John B. Andrews, authorities of national repute, have written an exhaustive work upon this subject, entitled "Principles of Labor Legislation." With no political bias, without the question being agitated, speaking not as advocates but friendly to many provisions of the law, they review with pertinent comments the history of compulsory arbitration in Australia. They say:

Turn now to the turbulent history of New South Wales. This one State furnishes more than half of the days lost by strikes in all of Australia. After a futile voluntary arbitration law of 1892, New South Wales passed its first compulsory law in 1901. The act expired in 1908. The single court had not disposed of the cases brought before it with sufficient rapidity. The antilabor ministry in power at that time adopted a comprehensive system of wage boards modeled after the Victorian system, whose determinations were subject to appeal to a special court of arbitration—

The exact provision which is contained in this proposed legislation—

All strikes were declared illegal. A system of fines was adopted to reach the union funds. Strikes, almost of the character of rebellion, followed, and the next year the same ministry rushed through a bill applicable to strikes in certain necessary industries, like coal mining. These provided a penalty of not exceeding 12 months' imprisonment for instigating strikes, and the same length of time for mere participation in a strike meeting—

What was the effect of that on the coal-mining industry?

Immediately there followed a strike of all the coal miners in New South Wales—

They accepted the challenge instantly—

The situation became intolerable, and the Labor Party came back to power. A new act was passed in 1912. The severe penalties were withdrawn, and special conciliation boards were created for mine workers.

But neither under antilabor ministries nor under the present labor ministry is New South Wales industrially quiet. Frantic assertion of authority has been followed by flabbiness in the administration of the law. This has resulted in a series of headless strikes. The officials of the union, who might be prosecuted, make a show of dissuading the men—

Have we not had a similar experience recently in Indiana?—and the men strike with neither political nor economic consequences, as the Government will not prosecute the rank and file, and the employer is bound by the awards. Practically the compulsory arbitration system of New South Wales has become an imperfect wage-board system.

The act of New South Wales was repealed. A provision was placed in the law of 1912 mildly reprobating strikes and in certain instances punishing them as a misdemeanor, and again the laborers struck.

The mild act of 1912 was not anything like as obnoxious as the previous one. Under it a strike or lockout was regarded not as criminal but rather as an extravagant expedient, liable to penalization extending to a charge on any moneys then or thereafter due to the person ordered to pay such penalty. The court was also authorized to grant a writ of injunction to restrain any person from continuing to instigate or to aid in a lockout or strike, the maximum penalty being imprisonment for six months.

In protest against and in defiance of this act, in a country containing less than 1,000,000 adult males, there followed in one year 289 dislocations, involving 144,704 men, and entailing the appalling loss of 2,861,595 working days, with the result that the objectionable provision was repealed in the following year by an amendment establishing the principle that strikes and lockouts, with certain exceptions, were expressly recognized as lawful.

Every country that has ever attempted to enact such a law as we are now attempting to enact has precipitated strikes, with the result that the law has been repealed and the right of laborers to quit the employment and personal service of any man or corporation without let or hindrance has been expressly recognized. Canada has done so; New Zealand has done so; New South Wales has done so; England has done so; and yet, in the teeth of these multitudinous failures everywhere in the civilized world wherever the attempt has been made, conservative men at this crucial time, at this perilous time, are endeavoring to revive this indefensible experiment.

Great Britain and Canada alike, admitting the impotency and folly of such provisions as this, have incorporated into the law express provisions recognizing the right of men to quit and guaranteeing immunity to employees who individually or collectively protest against objectionable working conditions by a refusal to longer endure them.

After more than 10 centuries of experience with every character of legislation penalizing combinations among employees or any character of interference in the relations of master and servant, employer and employee alike, in Great Britain have joined in the utter repudiation of the whole scheme of compulsory arbitration.

As I said on yesterday, we have had for 2,000 years experience with legislation similar to this. Senators will remember from the reading of Blackstone that it was a fixed principle of English law for five centuries that any combination among workmen for the purpose of extorting an increased wage or otherwise inconveniencing an employer was illegal; that any interference between a man and master was a misdemeanor or worse.

Very recently this whole question has been subjected to the most exhaustive inquiry by the Whitley Commission. In commenting upon the report of this commission, Mr. Joseph Horton, British correspondent of the Iron Trade Review, of August 1, 1918, thus summarizes the result of the findings of this commission.

These are not the protests of labor; these are the cold and deliberate judgments of capitalists and of employers of workmen. I quote from the Iron Trade Review of August 1, 1918:

Should employers and employees be compelled to submit their disagreement to arbitration? Should employees be compelled to remain at work while disagreements are being arbitrated? These were among the big questions studied by the commission appointed to investigate industrial unrest in Great Britain. In the latest report of the commission both questions are answered in the negative. The Whitley investigation commission, as the board is called, found that neither employer nor employee favored compulsory arbitration.

In this the second article written by the Iron Trade Review's British correspondent dealing with the British labor problem, the commission's reasons for its findings are set forth. It is pointed out that the mainstay of British industrial peace is the frank discussion of problems between employers and employees, and voluntary arbitration in all cases where such discussion fails to bring about the desired results.

The commission is strong in its advocacy of industrial councils in the various industries as a reliable means of arriving at a satisfactory understanding. The success of the voluntary arbitration plan has been founded on the confidence of both employers and employees in their arbitrators.

If it is not possible to enforce such an act in little islands, in thinly populated countries, how will it be possible to enforce such an act in this great country? The male adult population of New South Wales and of New Zealand does not equal the number of men now in the service of our railroads. There are not 600,000 adult, able-bodied workmen in either New South Wales or in New Zealand. There are more men in the employ of the common carriers of the United States than there are men, women, and children in either one of these countries; and yet these little, thinly populated countries could not enforce such an act on account of the number of men it affected. What are you going to do with 2,000,000 of men?

Mr. President, I have followed this committee and its great work with interest and with admiration. Its members have brought learning, experience, patience, and courage to the solving of an immense problem and to the performance of a titanic task. You have revolutionized a great industry in America. You have taken these roads from the control of the State Governments and placed them under Federal control. You have supervised and controlled the issuance of their securities, the payment of their rates, the organization of the corporations.

If we must make this attempt, let it be done in another bill and at another time. This all-important and vital legislation should not be shackled, should not be endangered by this provision, requested neither by master nor by servant, and sternly, and I think wisely, opposed by millions of men directly affected by it. This bill contains many things which are wise and good and more which are untried and new.

We are about to reorganize and revolutionize a system of transportation which equals in extent and value the mileage of all other railroads on the globe; we have provided for the reorganization of the corporations which have hitherto controlled and operated these systems; we have transferred them from the jurisdictions of the State to the Federal Government; we have regulated their earnings and the issue of their securities. The industrial peace and prosperity of this Republic rests in great measure upon the success and the great work this committee has attempted and to which it has given earnest thought and indefatigable attention and to which it has brought the talents and the experience of men who have given years of their lives to an understanding of this titanic problem. To make the reorganization of railroads and their return to private ownership a success you need not only the cooperation of presidents of banks and railroads, of financiers and traffic managers, you need the cordial, capable, enthusiastic cooperation of the

2,000,000 men who have operated this vast machine with such signal energy and efficiency. Were this some new industrial panacea, not branded all over with demonstrated failure wherever tried, it would still be objectionable at this time. Owners and operatives alike have problems enough to solve, and in their solution we need the cordial and capable cooperation of master and of man. It is not necessary, it is not wise, to endanger the success of the whole scheme by provoking the sullen opposition of those upon whom the expeditious and efficient movement of the commerce of America admittedly depends.

For the reasons assigned I offer an amendment providing for the elimination of the whole plan of compulsory arbitration from the pending measure.

Mr. JONES of Washington. Mr. President, I have received a letter to-day from the representative of the Farmers' National Council, which he asks may be read and printed in the RECORD. I am glad to ask that this be done. He claims to represent a large number of voters in the State of Washington and to speak their views regarding this bill. I ask that the letter may be read by the Secretary.

The VICE PRESIDENT. Is there any objection? The Chair hears none, and the Secretary will read as requested.

The Secretary read as follows:

FARMERS' NATIONAL COUNCIL,
Washington, D. C., December 15, 1919.

HON. WESLEY L. JONES,
Room 445, Senate Office Building, Washington, D. C.

MY DEAR SENATOR JONES: At the request of the Washington State Grange, of the executive committee of which I am a member, and representing the triple alliance of Washington State, including the Grange, the State Federation of Labor, and the Railway Brotherhood, I have come to Washington to oppose the Cummins bill and the Esch bill for the return of the railroads, and to urge most strongly that the period of Government operation of the railroads be extended for two years in order that we may have an opportunity, after a fair trial, to determine whether or not Government operation of the railroads is advantageous to the American people.

I am confident that 200,000 voters of Washington State, all those who understand the Cummins and Esch bills, are opposed to their enactment, and feel that it is fundamentally unjust to the men, women, and children of America that legislation of such vital importance should be rushed through without fair and just discussion. We oppose the guaranteeing of dividends to the railroads, as provided in the Cummins bill, since such guaranty of 6 per cent interest will place a premium upon inefficiency and waste and petty graft—more, it will make them inevitable.

On behalf of these organizations I respectfully request that you will have this communication read to the Senate and incorporated in the RECORD, that it may be known to all Members of the Senate that the people of Washington State, who so vigorously, earnestly, and with such self-sacrifice worked for the winning of the war, overwhelmingly oppose the principles of the Cummins and Esch bills and demand that matters of such vital importance shall be determined only after thorough discussion and understanding.

Yours, respectfully,

FRED J. CHAMBERLAIN.

Mr. CUMMINS. Mr. President, on page 58, line 25, I propose the following amendment: After the word "carriers," I move to insert the words "including sleeping-car companies."

I may remark that there has been some question as to whether the employees of the sleeping-car companies come within the proper interpretation of the words "upon railway carriers subject to this act."

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 58, line 25, after the word "carriers," it is proposed to insert the words "including sleeping-car companies."

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Iowa.

The amendment was agreed to.

Mr. CUMMINS. In section 43, page 89, after line 13, I move to insert the matter which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The SECRETARY. On page 89 of the bill, in section 43, it is proposed to insert, after line 13, as a separate paragraph, the following:

Through rates for transportation wholly by railroad shall be made for the entire ordinary transportation service from point of origin to the destination and delivery at the depots, warehouses, team tracks, or other usual unloading places; and in case of ordinary live stock destined to be received at public stockyards, to include the service of unloading and delivery of inbound shipment into suitable pens, and receipt and loading of outbound shipments; such to be deemed the carrier's facilities. This provision shall likewise apply to other than ordinary live stock destined to or received from such stockyards handled in the same manner, provided that where by reason of the extraordinary value of the animals or their condition it is reasonably necessary for their proper care and handling, such additional service as is reasonably necessary in properly caring for the same, the unloading and delivery or loading thereof may be required by the carrier of the shipper, which, if not furnished by him, shall be furnished by the carrier, and reasonable charge made therefor against the shipper, all of which shall be carried in tariffs and subject to the determination of the commission.

Public stockyards are those used as facilities for handling live stock at places of sale, purchase, and slaughtering, including those at which the Department of Agriculture maintains inspection of meat animals for slaughter, and such other places as the commission may find in common use for handling or buying and selling live stock by carloads, to be designated by the commission.

Mr. CUMMINS. Mr. President, this proposed amendment has been brought to my attention by the American National Live Stock Association, of which Judge Cowan, of Fort Worth, is the general counsel.

The reasons that have been submitted to me for the adoption of the amendment are that it has become the practice of the railroad companies, or those connected with the railroad companies, to separate their charges, and when a shipper, especially a live-stock shipper, asks what the rate is from the point of origin to the point of delivery, which is a stockyard, the rate is given according to the published tariff, and then the railroad company adds to the rate a series of charges for various services performed in connection with the transportation of the live stock, so that the shipper does not know from time to time what it will cost him to have his stock delivered at the point to which he ships it.

I am entirely in sympathy with the purpose of these shippers, and want to bring the whole subject within the jurisdiction of the Interstate Commerce Commission, and compel the carriers to state in the published tariffs the rate that must be paid by the shipper for the entire service of taking the property at the point of origin and delivering it to the point at which it is to leave the car. I think it is an amendment which will tend toward the protection of those who have occasion to use the railroads in the shipment especially of live stock.

The amendment was agreed to.

Mr. CURTIS. I offer an amendment. I will state that it is the amendment I offered last night, which was printed and read, and about which remarks were made by myself and the chairman of the committee. I have nothing more to say about it. The chairman of the committee says he has no objection to it.

The VICE PRESIDENT. The Secretary will read the amendment.

The SECRETARY. On page 10, in lines 11 to 14, after the word "carriers," strike out the words "of which Federal control was relinquished prior to July 1, 1918, as provided in the act of March 21, 1918, this act shall constitute a guaranty for the said period," and insert the following: "referred to in the following provision in section 1 of the act of March 21, 1918: 'That every railroad not owned, controlled, or operated by another carrier company, and which has heretofore competed for traffic with a railroad or railroads of which the President has taken the possession, use, and control, or which connects with such railroads and is engaged as a common carrier in general transportation, shall be held and considered as within Federal control as herein defined, and necessary for the prosecution of the war, and shall be entitled to the benefit of all the provisions of this act,' and subsequently relinquished regardless of the wishes of the owners, this act shall constitute a guaranty (a) to the extent of any actual operating deficit, including taxes, that may have been incurred during the period January 1, 1918, to the date when this act takes effect; and (b) to constitute a guaranty until expiration of the four months' period heretofore provided in this section."

The amendment was agreed to.

Mr. UNDERWOOD. Mr. President, there are a great many features in the bill which cover subjects that seem to be in general accord with the views of most of the Senators. I take that to be true, because there was no serious opposition to them in the committee and there seems to be none on the floor of the Senate.

The questions of dispute to a large extent narrow down to the issues involved in section 6 and the section of the bill relating to labor disputes. What I have to say at this time I intend to confine to those two sections of the bill, but I do not wish it understood that by my silence I do not approve of and am not in accord with many of the other splendid features of the bill.

It is practically impossible, of course, to write a piece of legislation that embraces so important a subject matter and covers so large a field, both in the business to which it relates and the economic problems involved, that all men can agree to. In fact, there are some few provisions in the bill that I would change if I had the sole writing of the bill. But bills of this kind are more or less a matter of compromise. We must accept the good with the bad, and, in my judgment, the very large percentage of the bill is entirely good. The few clauses that I would change are not of such grave importance that I can not accept the bill as a whole.

I feel that we must legislate on the question of railroad transportation, and legislate at a very early date, or we will endanger the entire transportation system of the country. More than a year ago the President indicated his desire to return the railroads to their owners. He has twice set the date on which he proposed to return them, unless in the meantime the

Congress legislated. I do not believe that it is possible to return the railroads to their owners under present conditions and without remedial legislation, without danger to the business interests of the country. I do not mean that to be confined entirely to the railroads themselves. I have no interest in a railroad, never have had, and never expect to have. All the business interests with which I am connected are on the side of the shipper. But I realize the business from my standpoint can not be carried on unless the railroads of this country can function, unless the transportation facilities of America are prepared to carry goods that are produced in the fields and the manufactured products of the country to their ultimate market, where the producer can receive his money reward.

The policy of the regulation of railroads in the past has been correct, so far as policy is concerned. The practical workings of regulation in the past, in my judgment, have been a mistake. We have forced a condition in the supposed interest of the shipper to a point where we have reduced the problem to the successful operation of a few great systems in America, and almost to the financial destruction of 60 per cent of the American railroads. I do not mean by that that 60 per cent of the railroads are in the hands of receivers, or would have gone into the hands of receivers before the Great War came on; but I mean that 60 per cent of the roads were not functioning so that they could give the facilities that the producing and business interests along their lines were entitled to. They were not able to put in additional trackage, build additional cars, furnish facilities of all kinds, that would develop the business interests along other lines.

I think that the freights of this country should be carried at a reasonable rate; but, on the other hand, I believe that it is far more important to the shipper to have railroad facilities that will properly put him in contact with his ultimate market, and it is the question of cheap freight rates. By that I do not mean to say that freight rates ought to be exorbitant, but I think a reasonable increase in freight rates that will develop railroad facilities in this country is far better for the development of the business of the Nation than it is to have a paucity in freight rates and a lack of railroad facilities.

The purpose of drawing the bill, the basis of the bill, was to meet those conditions and conditions growing out of the war. We all recognize the fact that a dollar to-day will not purchase half the commodities that it did four years ago. That is true so far as the railroad operator is concerned, as it is so far as the man who must earn the dollar by his daily toil is concerned.

We also must recognize the fact that during the period of the war, under Government control, or at least since the period when the Adamson bill was enacted by the Congress, wages on these railroads have increased over a billion dollars.

That increase amounted to more than all the railroads have ever paid in any one year for interest on their bonds and dividends on their stocks. I know of no man who is now proposing to cut that wage scale, to reduce the wages that are paid. There is a proposal in the bill for wages that may come in the future, but as to the present wage scale I know of no proposal coming from anyone for a reduction. Without a reduction of the wage scale, the cost of the additional wage must be reflected into the cost of the transportation of freight and passengers in America.

Mr. KING. Will the Senator permit an inquiry?

Mr. UNDERWOOD. Certainly.

Mr. KING. Does the Senator mean to indicate—and I ask for information—that the wage scale is proper, regardless of the fact that the prices of all commodities and everything else may go down very much lower than they are at the present time?

Mr. UNDERWOOD. No; I do not mean to indicate that the wage scale is permanent, neither to go up nor down; but I think it is a fixture for the immediate present.

Mr. KING. I agree with the Senator.

Mr. UNDERWOOD. That is what I am addressing myself to. There are provisions in the bill for readjustment of the wage scale. In passing, I will say that in some particulars I do not think the wage scale was too high. The increase to the conductors and railroad engineers was only between 30 and 40 per cent. I do not think that was an extravagant increase for those men under existing conditions with the present high cost of living.

But in some other branches of the service the wage scale for some particular employees was several times in percentages greater than was granted to the engineers and conductors. I think it was an increase that was out of proportion to the increased cost of living or to the average increase in wage scales on railroads or off of them. I think the increase could

have been better adjusted if it had been worked out by a board that was conversant with the facts and conditions and had properly solved the problem.

Mr. CUMMINS. May I interrupt the Senator for a moment?

Mr. UNDERWOOD. Certainly.

Mr. CUMMINS. I was afraid the Senator from Utah [Mr. KING] may have misunderstood the remark of the Senator from Alabama. The bill does not establish any wage scale or perpetuate any wage scale. Possibly the Senator from Utah has confounded the bill with a provision found in the House bill.

Mr. UNDERWOOD. I did not mean to imply that it did. I did not so understand the Senator from Utah.

Mr. KING. No; I did not so understand it, I will say to the Senator from Iowa. I understood that there was nothing in the bill which would perpetuate the present wage scale or prevent the board created from adjusting wage scales upon proper application.

Mr. UNDERWOOD. Nothing at all. My remark merely was as to the condition of facts, that it is not probable that they will be changed at this time, and, not being changed, we have a problem to face us of a billion-dollar expenditure that was not facing the railroad management before the war.

Of course, there is the cost of coal and the cost of all other supplies, but in addition to wages and supplies there is another problem that the railroads must meet in the future which is even more difficult than this and to which they have not yet come, and that is the cost of buying money, because you have to go into the market and buy money to operate with just like you have to go into the market and buy coal to operate with and to buy labor to operate with.

Twenty years ago a railroad bond was a prime security—

Mr. THOMAS. Some of them.

Mr. UNDERWOOD. The Senator from Colorado says some of them were, and I accept the amendment; that is true, but they were so regarded as a prime security that conservative New England, through her legislative enactments, required that the funds of trustees and certain trust companies and savings banks should be invested in railroad securities because it was considered a conservative investment.

Mr. McCORMICK. Securities drawing 3 and 3½ per cent.

Mr. UNDERWOOD. Certainly. Of course, bonds were primarily the case, but even stocks at that time had a larger dividend of 4 per cent; had a ready sale on the market. The condition has entirely reversed itself. Investing capital has gone in other directions and went in other directions before the war. The great industrials were regarded as better investments and since the enactment of the income-tax law, State and county and municipal bonds have become the prime investment for conservative capital, and since that time a great issue in many billions of dollars in Government securities has flooded the market, absorbing the idle capital that is here for investment and leaving no field for investment in railroad securities.

To properly equalize the purpose of the bill I think it is absolutely necessary that we should bear the fact in mind that it is the price of money that requires the legislation. You say that the roads have many bonds out on which they are only paying 4 per cent. True; but I can also say that there are many securities of the railroads out now on which they are paying 6 and 7 and 8 per cent interest. More than that, the railroad securities in the nature of bonds that were issued in the past when railroads were a fine investment are falling due, some this year, some next year, and most of them will become due in the next decade. When they become due they must be paid. There is but one way in which the railroads can get the money to pay them, and that is to borrow. Is there any Member of the Senate optimistic enough to contend that at any time within the next decade railroad securities will again sell at par on a 4 per cent basis? I do not think so.

The price of money to-day can better be measured by a Government bond than any other security in America, because we all regard the Government bond as an absolute certainty so far as the payment of principal and interest is concerned. We know that you can go on the stock exchange to-morrow and buy a bond that is practically tax free, except for the surtax, on a 5 per cent basis. Bonds bearing 4 per cent and 4½ per cent are selling so far below par that, measuring them by the price and the interest received, they will pay the investor 5 per cent interest at maturity with no State tax, no county tax, no municipal tax to pay, and only the surtax to pay so far as the Government is concerned.

What is that security worth as measured in terms of other securities? What is a tax exemption of that kind worth to the investor? Bear in mind that this class of securities is usually purchased by investors of large means. I take it that it would not be out of the way at all to say that the exemption

from taxation is worth 1 per cent to an investor of that kind. Therefore, in comparing Government bonds with outside securities, which must pay municipal, State, county, and Government taxes, you can make the comparison that the Government bond to-day is selling on a 6 per cent basis. I do not regard that as unreasonable.

Since the bill has been before the Senate there has been some very severe criticism of it because it proposes to increase the cost of transportation, because it will increase the price the shipper must pay for transporting his freight. I am inclined to think that the statement that out of the bill will grow higher freight rates is true; but how much higher, and are they justified by the facts? I have heard it said on the floor of the Senate since the debate came on that the bill would put an ultimate charge of \$4,000,000,000 on the American people. Let us come right down to facts and see what it does do.

Mr. FLETCHER. May I interrupt the Senator to ask that he compare what he regards as the probable increase under the bill with what he conceives to be the inevitable increase if the bill is not passed?

Mr. UNDERWOOD. I was coming to that. The Senator is undoubtedly correct about it.

Whether this bill passes or does not pass it will be necessary to take up the slack or the railroads can not run. They will have to be supplied with the money to function or they can not do business. The Senator is undoubtedly correct. Even if we do not pass this bill the Interstate Commerce Commission or the Director General of Railroads must make increases to meet the increased expenditures for labor, for fuel, for the procurement of money, or the railroads can not run; they will go into the hands of receivers. Such an increase is going to come whether the bill is passed or whether it is not passed. However, the committee has tried to be liberal.

Mr. STANLEY. Will the Senator yield at that point?

Mr. UNDERWOOD. I yield.

Mr. STANLEY. Commissioner Clark, I understand, has made an estimate that a freight increase of \$1 is reflected in an increase of \$5 in the cost of commodities in the hands of the ultimate consumer. Does the Senator from Alabama concur in that opinion?

Mr. UNDERWOOD. I am not informed on that subject, and that is not the question involved. Suppose it does. Now, let me ask the Senator a question. I do not know that that is so. As to how far an increase in a tariff tax will increase the article to the ultimate consumer, I do not know. That is the same proposition, and I have heard it argued, as has the Senator from Kentucky, many a day, with one side of the House contending that it meant a vast increase to the consumer and the other side arguing that it involved no increase to the consumer.

Mr. STANLEY. I do not think the charges of railroad carriers and import duties can be compared, for the reason that an import duty is usually levied on an article that goes into the hands of the consumer, while the cost of a freight rate enters into each phase of production.

Mr. UNDERWOOD. So does a tariff tax.

Mr. STANLEY. I am not asking the question in a controversial sense. I am asking for information.

Mr. UNDERWOOD. Yes; I understand. So does the tariff tax. It starts with the raw material and goes up to the finished product. The Senator from Kentucky and I have often contended it did increase the price, whereas our friends on the other side of the House contended that it did not.

Increased freight rates are undoubtedly likely to be reflected into the pockets of the ultimate consumer to a greater amount than the actual amount of the freight rate; but there is nobody who can say to what amount. A great many men—

Mr. KING. Mr. President—

Mr. UNDERWOOD. Just a moment—theorize on that question. It depends on which side of the question you are on, as to whether you put it high or low. But nobody knows. I now yield to the Senator from Utah.

Mr. KING. I think the Senator from Alabama is correct. I have seen the statement attributed to Mr. Commissioner Clark and a similar statement, I think, was made by Mr. Commissioner Woolley. As to some articles it is possible to trace the increased cost, and it will be very much greater in the hands of the ultimate consumer; but in the case of coal and oil, which constitute 40 or 50 per cent of all of our transportation, I do not think the statement holds good at all. Upon the contrary, as to those commodities I think an increased rate enhances the cost by only a very small percentage.

Mr. UNDERWOOD. The Senator from Utah is right. It largely depends upon the item itself. The cost of one article may be increased largely and another not materially. That, however, is not the question that confronts us. Suppose the

statement which is attributed to Mr. Commissioner Clark were true and that every dollar by which railroad freight rates are increased were reflected in the pockets of the ultimate consumer of the commodity that went over the road to the extent of \$5, and it were necessary to have \$1 to run the railroads, would my friend from Kentucky withhold the dollar? Surely not. If it were necessary to have the dollar to run the railroads the Senator would say it is unfortunate that it has to be reflected in somebody's pocket to the extent of \$5, but the railroads must function or the country can not live.

Mr. STANLEY. In the sense that a road must have an adequate rate.

Mr. UNDERWOOD. Surely. That is the only question.

I have already congratulated the Senator from Iowa [Mr. CUMMINS] on this bill. I think, taken in the main, it is a splendid and conservative bill. As to every feature I do not agree with the Senator, but I believe that it will relieve the situation.

When I first came to the Senate my friend from Iowa was regarded as a progressive; I think some people behind his back called him a radical. He has never functioned on the railroad side of this issue; he has never been a man who jumped through railroad hoops. Therefore, it rather surprised me when I found some of the Senators were practically charging him with being a tool of the railroads because he brought out this bill. The Senator from Iowa realized that there was a sick man on the table, that it required an operation to save his life; so he has gone at it in a conservative way and is trying to save the patient's life.

Mr. CUMMINS. Mr. President, I desire, if I may, to say in that connection that my views have not been in any way changed so far as the questions referred to by the Senator from Alabama [Mr. UNDERWOOD] are concerned. I think we must choose now between Government ownership and operation of railroads and private ownership and operation of railroads under regulation. If we choose the latter, it is absolutely necessary to put the railways in that position which will enable them to secure the money which is necessary to operate their properties. That has been my sole guide in what influence I have had upon the construction of the pending bill.

I have not consented to give the railroads one penny more than I believed to be absolutely necessary for that purpose; and a good many members of the committee felt, I am sure, that the basis we have provided for here was rather too low than too high.

I may add with regard to Government operation that I have no doubt that Government operation continued under present law will witness a very material increase in rates. The truth is that rates are now being raised all the time. The rates which were promulgated about the middle of the year 1918, known as the 25 per cent increase in rates, which was actually an increase of more than 25 per cent, are not the only rates which have been increased since the Government began to operate the railroads. The rates have been increased here and there all the while, and I never open my mail in the morning without receiving information, and protests ordinarily, against an increase in rates made very recently.

If the railroad companies can manage their properties more economically than the Government can manage them, then there is a possibility that there need be no increase in rates; but it depends upon the economy with which the railroad companies can operate the properties and render the service as compared with the economy with which similar service can be rendered by the Government.

I beg the Senator's pardon; but I wanted to state the case exactly as it appeared from my standpoint.

Mr. UNDERWOOD. I am glad that the Senator interrupted me. I am in thorough accord with the statement of the Senator who introduced the bill. We do not want any misconception about the question of what this bill will cost the country if it is enacted into law, and it is not possible of there being a misconception.

Of course, one can theorize as to how much an increase in rates is going to magnify the cost of commodities before they reach the ultimate consumer; that is theory; but when it comes down to the practical dollars it is going to cost the country under the terms of this bill, there is not room for theory; the fact is plain; it is definitely fixed in the bill, and is not subject to controversy. I refer, of course, to the mandatory features of the bill.

So far as I know, there are but two provisions in this bill that will affect an increase in freight rates. One is the provision that authorizes one-half of 1 per cent for permanent improvements, which has heretofore been taken out of the net income of the railroads, to be taken out of the gross income

of the railroads in the discretion of the Interstate Commerce Commission. That provision is not mandatory in any sense of the word but absolutely discretionary with the commission. How can any man who for the last three decades has consented to the regulation of the freight rates of this country by the Interstate Commerce Commission, where there was no limitation whatever upon the action of the commission except their own discretion in the matter, contend that there is any violent change in this bill, when the committee, to be on the safe side, renewed in the commission the power of exercising a discretion to the extent of one-half of 1 per cent, when heretofore they had the discretion with nothing to limit them but the blue dome of heaven, the reflection of the sentiment of the American people, and their own conscience as to what was right and what was wrong about the matter? Now, leaving out that, which is merely a discretion which the commission has now—

Mr. STANLEY. Mr. President—

The PRESIDING OFFICER (Mr. GERRY in the chair). Does the Senator from Alabama yield to the Senator from Kentucky? Mr. UNDERWOOD. I yield.

Mr. STANLEY. Before the Senator leaves this point, I wish to propound another question to him in the same spirit in which my last question was propounded. It has been stated repeatedly—in fact, the statement has been made to me by persons who claimed to know and who spoke from authoritative data—that not only was the rate multiplied to a startling degree but that the Government was now operating the roads at a profit and had been doing so for several months. I am not in favor of Government ownership; I am anxious to see the roads returned to their owners at the earliest possible moment; but I was surprised at such statements, not that I question them, because I have never investigated the matter and do not know; but conscious of the profound study which has been given to this question by the Senator from Alabama and having great respect for his judgment, I had hoped that he would discuss that matter before leaving this phase of the question.

Mr. UNDERWOOD. As I said to the Senator before, I can not enter into a discussion with the Senator as to how many times a freight rate is multiplied before it gets into the hands of the ultimate consumer. That is purely a matter of theory.

Mr. STANLEY. I mean, does the Senator know about the relative earnings of the roads for the last several months, or does the chairman of the committee know?

Mr. CUMMINS. Mr. President, will the Senator from Alabama allow me to answer that question?

Mr. UNDERWOOD. Surely; I shall be glad to have the Senator do so.

Mr. CUMMINS. I have given it some investigation, and possibly the Senator from Alabama has not. I intended to refer to that subject when I came to reply, if I do reply, to some of the arguments which have been made against this bill.

It has been said here that during August and September and October and November—the November report is just out—the Government has made a profit, after paying the compensation provided for, in the operation of the railroads. Let us see for a moment how that profit has been ascertained.

In the first place, the cost of the general administration has not been charged to operating expenses, as I am informed. I have not, of course, gone further than simply to inquire with respect to that matter, and I have been informed that the cost of the general administration has not been charged to operating expenses. Second—and this is the real point of it—everybody who knows anything about railroads knows that the fall months—August, September, October, and November—are the money-making months in all railway operation. These are the months of great volume of traffic, and these are the months in which operation can be carried on most economically; and if you will examine the reports of the railroad companies during years past, I think you will find that their net earnings in these months have been very, very much larger than in other months of the year.

The statement that a profit has been made is arrived at in this way: The earnings of the railroad companies for these favorable months have been aggregated, and then one-twelfth of the compensation has been deducted from these earnings, with the result stated by those who have occupied the floor.

I assume that the fallacy of that kind of computation is at once observable to any student of the subject. The only way in which you can ascertain whether or not a railway is profitable in its operation is to take in the entire year, with all of its variations; and I think that when the year is over it will be found that the Railroad Administration for this year has lost more than \$325,000,000.

That is my response to the Senator's question.

Mr. STANLEY. Mr. President, at that point, does the chairman of the committee know how the earnings for these last three profitable months, for instance, that have been tabulated and given here, compare with the earnings for the same period last year? That of itself would settle the question.

Mr. CUMMINS. I have in course of preparation a table which will disclose the comparative earnings, and I will present it to the Senate before this debate is finished.

Mr. KING. Mr. President, will the Senator yield?

Mr. UNDERWOOD. I yield.

Mr. KING. By way of supplementing what the Senator from Iowa has just stated, I have been informed—I do not know how credible the information is, but it comes to me from sources that I am inclined to look upon as being authentic—that the Railroad Administration, in anticipation of the roads going back to the private owners, during the last few months have curtailed necessary expenditures upon the roads for improvements and repairs and betterments and maintenance, which if made would aggregate a great many millions of dollars.

Mr. UNDERWOOD. I think the Senator is correct about that. I do not speak by the card on that subject, but I ride on the railroads sometimes. I think it is common knowledge of everybody how much freight cars have been in demand, and it is pretty nearly common knowledge of everybody that rides on the roads how many freight cars are standing on the sidetracks to-day and can not be used because they are out of repair, and the same can be said to a certain extent of the engines of the railroads. When you stop repairing your rolling stock, and make no charges for an outlay in that respect, you certainly ought to show some pretty good earnings on the other side; but somebody has to pay the bill at some time.

Mr. POMERENE. Mr. President—

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

Mr. UNDERWOOD. I yield.

Mr. POMERENE. If the Senator will permit me, if we take into consideration the standard of compensation month by month, I think the figures will show that instead of there being a surplus for the months of September and October there has been a deficit; and I expect, later on, to present some figures sustaining that position.

Mr. UNDERWOOD. I am inclined to think the Senator is correct about it, although I have not worked out the figures myself. Of course, when you come to figuring, you can take an hour or a day or a minute, and sum up almost any business and prove that it is a financial success; but I am sure that it is common knowledge to every man in this Chamber that the one period of the year when a railroad ought to be making money is in the three months of the fall.

Mr. SMOOT. If it does not make money then, it is bankrupt.

Mr. UNDERWOOD. Yes; as the Senator from Utah suggests, if it does not make money then, it is bankrupt. Why? Because the crops are moving, people are traveling, there is a maximum movement of freight, and the best prices, and, more than that, there is no winter snow; there is no weather condition that makes it difficult to handle the trains. The railroad can function at its maximum in the three fall months, and ought to show its very highest condition of profit-making.

Mr. STANLEY. Mr. President, is it not possible to determine, and has or has not the Interstate Commerce Commission determined, by a system of averages—I do not know, but I think it is vital at this point—when this apparent gain in these favorable months is such as to show an actual profit, or when it is not sufficient to bring the average up above the cost of operation for the whole year?

Mr. UNDERWOOD. Well, I suppose you might theorize and figure it out, but what is the use of figuring?

Mr. STANLEY. It is not a matter of figuring. It is a matter of railroad experience, so as to know whether or not this apparent gain that is claimed is an actual gain.

Mr. UNDERWOOD. Does not the Senator himself know that what they gain in October, November, and December is not going to be a gain in January, February, and March?

Mr. STANLEY. Why, certainly I know it; but I also know that if, say, the railroads in these three months have made a net profit of 20 per cent, and the averages that the Interstate Commerce Commission have kept for 20 years show that ordinarily those months sustain a 5 per cent gain over the three previous months, then such a gain as that would establish a net profit, notwithstanding they were the best months. The amount of the profit, in the light of the figures of the average that must be kept by the Interstate Commerce Commission, ought to have some meaning more than a basis of speculation to those who know more about this thing than I do.

Mr. UNDERWOOD. To be sure. I will say to my friend from Kentucky that I have not worked it out in that line, but if he will work it out I am sure he will find that it does not show a profit. Now, I do not know that, but I make the prediction that he can not work out any profit if he will take it for the year. The reason why I know there has not been a profit is because you can take the whole year—it is practically out now—and demonstrate that they have made a very great loss. Now, what is the use of our theorizing that in the three good months they made a profit, when we know that they have made a great loss during the year, and more than that, we know it because it is reflected in the bills in this Congress?

Mr. STANLEY. I do not wish to take the other side of this controversy with the Senator; but I think the question is pertinent, nevertheless, for this reason: It is claimed by those who use this profit as an argument—and I am not taking that position at all—that the previous months were either months of war or months in which they were recovering from the shock of that controversy, and that this profit is not due to the normal movement of freight, but is due to a return to normal by the railroads. I do not make any such claim as that.

Mr. UNDERWOOD. The war was over a year before we reached this period. More than that, the conditions that I see in the railroads are no more normal this fall than they were last spring. It is a pure theory that is worked up by men who want to close their eyes to fact. The fact is that they have lost money, and the fact is that they stood at the door of Congress, when the long session of the last Congress was dying, proclaiming to us that if we did not pass a money bill for their relief then and there they could not function.

Mr. STANLEY. As I understand, the war was not over a year before the beginning of the period when it is claimed these roads were making a profit.

Mr. UNDERWOOD. The war was over on the 11th day of November, and I understood that they were taking—

Mr. STANLEY. It has been stated on the floor of the Senate, and has been stated elsewhere, that they claim a profit for September and October.

Mr. CUMMINS. One year before, however. The war was over the 11th of November, 1918. The three months which have been mentioned here are the three months in the fall of 1919.

Mr. UNDERWOOD. To be sure; nearly a year, if not a year, before it was over.

Mr. STANLEY. But, Mr. President, if the Senator will allow me, the Senator, as I understood him, stated that the war was over for a year before these figures were made. Now, I do not understand that that is exactly accurate with reference to those months, and the question was with reference to those months.

Mr. UNDERWOOD. I will correct my statement, then, and say it was over for practically a year.

Mr. STANLEY. Yes; that is true.

Mr. UNDERWOOD. Now, there is not any question about it; the reason why men bring that kind of an argument before the Senate is because they have to depend on theory to support their case and have to ignore facts. The fact is, and everybody knows the fact, that these railroads have been losing money, if you take the year through, and have not been making money, and they will go back to losing it when we get into the winter months of January, February, and March. There will be no better condition.

Mr. JONES of Washington. Mr. President—

Mr. UNDERWOOD. I yield.

Mr. JONES of Washington. Conceding that, and I do not see how it can be successfully disputed, is not this a very unwise time to turn the roads back?

Mr. UNDERWOOD. That depends on the point of view from which you want to look at it. Before they were taken over by the Government some way or somehow they were run with less freight rates than they are running with now, with less passenger rates than they are running with now, and they were giving more efficient service to the people of the United States than they are giving now. Whose fault that is, I do not know. It may be no human being's fault. It may be the fault of conditions; but nevertheless it is a fact.

The question may be asked as to whether if we turn them back to their owners they will give better service. I do not expect cheaper freights, because whilst the Government has had them they put burdens on them that must be reflected in the freight rates, and it would be folly to contend that they could. I believe myself that they will give better service, because, I do not care how much ability a man has—he may be a superman—there is no one man with sufficient ability to sit in Washington and issue his orders and make all the railroads throughout the United States function as successfully as

they could do under presidents, general managers, and boards of directors who were interested in the property and had a specific line of road under their observation.

Mr. JONES of Washington. Mr. President—

Mr. UNDERWOOD. I yield to the Senator.

Mr. JONES of Washington. I agree with the Senator in that. This is the only point I had in mind: Granting the efficiency with private energy, initiative, and so forth, in which I agree fully with the Senator, yet if we put the roads back under such conditions that they would have burdens that they can not bear, I am afraid they will fall down; whereas if we turn them over to the owners, say, the 1st of September, when, with the energy and efficiency they could manifest they would probably bring us in greater receipts than we get under Government enterprise, they would have a chance to go on. Now, it looks to me as if we are likely to turn them back with such a tremendous burden, and probably such a tremendous deficit, that with all their energy and all their efficiency they can not stand up under it.

Mr. UNDERWOOD. I will say to the Senator that I do not think the bill is any too liberal to them; but the purpose in writing the bill, and the effort of the committee, was to make it liberal enough to take care of the situation which the Senator has just visualized. That was the purpose of the bill, and that is what we are driving at, to meet the very condition the Senator has described.

We do not make this condition permanent. It has been said here that we are writing a freight rate and charge on the public forever, never to come off. The bill itself denies that. The basis of making rates in the bill is fixed for five years, to enable the railroads to get the money to carry over the situation the Senator has described, and at the end of five years the whole question of the making of rates goes back to the discretion of the Interstate Commerce Commission, exactly where it rests to-day.

Mr. JONES of Washington. Mr. President, what I am really trying to get is the view of the Senator as to whether it would not be wiser for us not to try to pass any legislation at all, and not have the railroads turned back to their owners until, say, about the 1st of September?

Mr. UNDERWOOD. That is a matter, of course, of judgment.

Mr. JONES of Washington. I just wanted the Senator's opinion.

Mr. UNDERWOOD. I do not contend that my judgment is better than that of other men. It is really a matter of judgment. I do not know anybody to pass on it. I will tell you what influences my judgment, to a large extent, in wanting to see them turned back at once. It is that they have been a charge on the Treasury of the United States of \$200,000,000 or \$300,000,000 a year ever since we have had them. I do not mean to include in that the money we have advanced, and which we hope to get back some day, which amounts to something like \$1,000,000,000; but I am talking of an actual charge on the Treasury of \$200,000,000 or \$300,000,000 a year ever since we have had them. If they are going to be controlled by private owners, if the future policy is going to be to turn them back to private owners, and that is what I am in favor of doing, then I do not see why we should continue the burden on the American public of \$200,000,000 or \$300,000,000 a year for another year. I think we had better turn them back right now.

You may say that if we do not turn them back, and do not take it out of the Treasury, we have to take it out of the freight rates. That is probably true. But the man who pays the freight gets something in return, and the man who does not have any freight to carry bears the burden without any adequate return; and I think if anybody must pay the increased cost of the operation of the railroads it ought to be the man whose freight is hauled and who gets an adequate return.

Mr. LENROOT. Mr. President, will the Senator yield?

Mr. UNDERWOOD. I yield.

Mr. LENROOT. The Senator states that he expects, and we all expect, that under the bill freight rates will be increased as soon as the roads are returned to private ownership. The Senator speaks of a great deficit being constantly created through Federal operation. I want to ask the Senator why it is not just as competent for the Railroad Administration to increase freight rates while the roads are under Federal control, and thus relieve the Treasury, as it is for the railroads under private ownership to do so?

Mr. UNDERWOOD. I think it undoubtedly is, and though I am not speaking with authority, but am just voicing my own opinion, I think if Congress would declare a permanent policy of continued control by the Government, the Railroad Administration would increase freight rates. They would be compelled to

do it, and they would do it. But expecting that the roads will be turned back to their owners in January, it is very natural that the administration would try to work through the present condition without an increase in freight rates.

Mr. LENROOT. Will the Senator yield again?

Mr. UNDERWOOD. Certainly.

Mr. LENROOT. The Senator from Washington [Mr. Jones] suggested next September as the date. I think that it might be before that, but if a time six months in the future were fixed, could not the present Railroad Administration increase the rates and thus protect the Treasury?

Mr. UNDERWOOD. Undoubtedly it could. But why should we put it off for 6 months instead of 30 days? I can see no reason. We are attempting to put them into a condition, under this bill, where they can function. If we are going to return the roads to the owners, I can see no reason in the world for postponing action for six months, and not doing it now. Nothing appeals to me in the matter.

Mr. LENROOT. Does not the Senator recognize that the task of unscrambling and readjusting the roads is going to be a very great task, indeed, and that it would be very much easier to do it if the roads were returned in April or May or later, when there would be normal business, when the executives would not have to devote their entire attention to the operation of the roads and saving deficits, so far as possible?

Mr. UNDERWOOD. I think that is purely theoretical. The man who devotes his time to operation is one man, the man who devotes his attention to finance is another man, and the man who is going to devote his time to operation will not be concerned or interfere with the financial questions.

Mr. LENROOT. No; I was not referring to financial questions, but the very operation itself, the use of terminal facilities, and the routing of freight. The railroads are now being run as a unified system. It is a matter of operation and not of finance.

Mr. UNDERWOOD. So far as the question of freight is concerned, I do not know any time when the hauling of freight is lighter than in the winter months. It certainly is much lighter than at many other times of the year, and if you want to turn the roads back to a convenient time from that standpoint, it is easier to handle now, and it seems to be now would be the time.

But that is not the real question. I know perfectly well that there is a sentiment in this country not to turn the railroads back to the owners, and I know perfectly well that there is a strong sentiment in favor of their return. The man who does not want the railroads to be returned to their owners naturally wants to put it off for an hour or a day or a year or a decade, if he can, and the man who wants to get them off the back of the Treasury of the United States and get them back into the hands of the owners wants it done the first moment he can get it done. We understand that proposition.

Mr. LENROOT. Mr. President, I hope the Senator will not put some of us, who believe it would be better to postpone the turning back for three or four months, among those who are against returning them at all. I certainly am not one.

Mr. UNDERWOOD. I do not want my remarks to apply to the Senator from Wisconsin at all, but I am talking about the men who do not want them returned at all, who want Government ownership. Of course they welcome the hour of delay, just as the man who occupies my position, who believes that they should go back to the private owners, wants them to go there as soon as it can be done.

But I have gotten far afield from the real question that I wanted to call to the attention of the Senate. The charge has been made that if we return these roads to their owners we are going to put a great burden on the American people under the terms of the bill. As I said, this is not a question of guess, it is not a question of theory; it is a question of abstract fact. We allow one-half of 1 per cent, in the discretion of the commission, to be used for the payment of unproductive improvements, and if the commission desires to use that discretion in the future it may do so; but it has the discretion now to increase rates without limit. So that is merely a discretionary matter and can be dismissed as part of the permanent charge. They will probably have to do it; but if you do not pass this bill they will probably have to increase the freight rates.

But what does the bill do? In the period just before the war—and I will say in passing it was a very good period for the railroads—under the freight rates that were established by the commission, reflecting the views of the Congress of the United States, on the average, for the period of three years, the railroads of the country earned on the value of their property, as shown by the reports of the Interstate Commerce Commission,

5.22 per cent. I think my figures are correct. I will ask the chairman of the committee to correct me if I am wrong.

Mr. CUMMINS. The statement just made is correct, as I remember it. The only suggestion I make is that this earning of 5.22 per cent was upon the property investment account.

Mr. UNDERWOOD. The property investment account as fixed by the Interstate Commerce Commission.

Mr. CUMMINS. I think the Interstate Commerce Commission has never fixed it. It is property investment account as reported by the various railroads to the Interstate Commerce Commission.

Mr. UNDERWOOD. I will make this correction in my statement, that the property investment account since 1906 has been made according to the direction of the Interstate Commerce Commission.

Mr. CUMMINS. That is correct.

Mr. UNDERWOOD. Before that it was carried on the books and made by the railroads themselves. The railroads have nearly doubled in value since 1906—I mean in their property investment accounts—so that that part we know is correct. The part prior to that in some instances may reflect some watered stock, but in other instances it reflects a great increase in value. I have heard it said by members of the commission that, not in detail but as a whole, the investment account practically reflects the real value of the railroads as it would be ascertained.

Mr. STANLEY. As I understand the Senator from Alabama, if the total capitalizations of the railroads of the United States were sold at par they would reproduce the properties upon which they are based at this time?

Mr. UNDERWOOD. No; I did not make any statement of that kind. I do not know about that.

Mr. STANLEY. The property investment account, I understand, is practically the same as the total capitalization. I should like to ask that question of the chairman of the committee, if the Senator does not know.

Mr. UNDERWOOD. If the Senator will allow me, I should like not to be diverted from what I am saying at this time.

The property investment account, I have understood from the commission, practically represents as a whole the real value of the property. Some roads have it too high and some too low, but when you take it for all of the railroads of the United States it is about a real reflection of value. On that they earned for the three years of the test period 5.22 per cent. What does the bill give them? The bill gives them 5.5 per cent on the value of the property as fixed by the commission—not fixed by the railroads, not fixed by the Congress, but fixed by the commission. I take it that that is a substantial and fair comparison of the increase, and there is no other increase. It is all right there.

The difference between 5.22 for the three years preceding the war and 5.5 that is reflected in the bill is 0.28 per cent. I do not know how you would fix the value of the railroad properties; you can fix it yourselves. Some men say they are worth \$17,000,000,000, some \$18,000,000,000, some more than that, some less than that, but I believe it is generally taken by the commission that \$18,000,000,000 reflects their book value. If the charges for freight rates are going to be less, they certainly are not going to be higher than their own book value, and the commission fixing it at 0.28 figured on \$18,000,000,000 of value means \$50,400,000.

Mr. STANLEY. Do I understand the Senator to state that the commission fixed the value of the railroads?

Mr. UNDERWOOD. Yes; under the bill.

Mr. STANLEY. I mean the value as ascertained by the railroads upon the bill?

Mr. UNDERWOOD. I do not understand my friend from Kentucky. The bill bases the rate-making basis of 5½ per cent on the value of the railroads, which is to be fixed by the commission. That is provided in the bill.

Mr. STANLEY. I understood the Senator from Alabama to refer to the present value of the railroads and their past earnings. I do not understand that that value was fixed by the commission, but it was fixed by the railroads under a system of bookkeeping prescribed by the commission.

Mr. UNDERWOOD. Surely. The values before 1906 were fixed by the railroads absolutely. Since 1906 they have been fixed by the railroads under the rules and regulations of the Interstate Commerce Commission, which was practically the making of them by the commission. The value ascertained, if I recollect aright, was something like \$18,000,000,000. I say, it is reasonable to assume that the commission is not going above that amount in fixing the value.

The Senator may contend that their value is less than \$18,000,000,000. Then their earning capacity under the bill will be less, and possibly there will not be any increase at all in the amount of freight rates. But assuming that the value of \$18,000,000,000 in the three-year test period was correct and their earning capacity was 5.22 per cent, and assuming that the commission is not going to put the value above that when they fix the value, and that that is going to be the extreme limit, then their increased earning capacity under the bill above what it would have been before the war for the three test years is 0.28 per cent, or, reflected into dollars, is \$50,400,000. All this talk about a \$4,000,000,000 charge upon the American people, all this talk about a tremendous increase in freight rates under the bill, is mere smoke, a smoke cloud blown by the enemy to conceal its own operations.

Mr. SMITH of South Carolina. Mr. President—

Mr. UNDERWOOD. I yield to the Senator from South Carolina.

Mr. SMITH of South Carolina. The Senator means to say that whatever the increase for the freight of the entire country would be, it would be a percentage which in the aggregate would bring about \$50,000,000?

Mr. UNDERWOOD. As fixed by the 5½ per cent.

Mr. SMITH of South Carolina. As fixed by the 0.28 per cent, the difference between what they earned previous to being taken over by the Government and what they would earn under the percentage on the invested value.

Mr. UNDERWOOD. Undoubtedly, except that, as I said before, and I am not sure the Senator from South Carolina was here when I said it, there is a discretion in the commission to allow them to charge to gross account one-half of 1 per cent for nonproductive improvements that heretofore were charged to net account. If the commission allows that, that would reflect into the return an additional one-half of 1 per cent. That, however, is discretionary with the commission. It is not in the bill. It is put in there to take care of an emergency if the emergency arises.

Mr. SMITH of South Carolina. I wish to ask the Senator if he thinks that under the bill the commission, in fixing the value of the property, which it is empowered to do under the bill, would take into consideration the changed conditions as to the value of property in general, and in fixing the value would they or would they not be justified in raising the value of the property now owned somewhat in ratio to the increased value of other earning properties not railroad?

Mr. UNDERWOOD. Of course I can not predict what the commission is going to do. We know what it has done in fixing values in the past. They say they are largely through with their work, at least three-fourths through, and they have not reflected any such viewpoint in their present work. What they might do in the future I can not predict, but up to this time in their work in ascertaining the value of the railroads they have not reflected a viewpoint that would give an increased property charge along the line suggested by the Senator.

Mr. SMITH of South Carolina. I will state the reason why I asked the question. The railroads previous to being taken over by the Government earned a certain average out of that 5.22 which we bound ourselves under the transfer of the railroads to the Government to make good. It aggregated something like a billion dollars in round numbers. What is the Senator's opinion, with the increased cost of wages, with the increased expenses that have been incurred by the Government and fixed by the Government, as to whether when we return them the \$50,000,000 additional will enable the railroads to meet the responsibilities of increased wages and their increased charges? How will they live?

Mr. UNDERWOOD. I doubt whether it would, I will say to the Senator, if it were not for the fact that there is one-half of 1 per cent in addition to the 5½ per cent that is discretionary with the commission and that they can charge to gross account instead of to net account, which amounts to their increasing the compensation one-half of 1 per cent. I think that would take care of the situation, but if that is not necessary they do not have to do it.

Mr. SMITH of South Carolina. My experience in looking over the details that I have been able to get from the administration and comparing the expense accounts as best I could with the expense previously to the railroads being taken over by the Government leads me to ask this question. I know the Senator is inclined, if he will allow this digression, as all the balance of us are, to the idea that the railroads must go back, but is there any doubt that for a considerable period the one-half of 1 per cent, representing the difference between 6 per cent and 5½ per cent, plus the other one-half of 1 per cent, will be used to meet the conditions?

Mr. UNDERWOOD. That would only be a guess on my part, and it is not worth any more than a guess. I am rather inclined to think the guess of the Senator from South Carolina is correct. I suppose it is only a guess on his part.

Mr. SMITH of South Carolina. It is a little more than a guess for the reason I shall state. The railroads have an earning of 5.22 previous to the war on their property with the increased wages; and we must not forget that there was a 25 per cent increase in freight and in passenger rates made by the Government, in spite of the enormous tonnage incident to the period, the motive power and the rolling stock being taxed to its utmost, the tonnage carried per ton-mile in the country for the period of the last four years having been the greatest in its history, in spite of the 25 per cent increase on all classified freight and something like perhaps 150 to 200 per cent on some special commodities, and in spite of a 33 per cent raise in passenger rates, leaves a deficit of something like \$200,000,000 or \$300,000,000 between the operating expenses and the operating income.

Taking those circumstances into consideration and allowing for the incapacity of new hands to run the old roads as efficiently as they were run in the hands of their masters, it is not reasonable to suppose that if they could only earn 5.22 per cent before the war and to now only increase it one-half of 1 per cent to meet these enormous additional burdens, even the one-half of 1 per cent is going to take care of the situation.

Mr. UNDERWOOD. I think the Senator is correct about that. I believe that under the terms of the bill the railroads can go back and function. What I am addressing myself to is the charge that we are putting an unnecessary burden on the American people in the cost of shipping freight. I do not think there is any Senator who will stand on the floor on either side, no matter what his attitude is with reference to the bill, and insist that we should cut down wages to meet the situation. We know that they can not cut down the cost of the purchase of their supplies, because nobody else can cut that down. We know they can not cut down the price of money, because they have the great Government of the United States of America with its bonds competing with them in the money market. So I think when Senators advance the argument that this bill ought not to be passed because it is putting a great burden on the American people, there is no man who can come down to the facts embraced within the leaves of this bill and sustain any such position.

If that argument is not sound, and if the basis of rate making is reasonable and imposes only a reasonable charge on the American public, what is the objection to the bill? It is new; it is something novel. Of course, that is an objection to the bill; it is an objection in the mind of every man. We like to walk out before the public, throw out our chests, and say that we are progressive, that our neighbors are reactionary. That is modern thought, modern style; but, nevertheless, it may be stated as a fact that no man comes out with a new proposition in relation to anything that objection to it is not raised until a large number of the people are convinced that it is right and that it ought to be adopted, whether it is right or wrong. Then a propaganda may be inaugurated behind it that will do something in its favor. It then becomes progressive. Any new idea, however, until it reaches that stage of hatching is reactionary. To men of that mind who have not analyzed the bill there is an objection to section 6, and one objection only, and that is that it provides an absolutely new basis for rate making. Why is that necessary? It is new, and I recognize the fact that it can be properly challenged because it is new, for if a change is going to be made a reason should be given for the change, and it should be shown that the change will produce results for the good and not for the bad.

The reason for this change is simple. The old system broke down. There is not a man in America who can deny the fact that the old system of rate making would not work; it would not function. There could not be a schedule of rates arranged under the old system that did not either pay one road too much or another road too little. Under the old system of rate making great earning capacity was given to a few roads in this country, and the remainder of them were left hanging by their eyelids, ready to drop into the hands of a receiver at any moment. That was because the country was divided into three great rate-making districts, and all the railroads in the country had to be measured by the standard of one or the other of those districts. If a system of rate making were adopted by which road A was allowed to make enormous dividends in order that road B might barely live, there was a cry against it, and it was said that it was exploiting the public, and the rate had to be reduced. When the rate was reduced on road A it had to be reduced at the same time on road B, because the rate had to be uniform, and road B

went into bankruptcy. If that had merely involved the loss of money which had been invested in the road by its stockholders, it would have been bad, although it might be said the public was not interested in that contingency, but the real proposition was, Had not the man who lived on road B as much right to transportation facilities to carry his products to the final market of consumption as the man who lived on road A? It is not a question of the ownership of the stock; it is not a question that applies to the individuals who are engaged in the railroad business; but it is a question of the right of the citizens of the United States to have transportation facilities to the ultimate market.

The Congress of the United States is not living up to the responsibilities that rest on it unless it be willing to write legislation on the statute books that will enable the weak road to function for the benefit of the clientele that lives along its line as well as enable the strong road to operate. Why should a man who has a factory or a farm on the Pennsylvania Railroad have in the eyes of the law a better right to carry his products to the ultimate market of consumption than the man who lives on the Baltimore & Ohio Railroad? Yet the fact is that 80 per cent of the freight and passenger returns that maintain the railroads is obtained from the long haul, and that only 20 per cent of it comes from the short haul.

In the case of competitive lines, whether or not the rate is fixed by law, both roads have got to carry the freight at the same price, or all the freight travels along the line of the road that carries it the cheapest. We long ago recognized the fact that it was not possible to establish a freight rate that would afford reasonable compensation to a weak road and a lesser freight rate that would be reasonable compensation to a strong road and then have the weak road charge the higher rate and do business; that was found to be impossible. For the competitive distance the weak road had to haul the freight at the same price as the strong road, or it could not do the business.

The result is apparent in the tendency to take the more prosperous roads, make comparison of their earning capacity, establish freight rates on that basis, and then leave the future of the weak roads to be worked out as best it could, with the consequence that there has been a continuous procession of the railroads of America going into the hands of receivers, and there has been a continual complaint by the shippers of this country that they could not get the car facilities necessary to the conduct of their business.

Mr. SMITH of South Carolina. Mr. President, if the Senator will yield, is it exactly stating the whole facts in the case as to the weak road and the strong road to say that, by establishing a rate that would enable the strong road to earn a dividend out of all reason on the capital invested, the weak road on the same rate would scarcely be able to live? Was the fault entirely with the rate, or was it not largely due—I do not know to what extent—to the power of certain strong companies, outside of the personal direction of the freight on the part of the shipper, to sell their tonnage to other strong roads, divert traffic where they pleased, and thus deny an equitable division of the traffic of the country that would enable the so-called weak roads to exist under the rate that had been established?

Mr. UNDERWOOD. I think the Senator's statement is correct to a certain extent; there is no doubt that certain strong roads, while not directly pooling, could deliver their freight to certain other strong roads, and in that way build up a business that was detrimental to the weaker roads. That is probably especially true of what is called short-line railroads. But that was only a part of the equation. It was partially responsible for the evils complained of, but the main cause was that the weaker roads did not have a sufficient freight and passenger rate to sustain them. As to the matter of which the Senator speaks, this bill endeavors to correct that trouble and, in my judgment, does correct it.

Mr. SMITH of South Carolina. I made the suggestion because of the argument that we were attempting now to base the rate structure on the aggregate value invested within a rate district rather than on what is termed a reasonable return upon the property invested, which is another way of saying the same thing, the only difference being the basis of calculation. If within a given community the Interstate Commerce Commission were given the power at certain terminal points to distribute the tonnage, would it not largely obviate the necessity under which we have heretofore rested of legislating from time to time to cure these inequalities?

Mr. UNDERWOOD. I do not think it was practicable to do so under the old system.

Mr. SMITH of South Carolina. I think it was impossible, and therefore I am saying, in commendation of those features

of the bill, that making the rates uniform was absolutely misleading and destructive unless there were some way provided of equitably distributing the tonnage so as to give the same basis of earnings to roads operating within a given district.

Mr. UNDERWOOD. I think that is necessary, and that is covered by this bill. I agree with the Senator about the necessity for an equitable distribution of the traffic. I take it that the primary point that we are after, and that every Senator here should be after, is service to the public. That is the question that we should meet—service to the public. Of course, the people who have money invested in this property should have their property taken care of. I am not one of those who believe for a moment in confiscating another man's property. I do not believe in doing it by freight rates or by any other method, but I do not contend that that is the primary object of this bill. The question of the value of this property to the owners is a secondary consideration in the great problem that is confronting us to solve to-day, that of seeing that the American shipping public have carriers of freight and passengers at their doors that can properly serve them.

Mr. SMITH of South Carolina. Mr. President, I do not think it will divert the Senator, but right at that point I want to ask him what remedy he would suggest, because it must be provided for in this bill now or later? This bill is predicated upon a standardized condition in this country, upon the idea that we are going to divide it up into certain rate-making groups, take the value of the property within each of those groups, and then upon that value allow the roads within a given group to earn 6 per cent on the aggregate property there. What provision is made for the building of new railroads in undeveloped territory?

The Senator recognizes, as I recognize, that this country is not standardized, and that there are communities into and through which railroads should be built that are not developed that could not furnish sufficient tonnage to live on anything like the standard return that is now provided for, and the overhead charge, the necessary expenses incurred in its production, would have to be taken care of unless the railroads that own the lines contiguous to that country laid aside a sufficient surplus out of the earnings above the 5½ per cent to build the road and still be under the rate of 5½ per cent. That means that new railroad construction in this country ceases with the passage of this bill unless some provision is made now to take care of new ventures until they can absorb the overhead charges incurred in construction.

Mr. UNDERWOOD. I am in accord with the view of the Senator about developing new lines of railroad in undeveloped territory. In certain portions of the East and the Middle West, probably, that is not necessary, but, undoubtedly, in portions of the South and far West the development of new lines of railroad is necessary and should be encouraged. I will say to the Senator, however, that the section I am now discussing, section 6, in no way militates against that, and the new scheme of fixing railroad rates does not militate against that, because the present rate that is being fixed in this bill is at least twenty-eight one-hundredths of 1 per cent greater than they earned before.

Mr. SMITH of South Carolina. Oh, yes; that is all right.

Mr. UNDERWOOD. So there is nothing here that would militate against that. Now, at the end of the five years in which this 5½ per cent rate is fixed it goes back to the discretion of the commission to fix the basis of the rates, just where it stands to-day.

Mr. SMITH of South Carolina. I understand that.

Mr. UNDERWOOD. So that it is impossible for anything in section 6 to militate against the building of new roads. There may be something elsewhere in this bill that may militate against that.

Mr. SMITH of South Carolina. Yes; but what I was speaking of was this: Within five years this basis will operate, but my idea was—and I do not know but that we may find that that is a fairer basis—that if the Interstate Commerce Commission, under the power granted in this bill, will scrutinize the securities, the real property devoted to the public use, and will restrict the roads issuing these securities or investing the money to the use of that money on their own individual property and carry out the purposes of this bill, it is my opinion now that this is perhaps a fairer basis of calculating what a uniform rate would be than any other that possibly may be found. Now, of course, I am not committing myself to the diversion of the excess to other purposes.

Mr. UNDERWOOD. I understand.

Mr. SMITH of South Carolina. But I am saying that it is my opinion that the initial method will be found to be more equitable and just. If that be true, then it will be perpetuated;

and I take it that we are now legislating, perhaps, more with the idea of standardization, of fixity, in our minds than that we are yet in the crescent period, in the developing period; and that while we are legislating to bring about an adequate service to the public that are now supplied with railroads we must not lose sight of an incentive to still further construct railroads and develop this country.

Mr. UNDERWOOD. I agree with the Senator thoroughly; but there is nothing in section 6, the new basis of rate making, that affects that question at all. If there is anything in this bill that can affect it, it is those provisions of the bill which relate to Government supervision of the issuance of railroad securities.

Mr. SMITH of South Carolina. I beg the Senator's pardon. Is he discussing section 6 alone, without reference to the general provisions of the bill?

Mr. UNDERWOOD. Of course, I am glad to answer questions on the other point, but the matter that I was particularly discussing at this time was section 6. Of course, however, I recognize the fact that probably the great railroads of the West were built, and could only be built, from a speculative standpoint. They have been condemned many times, and are to-day, on the floor of the Senate, because they sold their bonds and then gave a share of stock with each of the bonds. However, they were going through an undeveloped prairie or a trackless forest. There was nothing there to develop business. The man who put his money into them was not willing to do it on a 6 per cent basis or a 7 per cent basis, because he could get that by lending it on safe mortgages at home. It had to be a speculative venture, or you would not have gotten the money, and they did speculate. The investor in those roads got \$2 of securities for \$1 of cash, and he went in and built up a great empire, put towns and cities in it, and mines and factories and great consuming populations, because he was ready to make the speculation.

That was all right in a primitive country, in a developing country; but the people of the United States have passed beyond that. They say to-day: "We are not willing for men to speculate in that way in the securities of the common carriers that must give us our outlet to the markets, and put their charge on us. We want a dollar invested to be accounted for as a dollar, and we do not want to pay freight returns on anything more than the dollar actually invested."

That is the sentiment of to-day. It is the sentiment I am in accord with to-day, without criticizing the speculative building of the railroads of the past.

Of course, this bill has within its leaves a Government supervision of the future issue of railroad securities. How far that may go to prevent and to interfere with the speculative development of railroads in new territory I can not say, but the laws must be uniform. We can not eat our pie and keep it, too. We have got to take one horn or the other of the dilemma; and I do not think there is any question that the country as a whole wants, from now on, a definite understanding as to what it costs to develop a railroad, how the dollars are expended, and whether or not its freight rates must bear the burden of watered stock.

Mr. SMITH of South Carolina. I understand; but the Senator would not pretend to say that the demand in the standardized sections of our country for uniformity would preclude the possibility of independent communities, not attached to any railroad system now, building a railroad, incurring overhead charges, furnishing this convenience to an undeveloped community, and being given exceptional privileges in those particular cases to bring that community ultimately into accord with the developed condition of other communities?

Mr. UNDERWOOD. I do not think so; but, of course, that will be a question for the future, because, whether this bill passes or some other bill passes, a bill is going to pass the Congress regulating the issuance of railroad securities. The Senator from South Carolina knows that as well as I do.

Mr. SMITH of South Carolina. Oh, I understand that; but no provision whatever is made in this bill that I can find, except an amendment that was put in the other evening by the Senator from Montana [Mr. WALSH], taking care of this feature in a limited way. It goes without saying, however, that whenever you restrict the railroads to an earning based upon standardization and tonnage plus the capital invested, as in the case of the old railroads, and then put into the hands of a Federal authority the right to say where, how, and when railroads shall be built, if this becomes the fixed policy of this Government it is the end of railroad construction, except as feeders to lines where necessity compels them to be built, so far as the United States is concerned.

Mr. UNDERWOOD. Assuming, as I did a moment ago, that either this bill or some other bill regulating the issuance of rail-

road securities is going shortly to pass Congress—and I suppose that if any man were so bold as to move to strike those pages from this bill, there is no probability that he would get any vote but his own, because there is a fixed sentiment that the Government should regulate the issuance of railroad securities—

Mr. SMITH of South Carolina. I do not want the Senator to misunderstand me. I think that of all the provisions in the bill, this provision that empowers the commission to scrutinize and determine the character of railroad securities is the most-needed one. Had that been passed years ago and religiously observed, certain abuses that have brought about a condition in the railroads that we are now complaining of never would have existed. Railroads have been wrecked, as the Senator knows, because of the issuance of fictitious stock. I think that is essential; but I think we ought to write into the law a broad provision in reference to the building of new roads.

Let the securities be passed upon by the commission, but grant the power to take care of the overhead charges after the roads are constructed.

Mr. UNDERWOOD. I will say to my friend from South Carolina that if there is any provision or amendment that he can write to this bill that will not destroy Government supervision of railroad securities and yet will encourage the building of roads in new territory at the same time, I shall be glad to support it. I just have not the ability myself to put it on paper. I do not see the way. But if such an amendment can be offered, I will be glad to support it. And I am not controverting his views. But all I say is that the only provisions in this bill that are affirmatively against the development of a new railroad system, or that could be construed that way, are the provisions that require Government supervision of the issuance of securities, about which the Senator and I agree that there probably would not be a vote in the Senate cast against them.

Mr. SMITH of South Carolina. No; I think not.

Mr. UNDERWOOD. That is all there is to it. No man can contend for a minute that the provisions of section 6, fixing compensation, make it more difficult for the building of new railroads, because section 6 provides for a further increase, not so very much greater, but for a greater increase in returns on stock than has ever been made before, and I think with a new basis of rate making, placing it on their return on value, instead of primarily on service that ultimately must be reflected in value; and as an evidence that the Congress of the United States is willing to try and do what is fair by these railroad systems I think the passage of this bill will have a strong tendency to encourage the investor, and a very much stronger tendency than anything that has occurred in the last decade, to put his money into the development of new lines of road in new territory where there is a chance for a reasonably profitable return.

I see nothing in this bill whatever that would militate against the development of new roads as compared to present conditions if you admit that the provisions in reference to the issuance and supervision of securities by the Government are going to become law, because that is all there is to it. Of course, that takes out the speculative feature, the watered-stock feature, and brings it down to the solid basis that a dollar invested means a dollar to go into the railroads, and only a dollar must earn interest and be paid by the shipper of freight. So that I see nothing in that.

Now, as to dividing the country into districts in rate making, it is divided now. The rates of this country are based in three separate districts. Under the terms of this bill the rate making will be in three separate districts, following the geographical lines as they are to-day. The question is simple; it is accurate. The investor will know what he is going to get. The man who ships his freight will know what he is going to pay.

Mr. STANLEY. Let me ask the Senator, Does the bill provide for more than three districts or zones as a basis for rate making?

Mr. UNDERWOOD. I think that is all for rate making. There are some features about consolidation of railroads that divide it up into 35 or more systems; but that has nothing to do with the rate making.

Mr. SMITH of South Carolina. The bill does not provide for any rate-making groups, except the divisions which you speak of for consolidation. So there will be between 20 and 35.

Mr. UNDERWOOD. No. Section 6 provides that—

In dividing the country into districts and the carriers into rate-making groups the commission shall have in view the similarity of transportation and traffic conditions therein. Rates of transportation shall at all times be just and reasonable and sufficient to produce a reasonable return upon the aggregate value of the property in each rate group used or held for the service of transportation.

As I understand the bill, it contemplates that the commission shall establish three rate-making districts.

Mr. SMITH of South Carolina. As the Senator knows, on account of conditions over which I had no control, I could not be present during the discussion of the bill by the full committee. But I have not seen anything in the bill that indicates any rate-making groups, outside of the consolidation groups provided for. I think the Senator will find, by a study of the bill, that it makes the rate making and the consolidation coterminous.

Mr. UNDERWOOD. No; I do not so understand the bill. I can not put my finger on the provision now, but I think the consolidation groups have nothing to do with rate making. The commission is to establish these rate-making groups in three zones. But that is not very material, because that could be changed. That is a mere detail.

But here is the change. To-day there is a southern rate-making group, which embraces the territory in which the Senator from South Carolina and myself reside. The rates are made up not on the value of the property directly but what is a just and reasonable return for the service rendered. That is reflected in so many cents per pound for the shipment of cotton, so much for the shipment of iron, so much for the shipment of the other products in our southern district. But in the end it must reflect itself in dollars, because it must be just and reasonable. What does that mean? Reasonable to the shipper and just to the railroad. What is just to the railroad? It means an earning capacity sufficient on its capital investment and its expenditures to reflect a reasonable return on the value of its property.

But you leave that problem uncertain as to what is going to be a fair return. You guess at it in freight rates as to what is going to be a reasonable return on the property. You guess at it in establishing a freight-rate-making system, and that guess is being attacked by the shipper, who wants to pull it down, and by the railroad manager, who wants to pull it up.

This bill abandons that system. It simply provides for 5½ per cent interest for the next five years on the value of the property. There is no watered stock in this proposition, no uncertain securities. In fixing the rate basis in this bill, it does not make a particle of difference to the public whether the railroad has had watered stock in the past or whether it waters the stock in the future, because the bill has nothing to do with stock and stock values. It is the real value of the property that is considered; and the bill says that upon the value of that property the owners for the next five years shall be entitled to a return of 5½ per cent. That is all there is to it, 5½ per cent, which I say no man in this day and time can say is an unreasonable return. At the end of five years the same discretion will be exercised by the commission, to fix what is a reasonable return upon the value of the property, that is now exercised by them to fix what shall be a reasonable return upon the value of the service rendered, and it is only a question as to whether it is more equitable and just and reasonable to fix the compensation upon the value of the property, and recognize that in the beginning, than to try and reach what is equitable and just on the property by taking a particular rate.

I can see no reasonable objection to the acceptance of section 6. On the other hand, I believe that section 6 will enable the railroads of this country to be placed on a more stable financial basis, will enable them to sell their securities so that they can get the money to pay back what they owe the Government, and sell their securities so that they can make the betterments and improvements that are necessary to serve the public.

We must not overlook the fact that these railroads owe the Government of the United States \$1,000,000,000, and that to pay it back to the Government would reduce the taxation ultimately to that extent. They have no way of paying it back except to earn the money in freight rates or to sell their securities; and, of course, you could not put a freight-rate charge of \$1,000,000,000 on these railroads now and make them return the money at once. So that the only way for the Government to get back its money is in the sale of securities by these corporations.

I believe that this bill will stabilize these securities, will enable them to place them on the market and sell them, so that they can get the money to pay the Government, and also enable them to get money to make the new developments, to build double tracks where double tracks are needed, and to buy additional cars where more car facilities are needed by the public.

There is no objection to section 6 that I have heard on the other end of the line. The bill fixes the basis of the intake the charge on the public for freight rates as based on 5½ per cent on the value of the property. But it does not limit the earnings of

the railroads to 5½ per cent. That does not mean that all the railroads in America are going to earn 5½ per cent, not by any means; or that they are going to get 5½ per cent, not by any means, because they have to earn it before they get it, just as they do now. The 5½ per cent is merely a basis for fixing the rates. The Interstate Commerce Commission must fix as the basis of their rates an amount that, as near as may be, will reflect 5½ per cent return on the value of the property. But if a railroad can not carry freight and passengers and can not do a business economically sufficient to earn it, it can not earn the 5½ per cent; and, as a matter of fact, most of them will not do so.

Mr. SMITH of South Carolina. Mr. President, I wanted to ask the Senator if he had made a study—and I presume he has—of the different values placed upon the railroads throughout the country. Take them down on the coastal plain, where there is scarcely any grading and where conditions of cheap building exist. The capitalization necessarily is less than for roads that run at right angles to the coast and intersect our mountain country.

The cost per mile in different parts of the United States varies as geographical conditions vary. Under this provision, where the road has cost enormously more than other roads, would not the freight necessarily in that section be out of all joint with the freight under this iron-clad rule in the section where the roads cost less?

Mr. UNDERWOOD. It ought to be, but it can not be where it is competitive, because the other road can not increase its freight rates above those of its competitors.

I think the bill has a provision in it that will aid that situation where it is not a competitive road. There are railroads that build into mountain territories at great expense, without a great volume of freight to be handled, where it is very much cheaper for the people who live in that territory to have the railroad at even a higher rate of freight than it is to wagon their produce over the mountains. People of that kind could well afford to pay, and it would be cheaper for them to pay double the freight rate that is paid in other sections of the country and they would be greatly benefited by so doing.

That can be done under the bill in the discretion of the commission in the adjustment of freight rates to a large extent where the commission desires to exercise that discretion, and it may be helpful especially in the case of the short-line railroads. But it is impossible to do it where there is competition. It is not done to-day where there is competition. A road that goes over the mountains and has the long haul and the difficult way of getting to market, the costly carriage, does not want a freight rate fixed that is commensurate with the service rendered when it is competing with a railroad which runs over a shorter line, through valleys, at less cost of building and cost of actual transportation, because if it had it the other railroad would get all the freight, as I said awhile ago, and the road, of course, would be put out of business. It would not carry any of the through freight. However, I think the bill within its provisions carries, as far as is possible to do so, the discretion to the commission to relieve the situation referred to by the Senator from South Carolina.

There is another provision that I wish to discuss, and that is the pay of the railroads. The bill allows a railroad to earn up to 6 per cent. Then, if it earns more than that, out of what it earns between 6 and 7 per cent it can retain one-half of 1 per cent, and above 7 per cent it can retain one-fourth of 1 per cent of all it makes.

Some have asked why should you limit the earning capacity of the railroads? That same question was asked 30 or 40 years ago—most of us were boys at the time—when the original bill was passed to allow a commission to regulate the freight rates charged by the railroads of America. The men who owned the railroads in that day said, "Why, this is our private property. The Government has not any right to step in here and say what we shall charge for the carriage of persons and property. No; this is our private property, and we have a right to charge what we want to for it." Nevertheless, the Government did establish a commission to fix and determine what the rate was, and ultimately, in 1906, made it absolute that the Government had the right to fix what the rate for the carriage of property should be and the Supreme Court of the United States has sustained it all the way through.

What is the difference between directly and absolutely and unequivocally saying, so that everybody can know what you are doing, that the earning capacity of a railroad shall be limited to 6 per cent, and having the commission in an indirect way say that the freight rate for hauling a bale of cotton shall be so much, and for a bag of potatoes so much, and for a bull yearling so much, and that the charge for other commodities

going over the railroad shall be limited to so much in the aggregate, saying to the railroad, "You shall not earn more than that amount."

It is exactly the same proposition in principle, and the same question that is raised to-day, that we have no right to limit the earning capacity of the railroads, was the song of the men who attempted to prevent a commission to regulate railroad rates more than 30 years ago.

Mr. SMITH of South Carolina. Mr. President—

Mr. UNDERWOOD. I yield to the Senator from South Carolina.

Mr. SMITH of South Carolina. I do not think the Senator is going to use that as a parallel in this instance. The court decided, and we have lived up to it since, that the Government has the right and the power in the regulation of interstate commerce to say what is a fair return for carrying a given unit of freight for the community or the individual. A certain amount is just and fair; but after it has established that as fair to the shipper and fair to the railroad, then the number of units that the carrier hauls spells the profit that it gets, and if it carries four times the given unit it gets four times that amount of profit.

Under this proposition you fix what is a fair and reasonable rate per unit of freight on the bale of cotton or the bull yearling and then you say, "After you have earned a certain amount we are going to stop you." In other words, it is like the law with reference to national banks and banks in the several States. There are different laws restricting the amount of interest banks can charge. I say, "You shall not charge more than 6 per cent on money." I do not say to the bank, "No, you have earned an aggregate of 50 per cent in reference to your capital or 20 per cent in reference to your capital, and I am going to take the surplus." I simply say, "For the service of lending \$100 we will let you have \$6. The more hundred dollars you lend the more six dollars you get." The bill says, "No, the more hundred dollars you lend, the more six dollars you get up to a certain point, and the balance I take, so that the more service you render the less you get."

Mr. UNDERWOOD. I do not think the Senator visualizes the necessity of the bill as I see it. It is true that we fixed freight rates in the past by saying what was a reasonable return on a bale of cotton, and then we let a man make just as much as he could out of carrying bales of cotton.

Mr. SMITH of South Carolina. At that rate.

Mr. UNDERWOOD. Yes, at that rate. That was regulating the amount of his return because if he did not have any other commodity than cotton to carry, and there were only a certain number of bales of cotton in his neighborhood and contiguous to his road, we absolutely fixed his earning capacity as the bill would fix it.

Of course, we made those rates uniform throughout a section of country, and if one railroad could carry more cotton than another, reflected back into its capital, it had a greater earning capacity than another.

That system might not have been bad. It might not have been unjust. It might have been workable if all railroads were operating under the same conditions; but they were not and are not, and they came up against the proposition that one railroad was making money and another one was going broke. We have got to meet the condition which the Senator from South Carolina reflected a moment ago when he said one road had to carry freight under a very much more costly condition of carriage than another. You can not do it under the old system of basing your rates and your earning capacity exclusively on a reasonable return for the cost of carriage. The necessity has arisen that a freight rate should be sufficient to allow the railroads to realize an earning capacity that will let them properly serve the people who live on the lines.

Mr. SMITH of South Carolina. I was called out of the Chamber for a moment. Unless it be for what they call the public necessity, I can not exactly see the justice in saying that on the aggregate property comprised in a certain zone the rate shall return 5½ per cent. It is composed of several individually owned roads.

Road A by thrift and economy is permitted to earn 5½ per cent on the capital invested, and the rate on the commodity is based upon that. By thrift and economy and enterprise and good will and service it carries a tonnage over its road that brings in 10 per cent.

Road B, by circumstances the reverse of those, earns only 4 per cent. Road B has not practiced thrift, economy, or enterprise; it does not earn it. And yet the thrifty road is cut down to where it must give up all above 6 per cent and the fractions that are allowed under certain conditions, and the excess is used for the purpose of lending to what are called the

weak roads or unfortunate roads. There is no incentive for a road to earn other than the 5½ per cent, to practice any economy, to cut down the expenses of any of its officials, and to practice those things that would bring a larger return. It knows when it comes to the 5½ per cent that, so far as it is concerned, it is working for some other road than itself.

Mr. Thom was a railroad executive, but I quote him because his illustration seemed to me to be apt. He said a railroad, by practicing the virtues I have mentioned, in 10 months earned 5½ per cent. The road contiguous to it takes 12 months to earn the 5½ per cent. All the tonnage hauled by the first railroad in two months is given to the public as a gratuity. That road is then absolutely hauling and carrying units of freight and passengers absolutely for nothing, because within the first 10 months it earned all the Government would allow it. It could not stop functioning; it had to keep on operating and piling up a surplus to pay other roads that had not practiced the same thrift and the same economy.

Mr. UNDERWOOD. If the Senator will allow me, I think that is exactly the argument that was made 30 years ago. There is nothing new about it, except that conditions have absolutely changed. The argument is just exactly that employed by the gentlemen who owned the railroads 30 years ago, that Congress had no right to put any limitation on their earning capacity. If, for the hauling of wheat to market, road A can charge a certain freight rate and can get it from the shippers, and road B can not get it and can not move the freight, is the Senator going to say that road A shall not charge that freight rate if it can make the people on its road pay it?

Mr. SMITH of South Carolina. No.

Mr. UNDERWOOD. That is the argument now, and—

Mr. SMITH of South Carolina. No.

Mr. UNDERWOOD. And, if the Senator will allow me, that was the argument made by the railroads 30 years ago. I take it that the Senator from South Carolina does not insist that we can not provide what is a just and reasonable return to railroads, but he is insisting that we are taking away their incentive to service. Let us see how far we shall take away that incentive.

Mr. SMITH of South Carolina. Before the Senator goes any further, I should like to make my position clear in connection with the reference the Senator made to the railroads, saying "This is our private property, and we ought to be allowed to charge what we please." They have, however, been impressed with a public character; everyone recognizes that they are public utilities, and that the Government has a right to say what is a just and reasonable charge on a given commodity, taking a general average and having regard to a proper return on the money invested. Now, going further than we have ever gone before, they might agree that on the aggregate property within a given district the return should reach 5½ per cent, and that according to tonnage and to the general conditions they would fix a rate to bring 5½ per cent. They figure up the amount of tonnage there and the rate each of the articles that make up the tonnage shall bear in order to produce 5½ per cent. That is fixed. Then it is said to the roads: "Go to it; here are the conditions under which you are to function." Each one of them starts out. Each can earn 5½ per cent. One road does all in its power to compete with its fellows and to get as much of the freight as it can, because the rate is based on the value of the aggregate property. When that road has obtained the tonnage and the passengers and has reached the 5½ per cent point of return it ceases to enjoy further returns for services that it renders. In other words, when we fix the rate and say, "This is what you are allowed," if the carrier earns more than that and we take any of that return from the carrier one of two things is certain: We have not fixed a fair and just rate to the shipper and what we take is the shipper's money, or it was a fair and just rate to the shipper and it is the railroad's money.

Mr. UNDERWOOD. Now, let me ask the Senator a question. There are one or two railroads—I have one in mind—that I understand were earning before the war 30 per cent on their stock.

Mr. SMITH of South Carolina. That was not on the value of the property?

Mr. UNDERWOOD. On their stock; not on the value of their property. Would the Senator be willing to say because one road can earn 30 per cent on its stock that all other roads should earn 30 per cent on their stock?

Mr. SMITH of South Carolina. No.

Mr. UNDERWOOD. I know the Senator would not.

Mr. SMITH of South Carolina. I am saying that if we strike an average and take all the roads and put them all in the same

condition and say, "This is the charge; this is a reasonable rate to the public based, under the new conditions, on the value of the property which you have invested; we are going to allow you so much on the unit carried," and the railroad gets busy and tries to increase the number of units that it carries, both as to passengers and as to freight—I say that once having fixed the rates and said, "This rate is reasonable to the shipper and reasonable to the railroad," having fixed it on the basis of a return of 5½ per cent, and one road in a given group earns more than 5½ per cent, either you have fixed an unreasonable rate per unit of freight and passengers and the shipper is entitled to a refund or you have taken from the railroad what it is justly entitled to.

Mr. UNDERWOOD. I will tell the Senator—

Mr. SMITH of South Carolina. I say—

Mr. UNDERWOOD. I want the Senator to conclude.

Mr. SMITH of South Carolina. I will conclude with this statement: I have heard the argument advanced—and whatever weight should be attached to it those advancing it are at liberty to attach—that the Government is justified in taking this money in that it is to be used for railroad purposes. Then, there is impressed by indirection and not by direction a tax on a given road over and above an excess profit tax assessed and collected for the benefit of other carriers.

Mr. UNDERWOOD. I will say to the Senator that perhaps if he were visualizing this proposition entirely from the standpoint of the railroads and their invested capital, I could understand his position and I could concede that his argument might be sound, based on the standpoint that if they were all in a race for money, there should not be any limitation placed on the contestants and that the fellow who could run the fastest should get the most, but that is not the standpoint from which we are looking at this question. Primarily the railroads are chartered for the purpose of rendering a public service; they are public service corporations; and they are entitled to a reasonable return on the money invested, on the value of their property as public service corporations; but there can be no doubt that in the interest of the public the return should be limited.

The argument that these corporations are entitled to make all they can make because under certain terms and conditions they were allowed to make it in the past is no more justified at this time than it was 30 years ago. If 6 per cent is a reasonable return on the property invested, then the return should be limited to 6 per cent; if it is not a reasonable return, then we should in this bill increase it to more than 6 per cent, and allow them all to have a standard up to which they may tax the people. But when we have let them come up to the full maximum standard, then, in the interest of the public, in my judgment, no man can say that we have not the right to put a limitation on their earning capacity.

Why, we do that in the case of all public service corporations. It has been the custom in this country to limit their earning capacity by the freight rate or the charge on kilowatts of electricity or units of gas; but practically every public service corporation has a limitation on its earning capacity fixed by the public. This bill merely fixes the limitation in a different way, but a more certain way than did the law 30 years ago. What difference is there in principle? None. If the Senator says that the earning capacity of 6 per cent allowed to the railroads under this bill is too great, he has the right to move an amendment to make it less. I do not think it is too great.

The Senator intimates that we have destroyed competition. Of course, competition in freight rates has been destroyed before; it is destroyed now. There are three or four roads that leave my home city of Birmingham and go to New York; yet the cost of shipping a ton of pig iron from Birmingham to New York is the same over all of them. Competition in freight rates has gone, and it will be gone under this bill.

It is said there is a value in competition for service, and I think there is; and, in a way, this bill recognizes such competition. Originally as the bill was written it provided for a 6 per cent return upon the value of the property; but the argument was made in the committee that that cut off all competition; that when a road earned 6 per cent on the value of its property it would stop and would not try to earn any more. The committee then modified the bill and provided that within 6 and 7 per cent it could retain one-half of all it earned, and above 7 per cent it could retain one-quarter of all it earned. That is undoubtedly an incentive to the roads to compete for business, and, in my judgment, meets the argument that competition in service has been eliminated under the terms of the bill.

The men who make the argument that we are cutting off competition in service amongst the railroads overlook the fact that there are probably nearly a dozen railroads in the United States to-day—I mean main-line railroads; you may find a coal road here or an iron road there, or some special short line that is making very large returns on its money—but I think I am safe in saying that there are not a dozen of the main railroads in the country that are earning 6 per cent on the value of their property or can or will earn 6 per cent on the value of their property in the future, and that as to those railroads competition in service is there and will remain there for many years in attempting to climb up to the maximum earning capacity of 6 per cent fixed by the bill. I know that there are a few roads under very favorable conditions that are able to earn more than the 6 per cent, and I think most of the cry that is being reflected to Congress against the provisions of this bill limiting the return primarily to 6 per cent, with the increase above that as I have just indicated, comes from those roads, not a dozen of the great transportation systems of America. This bill can not be written for special cases. This bill can not be enacted to take care of some particular line of road. The real question is whether or not 6 per cent is a reasonable return and a reasonable charge to be reflected into the freight rates of the people who live along the line of the road.

As to what is above that, objection is made. They say it is a tax. It is not a tax; it is a limitation on the right to earn money, and that limitation has been conceded and recognized for 30 years. This money is not taken and given as a gift to the other railroads; no. The increased earning above 6 per cent goes into a special Government fund.

It does not go to the railroads; it goes to the Government, to a Government board, to be used for what purpose? To be used in the interest of the people of the United States. Have we not the right to use money in the hands of the Government for the development of transportation facilities? How many hundreds of millions of dollars have we invested to-day in great shipbuilding plants and shipping, first to take care of the war situation, and now maintained in order to expand the commerce of this country and furnish the American people with shipping facilities? If it is right to limit the earning capacity of these railroads in any way, then it is right to limit them to a reasonable return. Every man may have his judgment as to what is reasonable; but when we fix what is a reasonable return, they have no right to complain that we take the balance of the money away from them and use it for a great public service.

What is the public service? First, it may be used to lend to the railroads where they need money to improve their facilities to the public. It can be loaned to them to build new cars. It can be loaned to them to double-track their roads. It can be loaned to them to build new spur tracks and new lines. It can be loaned to them, at reasonable rates of interest, to develop the transportation facilities along their existing lines. Is not that in the interest of the public? It will have a tendency to bring down the money cost and the money charges for the borrowing of railroads. It will put this fund that the Government has in hand in competition with the banker and the broker who has been lending money for the public development at higher rates of interest, and that is clearly in the public interest.

There is another purpose for which it can be used in the public service, and that is to invest it in a great car-service corporation, where the Government can build cars and engines and rent them to the roads, the weaker or the stronger roads, in order to give transportation facilities to the public.

Is not that in the interest of the American people? Is it not in the interest of the man who lives on the line? And what right has the railroad owner to complain? He may say, "I have a great, powerful road, and I do not want you to give additional facilities to my weaker competitor. I want to keep it down, so that it can not function"; but that is a selfish argument that can not go here.

Suppose this fund accumulates so that we can develop a great transportation corporation. There have been complaints in the Congress within this session against the meat packers that their monopoly has been developed because they control the refrigerator-car service. If you had this bill through and that fund existing, money from this fund could be used to build for the Government refrigerator cars that could be used to meet any monopoly and give service to people who were financially unable to build their own cars. In a thousand ways the public may be served by a fund of this kind, and properly served; and it is no answer to the proposition to say that it should not be done merely because some particular road—one

In a hundred in this country—can earn more than 6 per cent upon its value, and insist to-day that the old system should exist and that it should be allowed to go on and earn to its full capacity, regardless of the public interest.

Why, this is a developing country. The country is new and the railroads are new. Where does the argument that has been made lead us to, that we should put no limitation whatever upon the earning capacity of these railroads? Where should it lead to? When a railroad is developed through a new country, with no factories along its lines, with agriculture undeveloped, with a scanty population, its earning capacity must be small; but as it develops and grows and population comes and the factory comes, and the mill hand, its freight rates and passenger rates increase and its earning capacity grows and grows.

Does anybody think for a moment that the railroads of this country have ceased to grow or that their earning capacity has ceased to grow? Must we go on and say that, because a rate is reasonable to-day, under those same rates an earning capacity of five times what it is to-day may be reflected into the treasury of the road two decades from now? Nobody can maintain that argument for a minute. Then, if that can not be maintained, they must consent to the proposition that we have a distinct right in the public interest to limit the earning capacity of these railroads after we have given them a just and reasonable and fair return on their money value.

As I said, if some man here thinks that 6 per cent is not a fair return upon the money value, it would be absolutely in order and proper for him to move to make it 7 or 8 or 10 per cent; but I do not think he can justify by any argument whatever the contention that because one railroad can earn a larger return under a certain system of rates that were allowed to grow up, because if they had not grown up some other railroad would have broken, we are not entitled to adopt a new system and limit the amount of charge upon the transportation of the people of America.

That is all there is in section 6, I think. It is not a difficult problem. I think it is a fairer and a juster way to fix the basis of rate making in this country than the present law. I think it will give the railroads of the country an opportunity to respond to the needs of the public more fully than they have ever done in the past; and if that is so, then section 6 should be adopted. That is the crucial situation in the rate-making and earning capacity of this bill.

As I said before, I have heard no Senator complain about the limitations on the issuance of railroad securities. Many of the pages of this bill are taken up with suggestions and amendments made by the Interstate Commerce Commission, about which practically every man here will agree. There are but few items, so far as I can see, that are in dispute or can be in dispute, except the question of the rate-making power, the amount of money that will be raised by it, and the problem regarding the labor features of this bill.

Mr. President, when I rose I intended to address myself to section 6 and to the provisions of the bill which relate to labor. I have spoken much longer than I expected, due to the interruptions which have occurred. I was unable to come to the Senate yesterday on account of sickness, and I find, now that I am on my feet, that I am unable to go on fully with the discussion in reference to the other features of the bill, and though I should have liked to have concluded to-night, I will have to pass over for the present my discussion of the clauses of the bill that relate to labor, and hope to have an opportunity to discuss them before the consideration of the bill is concluded.

Mr. CUMMINS. Mr. President, there is one formal amendment which I desire to offer. On page 13, line 12, of the bill, I move to strike out the words "its property investment" and insert in lieu thereof the words "the value of its property held for and used in the service of transportation, determined as herein provided."

I think there will be no objection whatever to this substitution. The words which I have sought to strike out are in the bill through an inadvertence.

The amendment was agreed to.

Mr. CURTIS. I offer the following as a separate section. I will state that it is the text of a joint resolution introduced, I think, by the Senator from Minnesota [Mr. KELLOGG] and it passed the Senate.

The PRESIDING OFFICER (Mr. DIAL in the chair). The Secretary will read the proposed amendment.

The SECRETARY. Add at the end of the bill the following:

That the effective date on and after which the provisions of section 10 of the act entitled "An act to supplement existing laws against unlawful restraints and monopolies, and for other purposes," approved

October 15, 1914, shall become and be effective is hereby deferred and extended to July 1, 1920: *Provided*, That said section shall be effective as to all corporations organized after January 12, 1918.

Mr. CURTIS. I was requested to offer this amendment. I do not know whether there is any objection to it or not. If there is, I will withdraw it. This amendment is taken from the joint resolution which passed the Senate on October 14, 1919, and it is now pending in the House.

Mr. THOMAS. Will the Senator explain, in a few words, what is designed to be subserved by the amendment?

Mr. CUMMINS. While the matter was not brought to my attention by the Senator from Minnesota, I think I know what is desired to be accomplished by the amendment. In section 10 of the so-called Clayton Act there is a provision with regard to contracts made between railway corporations, or possibly it is broader than that and includes contracts between all corporations and contractors or mercantile concerns between which there might be a community of directors.

Mr. THOMAS. Yes; I remember it now.

Mr. CUMMINS. It was found very desirable a little later to postpone the effective date of that act. My recollection is that it has been postponed twice, and during this session the Senator from Minnesota introduced the joint resolution, and it was reported by the Judiciary Committee, postponing the effective date again until July 1, 1920. It passed the Senate without any objection, I believe, and is now pending in the House. I shall make no objection whatever to its being attached to the bill, although it really does not belong, in its subject matter, to the bill.

Mr. THOMAS. May I ask the Senator whether the amendment postpones the operation of that act beyond July, 1920?

Mr. CURTIS. No; until that time.

Mr. THOMAS. It is a duplication of the joint resolution passed at the last session?

Mr. CURTIS. Of the joint resolution that passed the Senate. I was requested this afternoon to offer it.

Mr. POMERENE. Mr. President, if I may have the attention of the Senator from Kansas for a moment, do I understand that it applies to section 10 of the act?

Mr. CUMMINS. No; to section 10 of the Clayton Act.

Mr. POMERENE. Relating to the sale of securities?

Mr. CUMMINS. No; to all kinds of dealings between corporations. It not only applies to the sale of securities, but to the purchases that are made by common carriers of supplies and the like.

Mr. CURTIS. I will state to the Senator from Ohio that if there is any objection to it I will withdraw the amendment.

Mr. POMERENE. I do not object. I simply wanted to understand it.

Mr. CURTIS. I offered it by request, and understood it had passed the Senate.

Mr. POMERENE. I suggest that section 10 of the act be incorporated in the RECORD, so that Senators may understand what it is. Perhaps it ought to be read, so that Senators here may understand what it is.

The PRESIDING OFFICER. The Secretary will read.

The Secretary read section 10 of the act approved August 29, 1916, as follows:

SEC. 10. That after two years from the approval of this act no common carrier engaged in commerce shall have any dealings in securities, supplies, or other articles of commerce, or shall make or have any contracts for construction or maintenance of any kind, to the amount of more than \$50,000 in the aggregate, in any one year, with another corporation, firm, partnership, or association when the said common carrier shall have upon its board of directors or as its president, manager, or as its purchasing or selling officer, or agent in the particular transaction any person who is at the same time a director, manager, or purchasing or selling officer of, or who has any substantial interest in, such other corporation, firm, partnership, or association, unless and except such purchases shall be made from, or such dealings shall be with, the bidder whose bid is the most favorable to such common carrier, to be ascertained by competitive bidding under regulations to be prescribed by rule or otherwise by the Interstate Commerce Commission. No bid shall be received unless the name and address of the bidder or the names and addresses of the officers, directors, and general managers thereof, if the bidder be a corporation, or of the members, if it be a partnership or firm, be given with the bid.

Any person who shall, directly or indirectly, do or attempt to do anything to prevent anyone from bidding or shall do any act to prevent free and fair competition among the bidders or those desiring to bid shall be punished as prescribed in this section in the case of an officer or director.

Every such common carrier having any such transactions or making any such purchases shall within 30 days after making the same file with the Interstate Commerce Commission a full and detailed statement of the transaction showing the manner of the competitive bidding, who were the bidders, and the names and addresses of the directors and officers of the corporations and the members of the firm or partnership bidding; and whenever the said commission shall, after investigation or hearing, have reason to believe that the law has been violated in and about the said purchases or transactions it shall transmit all papers and documents and its own views or findings regarding the transaction to the Attorney General.

If any common carrier shall violate this section it shall be fined not exceeding \$25,000; and every such director, agent, manager, or officer thereof who shall have knowingly voted for or directed the act constituting such violation or who shall have aided or abetted in such violation shall be deemed guilty of a misdemeanor and shall be fined not exceeding \$5,000, or confined in jail not exceeding one year, or both, in the discretion of the court.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Kansas [Mr. CURTIS].

The amendment was agreed to.

Mr. JONES of Washington. I desire to offer an amendment on page 81.

The PRESIDING OFFICER. The Secretary will read the proposed amendment.

The SECRETARY. On page 81, in lines 11 and 12, strike out the words "to construct a suitable dock and." Strike out lines 14, 15, 16, and that part of line 17 ending with the period after the word "sections" and in lieu thereof insert the following: "This provision shall only apply where such connection is reasonably practicable and can be made with safety to the public and where the amount of business to be handled is sufficient to justify the outlay." In line 22, strike out the words "docks and," and in line 23 strike out the words "docks and."

Mr. JONES of Washington. The amendment proposed makes the section conform to the existing law, paragraph "a" of section 6, and also correspond substantially to section 411 of the House bill.

According to the provision as it is now written, it gives the board authority to require a water carrier to construct a suitable dock, and the dock is considered as a terminal within the meaning of the act. That gives the board practical control over water transportation. I do not think that ought to be done. It seems to me the law ought to be left just as it is.

Paragraph A of section 6 as it reads now gives the commission authority—

To establish physical connection between the lines of the rail carrier and the dock of the water carrier by directing the rail carrier to make suitable connection between its line and a track or tracks which have been constructed from the dock to the limits of its right of way, or by directing either or both the rail and water carrier, individually or in connection with one another, to construct and connect with the lines of the rail carrier a spur track or tracks to the dock. This provision shall only apply where such connection is reasonably practicable, can be made with safety to the public, and where the amount of business to be handled is sufficient to justify the outlay.

I think that is all the authority the commission or the board ought to have in connection with waterways. To give it the authority stated in this connection would enable it practically to dominate a waterway. It could impose practically any burden that it saw fit to impose, and if it were inclined to favor the railway it could impose burdens that would favor it.

Furthermore, under this section the Interstate Commerce Commission would have control over the docks, for instance, in the city of Seattle, where they have constructed large terminal docks and facilities or waterway terminals. Under the express language of the section as it is herein the Interstate Commerce Commission would have control over them. I do not think that ought to be, and I can not believe that the Senator from Iowa really intended that that should be.

So I move to strike out the provision.

Mr. CUMMINS. As I understand it, this was a recommendation made by the Interstate Commerce Commission and was incorporated in the bill introduced by the chairman of the Interstate Commerce Committee of the House and incorporated in the bill introduced in the Senate by the Senator from Ohio [Mr. POMERENE]. The matter referred to by the Senator from Washington was not discussed at any great length in the committee, and I am not able to make any definite statement with regard to the attitude of the committee upon the matter.

That is all I care to say. I have no authority to accept it, but if the views of the Senator from Washington seem to the Senate sound, Senators will vote accordingly.

Mr. JONES of Washington. I would suggest that while probably under our rules it is hardly proper to refer to what action has been taken in the House, upon discussion and consideration the House struck out those provisions and made the section conform to what this would provide.

Mr. CUMMINS. I think it is quite proper for the Senator from Washington to make that reference, because the House has passed the bill and it is now on the Senate Calendar.

Mr. JONES of Washington. That is true. I have the House provision here as it passed the House, and I will read it:

A. They shall establish physical connection between the lines of the rail carrier and the dock at which interchange of passengers or property is made by directing the rail carrier to make suitable connection between its line and a track or tracks which have been constructed from the dock to the limits of the railroad right of way, or by directing either or both the rail and water carrier, individually or in connection with one another, to construct and connect with the lines of the rail carrier a track or tracks to the dock. The commission

shall have full authority to determine and prescribe the terms and conditions upon which these connecting tracks shall be operated, and it may, either in the construction or the operation of such tracks, determine what sum shall be paid to or by either carrier: *Provided*, That construction required by the commission under the provisions of this paragraph shall be subject to the same restrictions as to findings of public convenience and necessity and other matters as its construction required under section 1 of this act.

It cuts out all control of the Interstate Commerce Commission over the docks, and so forth, and I think that ought to be done. Upon the statement of the chairman of the committee I will allow it to go to a vote.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Washington [Mr. JONES].

The amendment was agreed to.

Mr. LENROOT. Mr. President, I offer the following amendment.

The PRESIDING OFFICER. The Secretary will state the amendment proposed by the Senator from Wisconsin.

The SECRETARY. Amend, on page 28, by striking out all of line 23 after the word "reasonable," and lines 24 and 25; and also strike out all of page 29 down to and including all of line 14.

Mr. CUMMINS. This is the part of the bill to which the Senator from Wisconsin [Mr. LENROOT] referred a day or two ago during his discussion. I am compelled to say that in my judgment Congress has no right and can not under the Constitution require the carrying for mere cost of traffic by a carrier directed so to do by the Interstate Commerce Commission or by the transportation board. The point made by the Senator from Wisconsin seems to me to be quite well taken and I shall not resist the amendment.

The amendment was agreed to.

Mr. LENROOT. I offer the amendment, which I send to the Secretary's desk.

The PRESIDING OFFICER. The Secretary will state the amendment.

The SECRETARY. Strike out all of page 35 after the word "awarded," in line 14, and all of page 36, down to and including the word "properties" in line 5.

Mr. CUMMINS. May I be permitted to see the amendment?

Mr. LENROOT. I will state that the amendment strikes from the bill the guaranty of a return not exceeding the standard return provided in the present law to railroads pending reorganization. It is a matter that I discussed at some length a day or two ago. I wish to say now that I can not conceive of the Senate being willing to clothe the board of transportation with the power to obligate the United States Government to the extent of possibly hundreds of millions of dollars to guarantee a return to a railroad that may indicate its willingness and desire to enter into the plan of consolidation proposed by the board and to reorganize under that plan.

No one can say how many hundreds of millions of dollars, or even billions of dollars, it might obligate the Government to pay. Certainly no such vague and indefinite power should be granted, it seems to me, to the board of transportation.

Mr. CUMMINS. If the authority granted here could have, if exercised, the consequences suggested by the Senator from Wisconsin, I can easily understand how apprehensive Congress would be and how reluctant it would be to grant the authority. But I think the Senator from Wisconsin exaggerates, not intentionally of course, but overestimates the loss that could by any possibility be sustained by the United States through the power here granted. The power is to guarantee to the roads which are involved in the consolidation, and only during the process of consolidation, what we understand as the standard return.

When it is considered that the standard return is based upon the three years prior to July 1, 1917, when the growth and development which we confidently expect in the United States are considered, it is impossible for me to conceive that the guaranty by the Government during the short period of consolidation could involve the United States in any considerable loss; I very much doubt whether there could be any loss. However, it is not a direction to the board; it is authority to the board; and it may, I think, be fairly assumed that the board would act in the interest of the people of the United States.

The entire guaranteed return for all the railroads in the United States for an entire year is about \$900,000,000. This at any given time would involve, I take it, comparatively few properties and for but a short time. The chances that these properties would not be earning substantially their standard return or the return of the test period would, it seems to me, be very remote. The only reason the provision is in the bill is because the committee believed that it was proper that there should be furnished some security, some inducement to the rail-

road companies to carry forward the governmental plan of consolidation.

I recognize that the point made by the Senator from Wisconsin [Mr. LENROOT] is not vital to the bill, and if we would accomplish the purposes of the bill, so far as I am concerned, I do not hesitate to take some risk. I do not feel, Mr. President, that I can accept the amendment offered by the Senator from Wisconsin. I am acting for the committee; I have, in a great many instances, subordinated my own individual opinion in order to carry forward the work which the committee has directed me to do; but in this instance I must submit the matter to the good judgment of the Senate.

Mr. SMITH of South Carolina. May I ask the Senator from Wisconsin to restate the amendment?

Mr. LENROOT. The amendment strikes out, on page 35—

Mr. SMITH of South Carolina. Of the last print of the bill?

Mr. LENROOT. No; I have the original print of the bill. Beginning on line 8, the remainder of page 35, and the first paragraph upon page 36. It proposes to strike out the guaranty of the Government to the railroads pending reorganization.

Mr. President, in reply to the Senator from Iowa [Mr. CUMMINS], I will say that so long as the railroads are prosperous and are making the standard return, in my judgment, there will not be the voluntary consolidations provided for in the bill, especially if the going rate of money when normal conditions again obtain shall be less than 6 per cent. Consolidations, however, will come under the bill very rapidly if we have an industrial depression in this country; and I think there is no one of us who have given thought to this subject who does not realize the possibility, and the very strong possibility, of such industrial depression ensuing before conditions in this country become normal. If such a depression does come, railroads by the score, with this guaranty in the bill, are going to accept the plan of consolidation proposed by the board in order to get the guaranty. Why should the Government in a period of industrial depression, where all investors must take their share of losses, give to the owners of railroad securities the same high return that they received during the period of their highest prosperity?

The Senator from Iowa says that it is left to the discretion of the board. That is true; but I undertake to say that if we have such a depression, the call upon the board for this guaranty will amount to many hundreds of millions of dollars per year, and it may cover a period of years.

Mr. CUMMINS. Mr. President—

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

Mr. LENROOT. I yield.

Mr. CUMMINS. The Senator from Wisconsin will note that the action of the board requires the approval of the Interstate Commerce Commission.

Mr. LENROOT. Yes.

Mr. CUMMINS. And I hope the Senator will comment upon this feature of the guaranty. This is not a guaranty for any railroad that does not agree upon the valuation of the property sought to be consolidated as fixed by the Interstate Commerce Commission. We all look forward to some differences of opinion with regard to these valuations. It is highly desirable, however, that the work of the commission shall be accepted with regard to the values; otherwise long litigation may ensue. This provision offers to any railway system about to consolidate with another a guaranty only in the event that those who are in the act of consolidation will agree that the value which has been put upon the properties by the Interstate Commerce Commission shall be the value upon which the consolidation shall take place.

Mr. LENROOT. In answer to that I will say that so far as this bill is concerned the guaranty is operative at any time until the reorganizations and consolidations become complete.

Mr. CUMMINS. I think that is true, but not until the great process of consolidation throughout the United States becomes complete; it will continue only during the process of the consolidation of the particular properties involved.

Mr. LENROOT. Certainly; that is what I meant. But it may well be that before this guaranty would be invoked at all the valuation will not have been determined by the Interstate Commerce Commission but judicially determined under the law itself. It is not optional with the owners of the roads to negotiate with reference to the valuation, but the valuation will become fixed, and if they do not voluntarily accept the valuation thus fixed they can be compelled to accept that valuation under the exercise of the right of eminent domain. So that I do not think that suggestion of the Senator has any very great force, although it is true.

I believe that voluntary consolidations will be accepted so as to make a given plan of reorganization complete only in time of

industrial depression, and that being true, it is clear that the United States Treasury will be called upon to pay, perhaps, hundreds of millions of dollars. That is a matter that ought not to be left to any subordinate board of this Government. If when the time comes it is proper in the public interest to afford these companies the guaranty, Congress itself should pass upon that question at that time.

Certainly we ought not now to give any subordinate body the right to obligate the Government to no one knows how many hundreds of millions of dollars.

Then, again, I do not see any reason why there should be any guaranty to the railroads simply because they are going through a period of reorganization. That is a financial matter alone; it ought not to affect operation in the slightest degree. The mere fact of reorganization under this plan ought not to affect the net earnings of individual roads in the least. I do not see any possible reason for the roads securing from the United States Treasury a guaranty as is provided here.

Mr. President, this is a very important matter. I am sorry the chairman resists the amendment, but if it is to be resisted I feel that it is so important that I shall be obliged to call for a quorum unless the amendment is passed over. I am willing, however, to withdraw it for this evening and to reoffer it tomorrow, if the Senator so desires.

Mr. CUMMINS. I see no reason for withdrawing the amendment, for we must either have a quorum to pass upon it or we must take a recess.

Mr. LENROOT. Very well.

RECESS.

Mr. CUMMINS. Mr. President, the time has nearly come at which it was in our minds, I think, to take a recess, and in order to avoid the necessity of drawing festive Senators from the social functions in which they are undoubtedly very happily engaged at this moment I move that the Senate take a recess until to-morrow morning at 11 o'clock.

The motion was agreed to; and (at 8 o'clock and 30 minutes p. m.) the Senate took a recess until to-morrow, Wednesday, December 17, 1919, at 11 o'clock a. m.

HOUSE OF REPRESENTATIVES.

TUESDAY, December 16, 1919.

The House met at 12 o'clock noon.

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

Sometimes, our Father in heaven, we find ourselves on the verge of doubt and uncertainty, then it is that the earth seems slipping from beneath our feet; but we are reassured when we remember the heavenly promise:

Behold, I stand at the door and knock: if any man hear my voice and open the door, I will come in to him, and will sup with him, and he with me.

So when we throw wide the portals of our soul, the Divine Guest enters and restores faith, hope, love, and we reenter with perfect confidence the kingdom of heaven and live again with Thee. In the spirit of the Master. Amen.

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

LEAVE OF ABSENCE.

Mr. SANDERS of Louisiana, by unanimous consent, was granted leave of absence, indefinitely, on account of important business.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Dudley, its enrolling clerk, announced that the Senate had passed joint resolution (S. J. Res. 137) authorizing the Secretary of War to construct a pontoon bridge across the Chattahoochee River at West Point, Ga., and for other purposes, in which the concurrence of the House of Representatives was requested.

SENATE JOINT RESOLUTION REFERRED.

Under clause 2 of Rule XXIV, Senate joint resolution of the following title was taken from the Speaker's table and referred to its appropriate committee, as indicated below:

S. J. Res. 137. Joint resolution authorizing the Secretary of War to construct a pontoon bridge across the Chattahoochee River at West Point, Ga., and for other purposes; to the Committee on Military Affairs.

ENROLLED JOINT RESOLUTION AND BILL PRESENTED TO THE PRESIDENT FOR HIS APPROVAL.

Mr. RAMSEY, from the Committee on Enrolled Bills, reported that, on December 15, they had presented to the President of the United States, for his approval, the following joint resolution and bill:

H. J. Res. 260. Joint resolution authorizing the payment of salaries of officers and employees of Congress for December, 1919; and

H. R. 1199. An act to prohibit the purchase, sale, or possession for the purpose of sale of certain wild birds in the District of Columbia.

URGENT DEFICIENCY BILL.

Mr. GOOD, chairman of the Committee on Appropriations, by direction of that committee, reported a bill (H. R. 11223) making appropriations to supply urgent deficiencies in appropriations for the Employees' Compensation Commission and the Public Health Service, for the fiscal year ending June 30, 1920, which was referred to the Committee of the Whole House on the state of the Union.

Mr. BLANTON reserved all points of order.

ORDER OF BUSINESS.

Mr. MONDELL. Mr. Speaker, on yesterday the House agreed by unanimous consent that at the close of the debate on the report now before the House, business in order on Monday should be in order to-day. The probability is that the business under the rule and one or two other matters that are privileged—a privileged resolution by the gentleman from Massachusetts [Mr. TINKHAM], a privileged report from the Committee on Printing—may take the major part of the day. In order that we may have a full day for the consideration of matters that were in order on Monday, I ask unanimous consent that we may dispense with Calendar Wednesday business to-morrow and business which was in order on Monday shall be in order on Wednesday.

In making that request I want to state that I have consulted the chairman and several members of the Committee on the Public Lands with which committee the call rests, and they have no objection to this request being granted.

The SPEAKER. The gentleman from Wyoming asks unanimous consent that the order making business which was in order on Monday in order to-day be rescinded, and that instead to-morrow Calendar Wednesday be dispensed with and Monday business be in order then. Is there objection?

Mr. BANKHEAD. Reserving the right to object, I would like to ask the gentleman from Wyoming, in view of the program that he is laying out for the consideration of bills before the House, if he expects at any time to call up and take action on the Mondell soldiers' settlement bill?

Mr. MONDELL. Mr. Speaker, it is not necessary for "the gentleman from Wyoming" to assure the gentleman from Alabama that it would please "the gentleman from Wyoming" if such an opportunity were offered.

Mr. BANKHEAD. Does not the gentleman think he could create such an opportunity if he desired?

Mr. MONDELL. Not just at this time.

Mr. BLANTON. Mr. Speaker, reserving the right to object, we are preparing for, as I understand from the statement of the gentleman from Wyoming, a recess to commence Saturday over until January 5. Surely there are some legislative matters of greater importance than the Private Calendar that should be disposed of before January 5. In other words, if we dispense with Calendar Wednesday, to indulge in four hours' debate on nothing, and for the Private Calendar, I do not think we are meeting with the obligations that rest upon the House, and I object.

The SPEAKER. The gentleman from Texas objects:

HOUSE REPORT 487.

The SPEAKER. The question before the House is the further consideration of House report 487.

Mr. BYRNS of Tennessee. Mr. Speaker, I think there ought to be a quorum present to hear this debate, and I make the point that there is no quorum present.

The SPEAKER. The gentleman from Tennessee makes the point that no quorum is present. Evidently there is no quorum present.

Mr. CAMPBELL of Kansas. Mr. Speaker, I move a call of the House.

The motion was agreed to.

The doors were closed, and the Sergeant at Arms was directed to notify absentees.

The Clerk called the roll, and the following Members failed to answer to their names:

Ackerman	Bland, Mo.	Cantrill	Davis, Minn.
Anthony	Booher	Connally	Denison
Aswell	Bowers	Cooper	Donovan
Bacharach	Britten	Costello	Dooling
Baer	Burke	Crisp	Dunn

Eagan	Hull, Iowa	Mudd
Eagle	Humphreys	Nicholls, S. C.
Edmonds	Igoe	Nichols, Mich.
Ellsworth	Johnson, Ky.	Nolan
Fairfield	Johnston, N. Y.	O'Connor
Ferris	Jones, Tex.	Olney
Fisher	Kahn	Osborne
Foster	Kearns	Pou
Gallivan	Kelley, Mich.	Rainey, Ala.
Godwin, N. C.	Kennedy, R. I.	Rainey, H. T.
Goodall	King	Randall, Calif.
Gould	Kitchin	Riddick
Graham, Pa.	Kreider	Riordan
Greene, Vt.	LaGuardia	Robinson, N. C.
Hamill	Lesher	Romjue
Hamilton	McKenzie	Rowan
Harrelld	McKeown	Sabath
Harrison	McLane	Sanders, Ind.
Haugen	Miller	Sanders, La.
Heffin	Montague	Sanford
Houghton	Moore, Ohio	Schall
Howard	Moore, Pa.	Scully
Hudspeth	Mott	Sears

Sinnott
Slemp
Small
Smith, N. Y.
Stephens, Miss.
Sullivan
Sumners, Tex.
Tague
Taylor, Ark.
Thompson
Venable
Ward
Watson, Va.
Webster
Welling
Wheeler
White, Me.
Wilson, La.
Wise
Young, Tex.
Zihlman

The SPEAKER. Three hundred and twenty-one Members have answered to their names, a quorum.

Mr. CAMPBELL of Kansas. Mr. Speaker, I move to dispense with further proceedings under the call.

The motion was agreed to.

The doors were opened.

The SPEAKER. The gentleman from Tennessee [Mr. GARRETT] is recognized for one hour. [Applause.]

Mr. GARRETT. Mr. Speaker, when I stopped yesterday afternoon I had spoken longer than I have for many years in the House of Representatives, and longer than I desired to. My only apology for continuing to-day is the complex character of the matter which has been brought before the House for debate. I have sought, and shall continue to seek, to state the facts of the record, because it is upon the facts of the record that these matters must rest and that public judgment should be formed—not upon the inferences and intimations of the majority nor the inferences and suggestions of the minority. I wish it were possible for every Member of the House to read the record. If judgment is to be asked, if executive and judicial propositions are to be thrust before the legislative branch of the Government and discussed before the country, then we should adapt ourselves to the requirements of the situation and read the facts. And upon that record of facts—all the record, not a page here or a page there—the minority is content to stand here and before the country.

Yesterday afternoon I had just concluded a brief review of the organization under which the purchases of copper were made for the use of the Government. I omitted to say, and perhaps it will be of interest to the House to know, that the Government of the United States purchased during the war 670,000,000 pounds of copper. This was in addition to the amount—I do not know how much that was, but it was immense, probably as much as the Government itself purchased—which was being purchased by those who had Government contracts for munitions of war, and also in addition to the tremendous amount—I do not know how much that was—which was being furnished to the allied powers in Europe.

I think it is proper, and I think the House will be interested to some extent to take up now the facts of the disposition of the surplus which remained at the signing of the armistice. With the signing of the armistice the copper market became completely and thoroughly demoralized. It was known, of course, that the Government had large quantities of raw copper, but just how much was not known. This condition of affairs in the copper market continued through November, December, and January, as I recall. It was not known what the Government proposed to do with its surplus copper, whether it would hold it or whether it would be placed upon the market. Along in January or February, 1919, if I remember correctly, there was presented to some branches of the Government a statement as to the condition. Bear in mind that the production of copper had by every incentive that the Government could properly hold before the producers been speeded up to the highest point during the period of the war. Every mine that could possibly be put into production had been opened to production. It was absolutely essential as a military necessity.

The condition when the statement was presented was that there was something like a billion pounds of raw copper in the hands of the producers, in the smelters, and at various storage points. One hundred and seventy-five million dollars was tied up in this copper. The labor situation was completely demoralized. Working as they did upon the standard scale of prices, it was impossible to determine what labor could be paid and should be paid under the agreements had with the mine owners. With this condition confronting the Government and

confronting the people of the country, steps were taken to clarify the situation. Representatives of the Government and copper men, producers, through the United Metals Selling Co. in particular, because that had been the company which had handled the copper purchased by this Government, while the Standard Co., I think it was, handled that which was sold to the allied countries, arranged conferences to see what could be done to relieve the situation. A number of conferences were held, numerous propositions were canvassed. Differences of opinion arose that were sharp and marked, but all of these negotiations finally culminated, about April 10, 1919, in a contract with the United Metals Selling Co. whereby that company bound itself to take from the Government, beginning in the month of April, 1919, and continuing if it should become necessary until the month of June, 1920, 5,000,000 pounds of copper per month up until and including January, 1920, and 10,000,000 pounds per month after January, 1920, up until and including June, 1920. Before it engaged in that contract the United Metals Selling Co. had the cooperation and assurance of the various copper producers whom it represented that these contracts would be carried out. This copper was to be taken at a certain price, and I read now from the contract itself:

The contract price for copper in usual commercial shapes is hereby fixed at the monthly average New York price for electrolytic copper quoted by the Engineering and Mining Journal published in New York.

That is the standard journal of the trade.

Mr. JUUL. Mr. Speaker, will the gentleman be good enough to state the volume from which he quotes?

Mr. GARRETT. I am quoting from part 1 of serial 6, at page 56 of the hearings before the subcommittee, No. 5, and I read from the contract itself. There was another condition of this contract, slightly complicated, which I read:

Should the sales of copper owned or controlled by the purchaser and all producers of copper represented by it, in any one month during the months of April, 1919, to January, 1920, both inclusive, exceed 50,000,000 pounds, and during the months of February, 1920, to June, 1920, both inclusive, exceed 100,000,000 pounds, in such event the quantities specified in the above schedule shall be increased by an amount equal to 20 per cent of such excess.

In other words, that meant that if the United Metals Selling Co. and those producers whom it represented should sell in excess of 50,000,000 pounds of outside copper, not Government copper, there should be taken, in addition to the 5,000,000 pounds that the United Metals Selling Co. was absolutely obligated to take from the Government, 20 per cent of the total amount sold, and that 20 per cent should be taken out of the Government's supply.

The effect of that was immediate. The market became certain and the Government received for its copper the prevailing average monthly prices as shown by the market reports. As to whether that was wise or not, of course the judgment of men may differ, but I should like to know what there is about it to justify any imputation of fraud.

Another case has been referred to in the report, though not as yet upon the floor of the House; but, as I am anticipating that it is likely to be, perhaps I should say something concerning it. I do not wish to say much, partly for the same reason that I gave when I expressed myself in regard to the Standard Steel Car Co. settlement on yesterday. I refer now to the Jones & Laughlin contract, mentioned in the majority report. This is a steel-manufacturing concern located in or near Pittsburgh, Pa. It entered into a contract with the Government of the United States to construct 300 modern coke ovens. The Government's interest in it was to procure toluol for use in the manufacture of high explosives and ammonium sulphate. The contract is in our record, and is quite lengthy, and differs from some other contracts. Briefly, it may be stated that it was estimated, and this estimate was expressed in the face of the contract, that after these 300 ovens should have been completed there would be produced 810,000 gallons of toluol per annum, and the Government bound itself to take the full amount of production, whatever it might be, at the price of \$1.50 per gallon. I do not now remember the estimate as to the amount of ammonium sulphate. These ovens had not been completed at the time the armistice was signed. The Government sought a termination of the contract, and upon investigation it was found that it was so near completion that it appeared to be to the interest of the Government to let the company complete the ovens and settle upon the basis of the original contract, and accordingly this was done. A claim was filed before the Pittsburgh board of claims, and was there first passed upon.

Along in February, 1919, a meeting was held in New York of representatives of the Government and of chemical men—I believe some chemical experts were present—this meeting being

called by the head or chief of the claims board of New York particularly to discuss this toluol situation and to reach some conclusion as to how the many toluol contracts and claims should be settled. That meeting was attended by a representative of the Government by the name of Falk.

I have forgotten for the moment the precise position which he held, but I think he was a chief in the Ordnance Bureau of the Raw Materials Division throughout the war. He had been in private life a consulting engineer, as I now remember. He had made under his direction some time during the latter part of the war a table which is commonly referred to as the Falk chart, and it was referred to in the order issued by the Claims Board Division of the War Department. This chart undertook to estimate the amount of probable production of toluol at given plants. There is testimony from a very respectable source, in my opinion, in our record to the effect that there were errors in this Falk chart, though he himself assumed full responsibility for the chart, although he did not personally prepare it, insisting that it was correct. The Pittsburgh claims board along in March, I think it must have been, or perhaps in April, 1919, made an award making its recommendation as to the amount that Jones & Laughlin should be paid on the cancellation of the contract. I think that award reached the bureau board here, and if I am in error I will thank the gentleman from Illinois to correct me, but before it was taken up for consideration by the bureau here the Pittsburgh claims board received knowledge of this Falk chart. Jones & Laughlin had declined to accept their award. So they recalled the claim from this board, reinvestigated it, and apparently settled it in the light of the Falk chart, and that increased the award made to Jones & Laughlin, which they accepted, by the sum of \$330,000. Now, I wish to state all the facts and state them fairly. That settlement on the Falk chart did apparently give the very highest reasonable credit for production that seemed at all probable in the industry. It did allow payment for an amount based upon the estimated production of the full plant of 300 ovens running 24 hours a day every day in the year at full capacity. Now, that is the substance of all we know about that claim. I do not know all the elements that entered into the consideration in the negotiation and adjustment of this particular transaction. Jones & Laughlin have not been heard before the committee.

The officer of the Government who actually negotiated the settlement was not heard by the committee nor called by the committee for any explanation of the matter. I do not hesitate to say to you, because I wish to be perfectly frank, that it seemed to me that the settlement was too large, but I do not believe that there is the slightest justification from anything which appears in our record of any imputation of fraud against the officer who negotiated it. It is a question of business judgment. That gentleman is available—

Mr. DEMPSEY. Will the gentleman yield for a question as to the copper-selling contracts?

Mr. GARRETT. Certainly.

Mr. DEMPSEY. As a lawyer I have had this experience: The wheat market took a tremendous fall a number of years ago. Day by day the papers of a certain city quoted wheat at \$1.25 a bushel and you could not sell a bushel of wheat to save your life for a dollar. Now, this selling contract provides as the sole standard, as I understood the gentleman, the quotations in a particular paper, not in all papers, but in one paper alone. I happen to know, because I was interested as an attorney of this situation, that one broker furnished all the quotations for the papers at that time, and I happen to know that he was loaded to death with speculative and real wheat. Now, is not your contract subject to the objection that this particular paper might not show at all the selling price of copper in the months to which the gentleman refers from time to time throughout the life of the contract?

Mr. GARRETT. I will say to the gentleman that in the first place this paper, as I understand it, is recognized as the standard journal of the copper metal industry. In the next place it is a fact that there was verification of the prices quoted. The gentleman will understand that this copper to be sold in April was not in fact sold and delivered in April. It would be sold in the following month, and so on, of subsequent months, at the average price as given in this journal for that month, and that price was verified by actual investigation of the prices at which copper was selling generally in the market. So I do not think that that criticism would apply.

Mr. DEMPSEY. But what I am criticizing is that by the contract as the gentleman describes it you do not have the right to verify, you do not have the right to correct, you do not have the right to vary, you put this absolutely in the power of this single paper and its quotations.

Mr. GARRETT. Well, I did not read the full contract a few months ago, but I will say to the gentleman that, as a matter of fact, there was verification.

Mr. DEMPSEY. I am not talking about what was done, because I do not know about that, and the gentleman has not stated as to that until now; but I was taking the gentleman's statement of the effect of the contract and its provisions and terms.

Mr. GARRETT. If the gentleman will examine the full contract—it is quite lengthy—he will find that the interests of the Government were absolutely protected. Now, upon the question of whether the contract was proper, the gentleman's judgment might differ from mine. It seems to me it was a very reasonable and proper proceeding.

Mr. JUUL. Will the gentleman yield for a brief question?

Mr. GARRETT. Certainly.

Mr. JUUL. The gentleman who previously requested to be answered illustrated his subject with wheat. Now, there is a method for verifying wheat prices. If you can sell wheat at a given figure in Liverpool, England, that is considered in this country to be the standard, valid price established. Now, is there a similar method for establishing a standard, current price for copper, so that the world may know what copper is sold for to-day? Is there a market somewhere that establishes a standard?

Mr. GARRETT. I do not understand, Mr. Speaker, that there is any future speculation in actual copper. Speculation in regard to copper is in copper stocks and not in copper itself.

Mr. RAKER. Will the gentleman yield for a question right there?

Mr. GARRETT. I will.

Mr. RAKER. This contract has been running now about six months, has it not, and been in operation?

Mr. GARRETT. Longer than that. It began in April, 1919. Perhaps I may anticipate what the gentleman is going to ask me. All the Government's surplus copper has been disposed of long ago.

Mr. RAKER. The quotations in the paper name the value of copper throughout the country. Has there been any evidence presented by the majority of the committee to show that these quotations in the paper were fraudulent or improper, or lower or higher than the ordinary market throughout the country?

Mr. GARRETT. Oh, no. There has been no question raised in the committee about that. Upon the contrary, a witness selected by the committee, who seemed to be a very bright gentleman, a Mr. Gibbs—I believe his name was—secretary to Senator BRANDEGEE, made an investigation of the journal and of the market conditions, and his figures, as testified to, bear out absolutely the statements of all the others in regard to the prices at which copper sold during those respective months. Oh, no; there is no question about that.

Mr. RAKER. Then as to the suggestion of the gentleman from New York [Mr. DEMPSEY] that it might have been unfair to the Government by designating this paper, it turns out that it was not unfair?

Mr. GARRETT. It was not. The Government received—

Mr. DEMPSEY. The gentleman understands that my suggestion was entirely as to the terms of the contract. I did not understand that the gentleman stated anything as to how the contract was carried out, nor did I understand until now that there was any investigation of that question.

Mr. GRAHAM of Illinois. As a matter of fact, Gibbs testified to the prices he had found in the Engineering and Mining Journal. That is true, is it not?

Mr. GARRETT. That is my recollection. And they accorded with the testimony that other witnesses had given before the committee—Wolfson and others that I remember. I have not understood there was any question at any time about that. The Government received its money and the concerns that sold it. I do not know how that happened or why they happened to do it, but my recollection is they charged no commissions on the sales which they made for the Government, selling it in the regular course of business along with other sales.

To revert for a moment, now, to the Jones & Laughlin contract, I wish to repeat that there is no reason why anyone should infer fraud or to imply or impute fraud to the negotiating officer of the Government in the settlement of this claim. As I say, he was not examined. The committee met him personally on its visit to Pittsburgh—a gentleman by the name of Dravo. He seemed to be a very excellent gentleman. I was very pleasantly impressed with him, and he consorted with me upon the same terms of equality that he did with the other gentlemen of the committee, although his political affiliations are different from mine. [Applause.]

Mr. Speaker, I think that concludes about all that I have to say on the specific settlements mentioned in the majority report.

I do desire, however, to direct the attention of the House to this statement of fact. Up to the time of the concluding of the testimony upon which report No. 463 on House resolution 381 was filed there had been settled of contracts, both formal and informal, more than 22,500. The uncompleted portion of these contracts and of claims settled or adjusted, in cases where the contracts were not completed, aggregate more than \$2,000,000,000. These were adjusted and settled for about \$330,000,000, and this includes \$78,000,000 of partial settlements and awards upon other contracts. In other words, the War Department claims boards, and their subsidiary boards, if I may so term them, have been able to settle for about 12 per cent more than \$2,000,000,000 of outstanding Government obligations. [Applause on the Democratic side.]

Mr. RAYBURN. Will the gentleman yield?

Mr. GARRETT. I yield to the gentleman from Texas.

Mr. RAYBURN. How much were the total expenditures for the War Department?

Mr. GARRETT. Does the gentleman mean for all purposes?

Mr. RAYBURN. For all purposes.

Mr. GARRETT. Something over \$18,000,000,000. I have that testimony here.

Mr. GRAHAM of Illinois. I will refresh the gentleman's recollection, if he desires.

Mr. GARRETT. I yield.

Mr. GRAHAM of Illinois. It was \$14,500,000,000, approximately.

Mr. GARRETT. The statement which appears in our record is that, as of date of September 1, 1919, the expenditures and outstanding obligations were \$18,501,117,999.12.

Mr. RAYBURN. I have seen it somewhere in the newspapers, or in the hearings or elsewhere, that somebody had testified to something like the figures the gentleman from Illinois [Mr. GRAHAM] gives.

Mr. GARRETT. Well, the gentleman perhaps has in mind the fact that in answer to an inquiry made by the committee of the Secretary of War as to expenditures up to June 1, 1919, a statement was prepared by Gen. Lord, the Director of Finance.

That statement showed a total of \$14,544,610,213.65, but that did not include any obligations. That purported to include only the expenditures and the amounts that had been passed to the credit of disbursing officers in the different departments.

There were some discrepancies, I might say, found in that statement of Gen. Lord's, and Gen. Lord, in testifying before the committee at one of its very first sessions before the full committee, directed attention to the fact that it should not be taken as absolutely accurate, because on account of the differences in bookkeeping in the different divisions there might be some errors, and Gen. Lord was particularly anxious to stress before the committee the point that it might not be taken with absolute accuracy. That was to be expected of Gen. Lord, of course, because he is a very efficient officer. The older Members will recall him, I know, as the able clerk to the Committee on Ways and Means when the Dingley bill was framed.

Mr. GOOD. Mr. Speaker, will the gentleman yield?

Mr. GARRETT. Yes.

Mr. GOOD. I am apprehensive that, perhaps, a wrong impression will be drawn from the gentleman's statement with regard to these two amounts. I am sure that the gentleman does not intend to leave the impression that it will be necessary after June 30, 1919, to pay approximately \$4,000,000,000 in the discharge of contracts of the War Department that were then outstanding?

Mr. GARRETT. The statement of Gen. Lord did not include estimates of obligations then outstanding, either then or subsequent obligations.

Mr. GOOD. That is, the \$14,500,000,000 did not?

Mr. GARRETT. It did not.

Mr. GOOD. But the statement of \$18,500,000,000 included expenditures as well as outstanding obligations. Now, there is a difference of about \$4,000,000,000. Of course, we did not have outstanding obligations on June 30 that will be necessary to pay \$4,000,000,000. Many of these obligations were canceled without payment of anything, and some without the payment of very much.

Mr. GARRETT. The gentleman, of course, being the chairman of the Committee on Appropriations, is doubtless more familiar with that than am I. This is the statement given to us by an expert accountant employed by the committee, who investigated the books of the department, going through them very thoroughly. That statement was given to us by him, and he testified concerning it.

Mr. GOOD. Was that \$14,500,000,000 given as the probable amount?

Mr. GARRETT. I can not say; nor did he say whether it was an estimated amount. He simply gave it to us under that head.

Mr. LONGWORTH. Mr. Speaker, will the gentleman yield?

Mr. GARRETT. Yes.

Mr. LONGWORTH. I intended to ask the gentleman just the question which the gentleman from Iowa [Mr. GOOP] asked. But let me put it in this way: Was that \$14,500,000 the amount that had been paid up to the 1st of September?

Mr. GARRETT. As I understand it, that purported to be the amount drawn from the Treasury, not paid necessarily, because money had been drawn from the Treasury and placed to the credit of disbursing officers at different points, according to my recollection of the testimony of Gen. Lord.

Mr. LONGWORTH. Can the gentleman state what balance stands to the credit of the War Department to-day?

Mr. GARRETT. I can not. We have no evidence upon that.

Mr. LONGWORTH. And those figures are inclusive of the period beginning on the day we entered the war up to the 1st of September?

Mr. GARRETT. From April 6, 1917, to September 1, 1919, and obligations outstanding as of September 1, 1919.

Now, Mr. Speaker, how much time have I remaining?

The SPEAKER. The gentleman has 17 minutes remaining.

Mr. GARRETT. These, I believe, are substantially the statements of fact justified from the records before this committee, and I am willing to submit to the deliberate and unprejudiced judgment of men on either side of this Chamber whether if I have correctly stated the facts—and I rest upon the record for my statement—there is justification for the imputation in this majority report of fraud. [Applause on the Democratic side.] It does not exist.

Mr. Speaker, the gentleman from Kansas [Mr. CAMPBELL] correctly interpreted the purpose of bringing this report, which asks for no action on the part of the House, before this body for debate. He said, "We are not criticizing the officers and the men." There are officers and men connected with these settlements who saw service in France. But it will give an opportunity—that was the idea, though not his own words—to criticize the President of the United States and the Secretary of War.

Criticize the President of the United States? Certainly; you do not need a special rule to do that. [Laughter.] You have never needed any excuse to do that. All you have ever asked has been an opportunity. [Applause on the Democratic side.]

Criticize the President of the United States? Why, that is characteristic. Did it every occur to you that since the Republican Party came into existence there have been five Democratic Presidents elected by the United States? One of them the Republicans themselves nominated and elected as Vice President, and he became President by reason of the death of the great Lincoln, and they impeached and sought to oust him from office. The next one who was elected by the people they stole it from. [Applause on the Democratic side.] The other three they have slandered while living and traduced when dead. [Applause on the Democratic side.] We had an instance of that a few months ago, when an effort was made to set aside a little plot of ground upon which to erect a monument to President Buchanan.

Criticizing the President of the United States? Why, he is accustomed to it; not only to criticism—

Mr. CARTER. Mr. Speaker, will the gentleman yield?

Mr. GARRETT. In a moment. There have been Republican expressions of criticisms in clubrooms and cloakrooms and drawing-rooms and on the street compared to which the jibes of the guttersnipe are gracious compliments. But criticism is not all. Mr. Speaker, offensive curiosity and malignant hope forced a way into the sick chamber of the President under a pretense of performing public business, though every man knows, and the President himself knew, that the visitor went there for an inquisition of lunacy, with an order to return the writ within 48 hours. [Applause on the Democratic side.] And how disappointing it must have been for him to meet there a mind clear, untouched; a vision that still looked into the far future unclouded; and a will unbent, though he had suffered temporary defeat in his masterful effort for bringing about the peace of the world and stanching the flow of the blood of mankind. [Applause on the Democratic side.] And now the President has added insult to injury by walking! [Applause on the Democratic side.]

Mr. LONGWORTH. Mr. Speaker, will the gentleman yield?

Mr. GARRETT. Not just now.

Criticize the Secretary of War? Why, certainly. Did it ever occur to you that in every war of consequence in which this country has been engaged the Secretary of War has been a Democrat? It was so in the War of 1812, and in the War with Mexico. And Mr. Lincoln, in the very midst of the Civil

War, called the great Stanton, the great Secretary of War, to his Cabinet. And it was so in the present war. The only Republican Secretary of War we had was during the Spanish-American War, Mr. Alger; and you remember that. [Applause on the Democratic side.] Now, do not misunderstand me. I disdain to make any intimation as to things that occurred during that administration, as charging Mr. Alger with any responsibility. No man of sense and intelligence would think for a single moment that he or the great and kindly McKinley were in any sort of way responsible for the food that was fed to the soldiers of this country in that war, and there is no political advantage to be obtained from it and none was obtained; and I tell you gentlemen now, you will derive none from this constant nagging. [Applause.]

Mr. LONGWORTH. Will the gentleman yield?

The SPEAKER. Does the gentleman from Tennessee yield to the gentleman from Ohio?

Mr. GARRETT. My time is very short.

Mr. LONGWORTH. Just a short question.

Mr. GARRETT. I yield to the gentleman from Ohio.

Mr. LONGWORTH. The gentleman will not deny, will he, that in another body harsher criticism has been used of the President and the Secretary of War by members of the gentleman's own party than by members of the Republican Party?

Mr. GARRETT. I let the record stand for whatever it may be.

Criticize the Secretary of War! Not the officers and soldiers; no; the Secretary of War. Oh, gentlemen, do you realize in faint degree what the duties of the Secretary of War have been?

The Army of the United States which went to France in 1917 was the largest army, the best-fed army, the best-clothed army, the best-equipped army that ever assembled under the flag of this Republic. [Applause.]

Criticize the President and the Secretary of War! Mr. Speaker, the closing paragraph of the report of Gen. Pershing, the commander in chief of the American forces in France, is as follows:

In closing this report, Mr. Secretary, I desire to record my deep appreciation of the unqualified support accorded me throughout the war by the President and yourself. My task was simplified by your confidence and wise counsel.

[Applause.]

Mr. Speaker, I entered upon the service required of this committee with extreme reluctance. I had some vision of the drudgery which it was to entail, but I accepted the responsibility because the minority leader asked me to do so. I have not at any time or any place—and the gentleman from Nebraska [Mr. JEFFERIS] said the same of himself yesterday and said it truly—sought to inject into this matter the party spirit. I should be glad if I could be helpful in some constructive matter.

I wish to say to you, Mr. Speaker, that those honorable gentlemen with whom I have been associated in this grueling work, these gentlemen of the majority, are capable of better things than hunting fliespecks. [Applause.] And I believe that in justice to my friends, the gentleman from Illinois [Mr. GRAHAM] and the gentleman from Nebraska [Mr. JEFFERIS], the steering committee, or whatever influence there is, should call off these efforts.

They have done everything they can. If there were anything there they would have found it. The War Department has been raked from end to end as with a fine-tooth comb. If they had found anything they would have brought it here before now, Mr. Speaker; and I suggest that they be relieved. They ought not to have imposed upon them the task of insulting their own intelligence as lawyers by a political exigency that requires them to bring in such a thing as this. [Applause.]

Give them an opportunity, sir! They are able men. Give them an opportunity to go at something that is constructive, and maybe they will be able to pull that side into performing something in these critical times for the good of the Republic.

I resent the imputation of fraud contained in this report. I resent it in the name of my party, one of whose members happens to have been the Secretary of War throughout these grueling years of war. I resent it in the name of friends in that department, men of different political faith with whom I have come in contact, in whose integrity I have confidence.

I resent it in the name of the living millions of soldiers. I resent it in the name of the mothers of the soldiers who died in France and who "have their place in the warriors' heaven." You shall not, at least without my earnest protest and my feeble dispute, cause those grieved souls and bruised hearts to suffer more by untruthfully alleging that the administration under which they fought for their country was shot through with fraud. [Applause.] I challenge that statement and demand the proof. [Applause.]

Mr. GRAHAM of Illinois. Mr. Speaker, I ask unanimous consent to revise and extend my remarks.

The SPEAKER. The gentleman asks unanimous consent to revise and extend his remarks in the Record. Is there objection?

Mr. BLANTON. Mr. Speaker, I regret, but I must object.

The SPEAKER. Objection is made.

Mr. GRAHAM of Illinois. In view of the objection, Mr. Speaker, I now state that I do not desire to yield to any interruptions of any kind. I have considerable to say and I want to say it. And in doing so, gentlemen, I will have to ask your indulgence if I follow my notes quite closely. Facts have been called for, and I want to give them to you.

The majority of the committee, after its investigation of war claims, has arrived at the following conclusions:

1. The interests of the Government in many cases have not been sufficiently guarded in such settlements.

2. Certain rules have been adopted by the War Department Claims Board which, as administered, have had the effect of depriving the Government in many cases of large sums of money to which it is rightfully entitled.

3. Large sums of money have been allowed to various contractors on settlements through unfair salvage values for raw materials and special facilities furnished by the Government.

4. In numerous instances Government officials charged with responsibility have not exercised sufficient vigilance in the protection of the Government interests in such settlements.

It is the opinion of the subcommittee that the facts which have appeared in such investigations as this subcommittee has made are sufficient to not only justify, but make it highly advisable, that this subcommittee report to the said select committee the facts within its knowledge so that the same may be reported forthwith to the House of Representatives.

There were many sections of our statutory law applicable to the making of contracts by the War Department prior to the recent war. Among these was the act of July 5, 1884, providing that all contracts for supplies, and so forth, should be let to the lowest responsible bidder therefor. The act of March 2, 1901, provided that purchases of all supplies for the Army should be made only after advertising for bids. Section 3744, Revised Statutes, provided that every contract by the War Department should be in writing. The statutes also provided that each contracting officer must make affidavit attached to the contract that the contract was of no personal advantage to him, and that if he failed to do so he should be guilty of a misdemeanor.

On the 12th day of April, 1917, six days after the declaration of war, the Secretary of War made an order dispensing with advertising for bids for contracts, which order has been already referred to by Mr. JEFFERIS.

From that time until the end of the war the statute requiring advertising for bids was practically a dead letter. As the war progressed less attention was paid from time to time to the statutes above cited. Sometimes the necessary affidavits were made, and sometimes they seem to not have been made. Although thousands of contracts were entered into toward the end of the war, but little attention was paid to the formalities and hence thousands of these contracts were found to be informal and illegal. Some of them were not in writing; some of them consisted of telephone conversations; some of a letter or telegram, and contractual obligations were assumed amounting into hundreds of millions, where there was little or no legal evidence that any contract had been made.

This situation became such that on November 25, 1918, Comptroller Warwick, of the Treasury Department, wrote Secretary of War Baker a letter in answer to a letter of the Secretary of War dated November 21, 1918, and in which the comptroller stated that all of the contracts signed by proxy were illegal.

Following the decision of the comptroller, the so-called Dent Act was prepared and submitted to Congress, presumably under direction of the War Department, and which became a law on March 3, 1919. The principal provisions of this statute are in the report.

Prior to the passage of this act, and, in fact, almost immediately after the signing of the armistice, machinery was put in operation for the settlement of claims against the War Department. The system is a very complicated one. It has already been described. The system seems to have been that when a contractor desired to make a settlement he took the matter up with the officers who had previously had charge of the performance of contracts that had been suspended, and this officer then made a recommendation to the local board as to what he thought the settlement ought to be. The local board then passed upon the claims, and if they approved the recommendation it would be so indicated, and the report would then go to the zone supply officer and he would pass upon it, and if

he approved it, then the report would be sent to Washington for review by the Director of Purchase. The evidence shows that this was the course during December, 1918, and January, 1919. Some time in January, 1919, the evidence shows there was organized in the War Department a central or superior board known as the War Department Claims Board, and this organization consisted of a member from each corps of the Army; for instance, one from the Purchase and Storage or Quartermaster, one from the Ordnance, and one from the Signal Corps, and several other officers, including a representative of the Director of Finance. This board was to lay down general policies.

As soon as the claims came in from the zone officer this Claims Board gave them consideration and either approved or disapproved them; then the claims would finally pass to the War Department Claims Board proper, but in so doing they would pass through a bureau board attached to each department in the War Claims Board proper. After the act of March 2, 1919, was enacted, practically the same machinery was used.

There was machinery of this kind used in the Ordnance and other departments in substantially the same way.

It will thus be seen that the initiation of the claim of the contractor was a claim filed by him and approved by the officer in the zone or district where he had been operating under his contract, and which officer had had charge of the formal negotiations with him, and who, in many cases, was the officer who had, in fact, made the contract with him.

Attached to each of the various boards and officials were a large number of so-called legal assistants and technical experts to whom it has been found by the subcommittee that references were made from time to time of particular parts of the subject matter of the claims. Very frequently these experts were men who came from the particular business interests involved in the settlement of the claim.

As a result of the system above outlined it is practically impossible to fix individual responsibility on any particular person where a contract has been settled in a manner not to the interest of the Government. Where the adjustment of the contract has gone through dozens of hands, in the end there is no individual responsibility, but the responsibility is scattered among dozens of individuals, any one of whom can evade responsibility by directing responsibility on the others. This is true in the settlement of such claims as the subcommittee has been able to investigate. Wherever it seemed that there might be responsibility attached to an officer for the award he might make in a particular instance, it was the opinion of the subcommittee that the testimony would show that some so-called expert adviser who was in the service of the Government had passed his judgment upon the matter and that this had been accepted by the officer under whose authority he was working. In the first instance, the original contracts were not signed by the officers who negotiated the contracts, but almost as soon as hostilities began officers were designated, by order of the War Department, whose only function was to attach their names to written contracts and make affidavit that they had no interest in the contract as the law required. By this method the officer who signed the contract, and who was usually a Regular Army officer, could make the affidavit that he had no personal interest in the contract, while, as a matter of fact, the officer who did in fact negotiate or advise the making of the contract was, in many instances, some one from civil life who was closely allied with the particular business interest involved in this or other similar contracts with the Government.

The subcommittee on ordnance has performed a great mass of work in attempting to investigate, even in part, the expenditures of the Ordnance Department. Although the select committee, immediately upon its appointment on June 18, 1919, requested of the War Department a list of all contracts entered into by the War Department of over \$100,000 in face value, together with the aggregate amount of money expended on the same, it only received the final parts of this report on September 18, 1919. To further illustrate the difficulties under which the committee has labored, on June 18, 1919, the committee requested from the Secretary of War information as to the total amount expended by the War Department from the beginning of the war until June 1, 1919. An answer was given to this inquiry by the Secretary of War on June 23, 1919. Afterwards the committee ascertained through an accountant that the original answer given by the Secretary of War was erroneous, and that the amounts expended by the various branches of the War Department, as given by the Secretary of War, are off balance from \$171,582.37 as a minimum, to \$184,945,933.47 as a maximum.

In making the investigations we have attempted to make we have found also great trouble in ascertaining where the

particular information may be found that the committee desires. Days after hearings had been had, and after the committee had requested all the papers, witnesses from the War Department would come to the committee with statements that there were certain papers that the committee had not seen that, up to that time, had been kept in the various district offices or elsewhere unknown to the committee.

Wherever the subcommittee has requested from the War Department specific information, such information has been given. However, in no instance has information been voluntarily proffered to the committee by the War Department, and hence the subcommittee has found it absolutely necessary to get what it gets by specific requests and after investigation, frequently outside of the department itself.

In about 50 per cent of the cases of informal contracts it has been possible for the War Department to adjust the suspension of these contracts without damages. Many contractors have shown a most commendable spirit of fairness in such settlements and have done everything they can to relieve the Government of additional financial burdens. And in many instances where exorbitant claims have been allowed the blame does not attach to the negotiating officers so much as it does to certain rules that have been adopted by the War Department Claims Board, which this subcommittee believes are unfair to the Government, and a spirit prevalent in the department to accede to the demands of the claimant rather than to vigilantly protect the financial interests of the Government.

Under the system adopted many civilians and commissioned officers of the War Department, and who possessed little, if any, knowledge of contracts or the construction thereof, and but limited knowledge of business and less concerning the construction of buildings and the manufacturing of complicated machinery, have been clothed with authority to settle and adjust procurement orders and contracts of uncertain meaning with contractors, and in so doing to transfer to such contractors valuable buildings, machinery, tools, and materials at a small percentage of the cost and value thereof.

Other claims involving the transfer of costly buildings, machinery, and materials have been settled by what is termed "negotiation," whereby the Government has permitted the contractor to retain the same at the price offered by the contractor, and without due consideration or ascertainment of the actual market value of the same.

In investigating the various matters it has not been possible to find anywhere a complete record of the transaction such as would be found in any court where a claim had been adjudicated, as will readily be seen by a reading of the hearings had by this subcommittee. There were private conversations by the various so-called technical experts and members of boards with each other and with various merchants and business men and with the claimants, as a result of which negotiations and talks and hearsay evidence claims were allowed and large sums of money paid. When it is attempted to ascertain the exact basis of these settlements no record is to be found and the investigator is forced to rely upon what some contractor or some Army officer says the facts were. Instead of the cumbersome, unwieldy, and unsatisfactory machinery now devised and in operation, if summary courts of claims had been established under order of the War Department, where every claimant would have been required to have produced his proof and where a record of the same had been preserved, the task of those who would revise such claims would have been made easy. But to-day, so far as this committee is concerned, and any other board, court, or committee that attempts to investigate any claims now being settled by the War Claims Board is concerned, such agency will be compelled to develop the facts by the calling of witnesses and by long and laborious research and investigation, and even then will be compelled to rely upon the memories of men who have perhaps long since left the service of the United States and have nothing to refresh their memories with.

Every settlement made under the act of March 3, 1919, is subject to review by either the War Department or a committee of Congress appointed for the purpose. In view of that situation, and while there is yet the opportunity to revise these settlements, if desired, the committee now reports the facts herein, so that the attention of Congress and the Secretary of War may be directed to these things. It is my deliberate judgment that the interests of the United States have not been insisted upon in many of these settlements as they should be. The remedy is not for this committee to apply, but the remedy must necessarily be applied by the War Department, under whose jurisdiction this machinery operates.

To illustrate many other settlements, the following specific instances are given. It is probable that the instances given are

not extraordinary, but, rather, represent the rule, and are ones that happen to have come under the subcommittee's attention.

HENRY MOSS & CO.

The contract of Henry Moss & Co. was entered into in the latter part of September, 1918, and was for 195,000 branding irons. What tactician in the War Department engineered this purchase I fear will be unknown to fame. The committee was unable to learn his name. Altogether during the war and until after the armistice the War Department owned 580,182 horses and mules of all kinds, over 90,000 of which died. Evidently, with a branding iron for every three horses, the country ought to have been safe. There were four contracts, but no branding irons were delivered before the armistice. The contractor bought 79,952 pounds of copper to make these, for which he said he paid 39½ cents a pound. The specifications said cast copper. When he came to settle the Government made a chemical analysis of his copper on hand, found it impure, and hence only worth 11 cents per pound, and sold it back to him for that. Instead of penalizing him for not following specifications they allowed him full pay at 39½ cents per pound. There were 20,000 pounds more copper furnished than he needed, but this meant nothing. They bought it from him at 39½ cents and sold it back to him at 11 cents. The Government paid this firm about \$40,000 in settlement, at least \$27,000 more than he was entitled to.

THE AMERICAN CAN CO.

This company took seven contracts to make 89,000,000 hard bread cans. The prices ranged from 5½ to 6½ cents each. Three independent can makers, with large manufacturing capacity, were trying to get contracts to make them at from 4 to 5 cents each, but the Government would not contract with them. The company delivered 49,738,608 cans. As has been said by Mr. JEFFERIS, tin plate had fallen in price but 9 per cent. This was admitted by the secretary of the company on the stand. In spite of this fact this company was permitted to keep this tin plate at 68 per cent of its cost price. At the same time, as is generally known, all sorts of tin products have risen in price. Every scrap of this material was no doubt used in the 55 factories of this company. An independent producer of tin plate, who had agreed to sell tin plate to the American Can Co. and who wanted to cancel his order on the armistice, was forced to deliver every pound. There was \$867,732.37 worth of tin plate, and the Government lost on this tin plate \$147,514.50 more than it ought to have lost. In addition, tools and machinery that cost the Government \$165,705.56 was sold to this company at \$35,695.47. The testimony showed that this machinery would readily last for 12 years of ordinary wear and was ordinary can-making machinery. We lost a quarter of a million dollars by this settlement.

STEIN BURN CAMP & FIELD EQUIPMENT CO.

This contractor had three contracts, one for fireless cookers, one for bread boxes, and one for cooks' chests. These were entered into about the last of August, 1918. The contractor delivered 66 fireless cookers, 25 cooks' chests, and 7 bread boxes. They cost us \$171,687.06. This was the amount paid to the contractor in the settlement of his claim. The fireless cookers and cooks' chests were to be made of black steel sheets, the bread boxes of tin plate. The sheets required were all of standard material and sizes. The testimony of steel men and of Government experts—one a man who had been employed by Hibbard, Spencer & Bartlett for 40 years—was to the effect that the sheet steel was worth at the time, reasonably, 95 per cent of its cost price. The Claims Board let them take the sheet steel at the price of scrap iron and the tin plate at \$20 a ton—plate which was worth on the market at least \$140 a ton. A colonel on the Claims Board went to a metals expert attached to the board, a Mr. Birkenstein, of Chicago, a scrap dealer. Birkenstein told him there ought to be \$25,000 come out of the claim. Then Stein came down and saw Birkenstein, and Birkenstein told the colonel about \$2,800 would be right. And then they settled. The least inspection of this matter would convince anyone that this company received at least \$114,051.01 more than they were entitled to.

NATIONAL ENAMELING & STAMPING CO.

This company had four contracts for boilers and kettles for rolling kitchens. They were made from September 7 to November 4. No completed articles were received by the Government on any of the contracts except the one for kettles, of which 8,000 were furnished after the armistice. This company has branches at various places in the United States, and issues a catalogue of 500 pages. It makes all kinds of materials made of tin plate and sheet steel. The contractor was permitted to keep the tin plate at approximately \$35 a ton and the steel at \$28 a ton. It is very probable that the Government lost by this

settlement at least \$27,000. One of these contracts also was made on November 4. Sufficient time did not elapse for him to get the material, but it was charged as if they were received, and allowed. Doubtless the contractor had stocks of tin on hand for its ordinary business.

The same was true of the American Can Co. The secretary of the company swore they had a service contract with the American Steel & Tin Plate Co., and that they simply ordered in advance for prospective orders. And yet on each contract they were allowed to charge for each contract as if the material had been ordered for that contract alone.

BRIAR HILL STEEL CO.

The Briar Hill Steel Co. is engaged in the manufacture and sale of steel products, billets, ingots, sheets, and the like. They had three orders for 776,600 sheets of corrugated steel roofing, dated about the middle of October. Nothing was ever delivered to the Government. It was allowed \$164,519.86 in cash, and allowed to retain all the raw materials and special facilities. It had 9,267 gross tons of steel ingots on hand. These it charged to the Government at \$48.17 a ton, and bought them back for \$31.57 a ton. There was a large amount of corrugated sheet steel on hand. It offered \$2 a hundredweight for this. A Government investigator sent a written statement to the board showing the market price of such sheets was \$4.35 a hundredweight, and that \$2 was entirely insufficient. Disregarding this, the material was sold to the company at \$2 a hundredweight. The material was the very material needed by the contractor in its business. There can be little doubt that the Government lost in this settlement \$75,000 approximately.

THE STANDARD STEEL CAR CO.

As has been said, this company contracted to build nine hundred and sixty-four 9.5-inch howitzer carriages. Although the Government prepared several contracts, they would never enter into one. Mr. GARRETT states that he will not enter into a discussion of this matter. I do not blame him. It is so permeated with fraud and corruption that I do not wonder that any defender of this administration would not care to discuss it. We did not receive a single carriage that we could use prior to the armistice. The War Department spent in this venture \$18,582,428.88. After the armistice the Ordnance Department had them finish 200 of these carriages. The company placed in the record a statement that the cost of production of these carriages was about \$23,000 each. At this rate the total cost of production was about \$4,600,000. The balance of this vast sum, or about \$14,000,000, was used in overhead and in building an immense plant, filled with costly machinery, all of which the contractor now has. The company was permitted to take buildings and machinery that cost \$2,987,200 for \$600,000, and materials that cost approximately \$5,558,000 for \$300,000. There was a bid for this latter material of about \$700,000 from another reliable firm, which Col. E. S. Hughes, negotiating officer, concealed from his associates. The arsenals of the United States were clamoring for this raw material and machinery, but they were handed over to the contractor. There was fraud and bribery proved in some of the subcontracts, but all such accounts were allowed in full.

A member of the War Claim Board at Washington wired to know if the claim had been audited. He received an answer from a member of the Chicago board to the effect that it had. The answer was false. All this time the Government accountants were protesting against the allowance of it. The company stole a carload of small tools from this plant and removed them clandestinely to their own plant. The wonderful machine which they took from the Government as junk they are now sending to their subsidiary factories for use. The War Department, instead of following the usual course, sent a couple of men to Chicago, and there the whole affair was closed up speedily and safely for the company. It has been said by Mr. Garrett that the War Department was investigating this claim before we took a word of evidence. They had, and they stopped. The record shows that the chairman of the Chicago claims board had before that time written to the military intelligence telling them he wanted no further investigation of fraud. Col. Hughes wrote an order directing that no complete audit be made, at a time when such audit was about to be made. He also demanded that the Government auditors be taken out of the plant immediately after he had made his hurried settlement. The military intelligence officers had stopped work, owing to the attitude of the department. Then Mr. L. J. Blakey, a Government accountant, came to the committee with his story. We went to Chicago and took testimony. Then things began to move. In a few days after our return Mr. Garrett, of our committee, had a talk with the Secretary of War. Then Mr. Baker telephoned me that he was going to have some hearings and I could be present if I cared. What has been the result? A month has elapsed.

Blakey had been transferred first to the Aviation and then to the War Claims Adjustment Board at Washington, although he knows all about the Chicago work; Col. Hughes still is chairman of the Chicago board. Gentlemen, read the record; it stinks of corruption. I charge that Col. Hughes has violated the military code in many instances and ought to be court-martialed. Other officers and civilians associated with him are as bad. Bribery has been proved in the case. How many prosecutions has the Attorney General made? The Government has been defrauded of millions. What action has the Secretary of War taken? Just as much as he ever shall. Mr. Garrett says this company has not been heard. He knows that a subpoena duces tecum was issued at Chicago for the records of this company and that they would not produce them. I hope, gentlemen, you will read the record of this case.

JONES & LAUGHLIN STEEL CO.

This company had a contract, made in August, 1918, with the Government to erect 300 by-product coke ovens on the lands of the company at Pittsburgh, which were to take the place of old beehive ovens that the company had been using in its business of making steel. The Government was to take the toluol and ammonium sulphate for two years produced by these ovens and was to pay \$1.50 a gallon for the toluol and \$90 a ton for the ammonium sulphate. The contract estimated the production of toluol at 810,000 gallons a year and the ammonium sulphate at 24,000 tons a year. Nothing was produced, the ovens being about one-half completed when the armistice was signed.

The production of toluol was in the hands of a bureau in the Ordnance Department. The making of these contracts was opposed by experts from the Bureau of Standards and elsewhere, in the Ordnance Department, as unnecessary and imprudent. However, they were made. The H. Koppers Co., a company making and building a by-product coke oven, began early to have a controlling influence in this department. About the time the contract was made the following persons were employed in the department: Capt. Horace C. Porter, in charge of toluene production and distribution. He was, from 1915 to the time he entered the War Department, chemical engineer of the H. Koppers Co., and during at least part of the time he was an officer was drawing a salary from the Koppers Co.

Lieut. Arthur R. Gray was the officer in charge of distribution; he, from 1915 to 1918, was purchasing engineer for the Koppers Co. Mr. H. P. Jellar, who had charge of investigations and efficiency studies of coke ovens, was, at the time of his entrance, superintendent of a by-product coke oven company, and left the department in January, 1919, to accept a position with the Donner Union Coke Corporation at \$12,000 a year. Mr. C. J. Ramsberg was a technical expert in the toluene department; he was also vice president of the Koppers Co. He worked two days a week for the Government and four days for the Koppers people and drew a salary from both. Mr. H. B. Kirkpatrick was also a technical expert. He was an employee of the Koppers Co. and drew a salary from both the Government and the company. There was another technical expert named Engleman; he left the department to take a good position with the Birmingham Coke & By-Products Co. Of course, the Koppers ovens were used by Jones & Laughlin, and in most of the Government work.

When the contract of Jones & Laughlin was suspended, they filed their claim. Early in January some claims board men and by-product coke-oven people met in New York. They fixed a value on toluol at 17½ cents a gallon and on ammonium sulphate at \$60 a ton; why, nobody knows. Then they settled with Jones & Laughlin, estimated their full production for two years, and gave them the difference between 17½ cents and \$1.50 a gallon and \$90 and \$60 a ton. It amounted to \$3,330,040.69. At the New York meeting a Maj. Falk had presented a chart in which he assumed to give what coke ovens ought to produce. The chart was wrong, mathematically and in fact. After the Pittsburgh board allowed the claim, some one called their attention to this Falk chart. They at once reopened the claim and gave them \$345,946.31 more. Then the claim came to the Washington board and was referred to a technical expert, Maj. Frankforter, late of the University of Minnesota. He called their attention to the errors in the chart, and would not approve the claim. Just then the department found the contract with Jones & Laughlin was informal and that they must file another claim, which they did. Then, in order to avoid the facts and Maj. Frankforter's report, Col. Ayer issued Ordnance Circular No. 60, telling all claims boards that, although the Falk chart was wrong, they might use it if they wanted to, and then the Pittsburgh board, being duly authorized, reallocated the claim, which went through the Washington office and was duly paid.

The Falk chart was prepared by men in the department closely affiliated with the Koppers people. There is no doubt the Government was defrauded of vast sums of money in this

settlement. Prospective profits were allowed, in violation of the Dent Act. If the Government had taken the two years' product under this contract instead of settling, it would have saved over a million and a quarter dollars. Anyone who doubts this can compute it easily from the facts. The War Department knows all this, and yet absolutely nothing has been done, and nothing will be done.

The report of the Secretary of War filed on the opening day of this session details approximately 5,000 claims that have been allowed by his machinery and approximately 4,700 that still remain unadjusted. Even the most casual examination of these claims will convince the investigator that the whole mass of claims should be reexamined and most of them readjusted. That this ought to be done goes without saying. And it seems to follow, as a logical sequence, that this ought to be done by some impartial semijudicial board whose personnel has had nothing to do with the former settlements.

When the United States entered the World War we were entirely and absolutely unprepared. Although the conflagration had been raging for over two and one-half years across the water, we had made no attempt to prepare for the day when it would spread to our side of the world. We had an administration of national affairs that was pacifist to the heart. The President not only consented to but apparently approved a national campaign in the heat of the war that was based upon the specious and misleading theory that he would keep us out of war if elected. His Cabinet was notoriously pacifist. The Congress, controlled by this administration, enacted no comprehensive measures for national defense. Such appropriations as were made for war supplies were in some instances not used for that purpose. There was information in the hands of those in executive charge of our affairs that gave them every notice that war was imminent. Yet when suddenly we found ourselves at war by a declaration of April 6, 1917, our weakness and lack of foresight became at once apparent. We had no aircraft, although we had known for years we must have them. We had no cannon, no shells, no small arms, no ships, no uniforms. Worst of all, we had no plans for anything. We did not know how to build guns or war machines and had no one to tell us how, except he came from across the seas. No trained personnel had been built up to do these things. For example, there were but three or four officers connected with the construction department and about 60 Ordnance officers of all grades in the Army in April, 1917. In such an emergency the administration adopted the policy of turning over to representatives of the producing and manufacturing interests of the country the planning, requisition, purchase, and prices of supplies for our military forces. The only preparedness this country had on April 6, 1917, was the preliminary organization through the advisory commission of the Council of National Defense of those who had things to sell which the Government would require during the war. From the time of our entrance into the war until its close, and even to this time, the business of buying and price fixing was not in the hands of the Government but in the hands of the producers.

I can not illustrate this better than with a statement of the copper situation during the war.

COPPER.

It was evident at the time of the entrance of the United States into the World War that large amounts of metallic copper would be needed, not only to supply the demands of the United States but as well to supply, in part at least, the needs of the nations allied with the United States in that war. This fact was also apparent even before April 6, 1917, when Congress passed the resolution declaring that a state of war existed. Copper enters largely into the making of munitions of war, and is especially an essential in the making of shells and projectiles of all calibers.

Prior to the declaration of war the War Department had failed to lay in any supply of copper for its prospective needs. In view of this situation the Government, in the production of copper for our war-time needs, was forced to rely upon the judgment and plans of those who had copper to sell. The facts disclose that from the very initiation of our attempts to procure and purchase copper for our war-time needs up to the time of the final disposition by the Government of its surplus stocks of copper after the signing of the armistice the situation as regards the production and sale of copper was entirely within the control of the copper producers. At no time was the Government a free agent in the purchase of such supplies.

On the 11th day of October, 1916, the President appointed an advisory commission to the Council of National Defense, which last-named body had been authorized by an act of Congress passed before that time. This advisory commission met first

on the 7th day of December, 1916. Mr. Bernard M. Baruch, banker, was chairman of the commission.

These gentlemen, originally appointed as an advisory board, on February 12 adopted a resolution to the effect that a series of conferences be held with the leading men in each industry, so that the industries could organize themselves and deal through one man or a small committee. It will be seen from the facts hereinafter stated that the plan originally was—and which plan has been fully consummated in the subsequent proceedings—that the copper industry, as well as other producing industries, should be so centralized that it could be dominated and controlled by one man or a very small number of men, and that this control, once established over the industries, continued throughout the war, was the paramount influence toward price fixing and price control, and is one of the causes of high-priced commodities at this time. The plan of the Government was to centralize all industries irrespective of the result that might ultimately follow.

At the meeting last above noted, Mr. Baruch was given charge of raw materials, minerals, and metals, and it is manifest, among other matters, that he was in conference with the copper producers at the time of the declaration of war, a little less than two months afterwards. This is evident from the fact that about 10 days or 2 weeks before the President sent his message to Congress on April 2, 1917, Mr. Baruch and Mr. John D. Ryan were in conference at Washington and at that time arranged, evidently with the approval and after conference with the governmental authorities, a combination of copper producers and a sale to the Government of 45,000,000 pounds of copper at 16½ cents per pound. Mr. Tobias Wolfson, vice president of the United Metals Selling Co., and next to Mr. Ryan the principal official in that company, came to Washington on or about the 2d of April on telegraphic advice from Mr. Ryan, and at that time was advised by Ryan to take charge of the matter of arranging the sale aforesaid and to have the proper conferences with the copper producers interested to that end. It will thus be seen that before the declaration of war Mr. Baruch, chairman of the advisory commission of the Council of National Defense, and Mr. John D. Ryan, president of the United Metals Selling Co., had arranged a combination and consolidation of the copper producers for the purpose of selling copper to the Government through the United Metals Selling Co. Mr. John D. Ryan was president of the company. Its stock was owned by the Anaconda Copper Mining Co., of which Mr. Ryan was president also. The companies who thus united in the combination that authorized the United Metals Selling Co. to act as their agent were the Anaconda Copper Mining Co. and 26 other companies.

It is in testimony that the United Metals Selling Co. under this arrangement represented practically all the copper producers in the United States. This arrangement was known to the Government and agreed to by it, and in fact was arranged by officials then connected with the Government.

The purchase of 45,000,000 pounds of copper was completed and the same was allocated to the military and naval departments of the Government. Immediately thereafter, however, it became apparent that much larger quantities of copper would be needed.

The Government purchased during the war 592,258,674 pounds of copper, of which 523,338,735 pounds were purchased from the United Metals Selling Co., 66,846,000 from the American Smelting & Refining Co., 290,000 from the Cleveland Brass & Copper Mills, 800,000 from J. B. Wise, and 983,939 pounds from the Gorham Manufacturing Co.

In the three last-named instances the companies were not copper-producing companies but had stocks of metallic copper on hand which they sold to the Government. It has been heretofore mentioned that Mr. Baruch was appointed by the advisory commission to take charge of raw materials, minerals, and metals. Thereafter, and early in the year 1917, Mr. Baruch appointed a cooperative committee on copper, which consisted of the following-named persons: John D. Ryan, R. L. Agassiz, W. A. Clark, Murry M. Guggenheim, James McLean, Charles MacNeill, and Stephen Birch.

Mr. John D. Ryan, one of the cooperative committee, was, in addition to his connection with the Anaconda Copper Mining Co., in practical control, through his company, of the Greene Cananea Copper Co. and the Inspiration Consolidated Copper Co., companies who were represented by the United Metals Selling Co., together with several other copper-producing companies. Mr. C. A. MacNeill, another member of this committee, was president of the Utah Copper Co., which, in turn, controlled the stock of the Nevada Consolidated Copper Co., both companies being in this combination, and was an officer in the Chino Copper Co., the Ray Consolidated Copper Co., the American Smelting & Refining Co., and the Wolverine Copper Mining Co., and others.

The Kennecott Copper Co. owns controlling interests in the stock of the Utah Copper Co. and the Braden Copper Mines Co., all controlled by the United Metals Selling Co., and which are in the group of mines ordinarily known as the Guggenheim interests. Mr. James McLean, another member of said cooperative committee, is a vice president of the Phelps-Dodge Corporation, was a director in the Greene Cananea Copper Co. and Old Dominion Co. Mr. Murry Guggenheim, another member of this cooperative committee, is an officer and stockholder in the Chili Copper Co. In addition to the above, the Guggenheim interests were heavily represented in the Braden Copper Mining Co. Mr. W. A. Clark, another member of this committee, in the United Verde Mining Co. and the Magma Copper Co.

It will thus be seen that every member of this cooperative committee was deeply interested in the copper industry and in the success of various properties owned or controlled in part by them. This was the committee whose function it was to assist in or advise as to the purchase of copper for the Government.

The committee above named was functioning after the first purchase of copper.

During the month of August, 1917, there was a very considerable discussion in Congress as to the propriety of the practice which it was thought was then prevalent of men attached to the various advisory committees of the Council of National Defense being intrusted with the purchase of supplies, in some cases from companies or interests in which they had a financial interest or were otherwise connected. As a result of an inquiry by the War Industries Board, on the 29th of August, 1917, the Attorney General directed a letter to Mr. Scott, chairman of the War Industries Board, in which he stated, in substance, that it was illegal for a person who was interested in the subject matter of a contract to enter into such contract on behalf of the Government.

Very shortly after the rendition of this opinion the various members of the cooperative committees that had been heretofore appointed by the Advisory Commission of the Council of National Defense began to tender their resignations. Section 3 of the so-called food control act evidently was aimed at the practice that had been theretofore indulged in and made it necessary for any members of companies interested to sever their connection with the Government service so long as the companies in which they were interested were contracting with the Government. On the 3d of October, 1917, the War Industries Board held a meeting, and at that time considered the matter raised by the opinion by the Attorney General and section 3 of the act of Congress aforesaid, and deliberated at considerable length on ways and means by which the effect of this act of Congress might be avoided by the appointment of committees to act for the various trades and industries represented, and by which the same result might be obtained as before.

Thereafter, on the 9th day of November, 1917, the director of the Council of National Defense stated, in a communication to the National Chamber of Commerce, that—

in order to prevent a continuance of the embarrassing situation wherein members of the committee were called upon to act as both Government agents or advisors and, at the same time, as representatives of their respective industries that these resignations have been accepted—

and notified the National Chamber of Commerce to at once form committees to represent their industries which might deal with the Government. Thereafter, as a matter of fact, in most instances the former cooperative committees were continued, but were known as committees from the various trades and industries. There was no difference thereafter in the method of procedure. The copper cooperative committee resigned between September 19 and October 9, 1917. Up to the time that the cooperative committee on copper resigned all purchases of copper and negotiations relative to same were taken up through this committee.

It is in evidence, and conceded to be the fact, that the cooperative committee on copper practically controlled the companies that in turn controlled the price of copper in the United States, and it is further shown, especially by the testimony of Mr. Clarkson, director of the Council of National Defense, that because of the connection of these gentlemen with the Council of National Defense, and thereby with the Government of the United States, their authority was more coherent and their impact much greater in dealing with the other members of the copper industry, and that because of this official status they could more effectively control the price of copper than they could have done as individuals. As individuals they could not have coordinated the entire resource of copper in the country as well as they could do when officials. In other words, by virtue of their official standing all producers of copper could be compelled to pool their interests.

In the matter of the production of copper, as in all other industries and trades, the various cooperative committees who were appointed were selected not by the Government but by the respective trades and interests, and, as naturally would be expected, these gentlemen had in mind the condition of their various trades and were supposed and expected to represent them in their various transactions with the Government. On the other hand, on the part of the Government, there was no one who knew anything about the various trades or interests involved, excepting in the most casual and fragmentary way, and this condition continued to a very considerable extent throughout the entire war and certainly throughout the war so far as the purchases of copper were concerned.

As soon as the arrangement was made with the Government by the cooperating copper companies through the common agent, the United Metals Selling Co., four things were accomplished: First, all competition was eliminated; second, all expense of selling and finding a market was eliminated; third, the possibility of all loss from bad accounts was eliminated; fourth, the market was absolutely under the control of the American producers of copper.

While the United Metals Selling Co., in its inception, did not represent all the copper producers in the United States, this apparent difficulty in the organization was obviated as the result of an action of the War Industries Board early in 1917. Mr. Baruch, a member of the War Industries Board, appointed one Eugene Meyer, jr., as his representative, and who in turn requested all copper producers to arrange for a copper producers' committee. Mr. Meyer at that time had large copper investments and was heavily interested in the business. In this matter he was acting as a member or agent of the War Industries Board. On September 28, 1917, he came to the copper producers and asked them to appoint a committee which would represent all the copper companies, not only those represented by the United Metals Selling Co. but all other companies. That meeting was held at 120 Broadway, and there were present at the meeting the following persons:

Joseph Clendennin, Charles Earl, S. S. Rosenstamm, L. Vogelstein, Julius Loeb, Julian Beatty, M. H. Crego, T. Wolfson, Sidney Jennings, Charles Nichols, W. Parsons Todd, G. W. Drucker, James McDonald, H. M. Brush, and Eugene Meyer, jr.

There were no Army officers at this meeting. It is not known exactly what happened at this meeting, but the question of furnishing copper to the Government was fully discussed. On the 21st of September, 1917, Mr. Robert S. Lovett, acting chairman of the War Industries Board, wrote a letter to Mr. John D. Ryan, at New York, in which Mr. Lovett stated as follows:

Dear Sir: I am pleased to advise you that the President has approved the oral agreement as to copper arrived at by the War Industries Board and the copper interests represented by you and which is correctly set forth in the following statement made public by the President.

The second purchase of copper made by the Government from the United Metals Selling Co. was on the 15th day of October, 1917, after the President had approved of the new price, and was a purchase of 11,595,846 pounds at 23½ cents per pound, or an increase of approximately 6.84 cents per pound. No reason appears in the record for this increased price. The price of 23½ cents per pound was continued in effect until June 15, 1918, when further increase of price was made to 26 cents per pound.

The War Industries Board, appointed by the Council of National Defense, ceased to function early in the spring of 1918. On the 4th of March the President wrote to Mr. Baruch appointing him chairman of a war-industries board, and in this letter of appointment gave him power by implication to fix prices. This War Industries Board was fully established on May 29, 1919, although it had been functioning practically since the 4th of March preceding the date of appointment by the President. From that time forward the War Industries Board was not under the control of the Council of National Defense, but was a body functioning by itself.

The price fixing of copper, as well as many other commodities, was in the beginning fixed by the cooperative committees appointed by the advisory Council of National Defense. This was particularly true of copper. Following the resignations of these various committees, the function of purchasing and price fixing was continued by the War Industries Board, appointed by the Council of National Defense, and particularly through Mr. Baruch, a member of that board. This continued until the spring of 1918, when the War Industries Board was organized as a separate entity, and of which, as has been said, Mr. Baruch was chairman. After the appointment of this presidential War Industries Board, certain committees were appointed by the board to have charge of various indus-

tries and productions. Almost at once there was appointed by Mr. Baruch what was called a nonferrous metals section. This section had charge of, among other things, copper. Its personnel was Pope Yeatman, chief; E. C. Thurston, assistant; Andrew Walz, assistant. From the time of the appointment of Mr. Yeatman and his section it was not permitted to place an order relative to copper except through him. A clearance from Mr. Yeatman was a prerequisite to such an order. Mr. Yeatman was a mining engineer, and at the time of his appointment was working for the Guggenheim interests, and was drawing \$100,000 a year salary from them for this service in their mining interests. He left this position and was serving the Government for \$1 per year, at which employment he continued until immediately after the armistice, when he left the Government service and went back to his original employment.

During the year 1918, Mr. Yeatman, under the direct supervision of Mr. Baruch, had complete charge of the copper situation in the United States.

During the period of the war the business of selling copper to the Government was conducted by Tobias Wolfson, vice president of the United Metals Selling Co., and by a Mr. Mosehauer, who was located at Washington, and who was the representative of the United Metals Selling Co. and the American Smelting & Refining Co. An arrangement had been made between these two companies by which the American Smelting & Refining Co. was to handle all copper for export, and the United Metals Selling Co. was to handle all copper for domestic use. They were, however, both represented by the same Washington representative, as above stated.

During the entire period of the war the uncontradicted testimony shows that the Ordnance Department and its officers had nothing to do with the fixing of prices on copper, and the Army officers in what they did simply followed Executive orders in that regard, and followed the directions of civilians in the War Industries Board or other price-fixing bodies constituted from time to time. As to the prices, the representatives of the Ordnance Department had no negotiations at all.

After the signing of the armistice it was determined that there was approximately 100,000,000 pounds of copper in the hands of the War Department that could be counted as surplus copper and was not needed by the Government for war purposes, and it was evident that some disposition must be made of it, either by a sale of it to the public generally or in some other manner.

On February 5, 1919, Mr. Mercer, chief of the raw materials and scrap division of the director of sales office, addressed a letter to Mr. E. C. Morse, assistant director of sales, in which he stated as follows:

It would be my recommendation that Mr. Hare, or some one whom he might delegate, have a conference with Mr. Ryan, and any other representative of the copper interests, that we may arrive at some plan of distribution in accordance with the plan outlined in the correspondence which you handed me as passing between Mr. Ryan, Secretary Baker, Mr. Hare, and Gen. Williams.

It appears from this letter that before that time Mr. Ryan, Secretary of War Baker, Mr. Hare, director of sales, and Gen. Williams, Chief of Ordnance, had had a conference and had arranged upon some plan for selling the excess copper. The exact nature of that correspondence is not disclosed by the record and was not produced by the witnesses testifying on that subject. Prior to this time, however, and early in January, it was evident that the Government would have a surplus of copper, and the representatives of the United Metals Selling Co. approached the Secretary of War, asking that all copper be held off the market for at least six months, basing its request upon the proposition that during the months of November and December they had continued production paying a wage rate corresponding to 26-cent copper, and had an enormous surplus, and that reports from abroad were pessimistic as to a possibility of immediate sales.

The sales department then arrived at a policy as to this copper, which was to the effect that the copper would not be dumped upon the market, but that it should be the policy of the Government to absorb as much of the surplus as was possible in the War Department itself by sale or transfer to other War Department bureaus, other governmental departments, and semigovernmental commissions, and that every precaution should be taken to avoid the disturbance of the industry of the copper producers. About the time the negotiations were being had with the copper producers, representatives of the United Metals Selling Co., certain conferences were called in the Department of Labor between the representatives of the copper miners and representatives of the Government and representatives of the copper producers. These conferences were held the last week in January, 1919. The official report shows that on the 30th day of January, 1919, the conference of mine work-

ers requested the Secretary of War and the Secretary of the Navy to cooperate with the producing and consuming industries to the end that a way of handling their stocks may be found to remove the existing lack of confidence in the market and that the methods thus determined upon shall be rigidly enforced by the officers of the respective departments. The resolutions requesting this action were signed by 30 representatives of the copper miners. At that time wages were being paid on a war basis, and it was feared that if a return was had to low prices on a sliding scale the wages of the workmen would be greatly reduced. At about this time or a little afterwards, also, it appears that there was a conference between Mr. Ryan and the Secretary of War, in which Mr. Ryan impressed on the Secretary of War what was said to be the demoralized condition of the copper industry, and asked the Secretary of War to use his discretion in disposing of this copper in order that this demoralized condition would not be made worse, and that the situation be taken up with the copper producers to see if some mutually agreeable way could not be worked out whereby the condition would be helped as much as possible, and the Government dispose of its surplus. It is probable that even before this time the Government had been in communication with the copper producers relative to the sale of this surplus.

Almost as soon as a director of sales was appointed, Mr. John D. Ryan sent Mr. Wolfson as his agent to Washington, directing him to have a conference with Mr. Hare, the director of sales, and to show to Mr. Hare what effect the surplus copper was having on the copper market. In pursuance of this direction, Mr. Wolfson came to Washington and saw Mr. Hare on February 13.

On the same date a meeting was called in the office of the director of sales, Mr. Hare, in the Munitions Building, at Washington, and at which meeting there were present certain representatives of the office of the director of sales and of the United Metals Selling Co.

A smaller conference was had within this conference, as shown by the official minutes, at which were present Col. Boggs, Col. Lehman, Col. Tenney, Capt. Mercer, Mr. Morse, Mr. Wolfson, and Mr. Bancker, who prepared certain principles which were to be the method of procedure of the Government in the sale of this surplus copper, the second of these principles being—

It is felt that it would be to the best interest of the War Department, the producer, and the laboring class to have the War Department surplus copper and brass marketed by the producers, or some agency under their control, the marketing to be at the same price as similar material that they may sell during the same period.

The minutes also show the following:

The representatives of the copper industry were to go back and see their principals, get together all the copper producers, and present these principles to them, returning as soon as possible for further conference with the War Department representatives with a definite proposition.

On the 14th of February Mr. Hare, director of sales, notified Mr. Wolfson, of the United Metals Selling Co., of the action of the conference and requested him to at once call the principal producers of copper throughout the country together—

To discuss among themselves the terms upon which they will be willing to handle for the War Department the sale of surplus copper and brass now in the hands of that department.

Thereafter there were two conferences of copper producers held in New York, one on February 20, 1919, and one on March 3, at which all the copper producers were represented.

At these conferences it was arranged for the copper producers to take over the surplus copper of the Government, and on April 10, 1919, a formal written contract was entered into between the War Department and the United Metals Selling Co., by which 100,000,000 pounds of electrolytically refined copper was sold to that company on the following terms:

First, the price was to be the monthly average New York price for electrolytic copper as quoted by the Engineering and Mining Journal of New York, with lesser prices for copper not in commercial shapes and scrap copper. Second, the price was to be determined on the 5th day of May and on the 5th day of each succeeding month. Third, the price was to be paid on or before the 15th day of the second month for each month's quota. Fourth, a deduction of 1 per cent also would be made from the price to cover storage, and so forth. Fifth, the copper also would be delivered by the United States, with all expenses of loading and freight to be paid by the Government. Sixth, the copper was to be delivered 5,000,000 pounds per month, beginning with April, 1919, with the further arrangement that if the producers of copper represented by the purchaser in any one month up to January, 1920, should sell more than 50,000,000 pounds of copper, and from February, 1920, to June, 1920, more than 100,000,000 pounds, in such event the amount of 5,000,000 pounds per month should be increased by an amount equal to 20 per cent of the excess over 50,000,000 and 100,000,000 pounds, respectively.

The signing of the armistice created in the copper market, as in all other markets in the United States, a serious depression and stoppage of trade. The 26-cent price of copper continued automatically in effect until December 5, 1918. From that time up until practically the signing of the contract with the United Metals Selling Co. there was no market for copper. During December and January there were no sales being made of any kind. From February 1 up to July 30 the prices of copper were as follows: February 1, 1919, the Journal gives the prices at 18½ cents; February 15, 16½ cents; March 1, 14½ cents; March 15, 14½ cents; April 1, 15.35 cents; April 15, 15.15 cents; May 1, 15.35 cents; May 22, 16.35 cents; June 2, 16.35 cents; June 16, 17½ cents; July 1, 19 to 19.10 cents; July 15, 21.30 to 21.90 cents; July 30, 22.85 to 23.35 cents.

It will be observed from these quotations that from April 1 the approximate date of the contract with the United Metals Selling Co. for the Government surplus copper, copper increased until on July 30 it had risen to 23.35 cents, or 8 cents per pound, while from February 1 to March 15 it had fallen close to 4 cents per pound. The immediate effect of the sale of copper to the United Metals Selling Co. and the control of the copper market by this company was to stabilize the market and to increase the price.

That this was the intent of the Government agents and the copper producers there can be no doubt. In addition to the testimony of Mr. E. C. Morse, hereinbefore noted, his testimony shows that no minimum price was agreed upon in the contract with the copper producers, because to fix such a minimum price would be to depress the price. Mr. Morse also testified that the sale of copper was negotiated with the copper producers in this way for the purpose of keeping the market stable and not disturbing it, and disposing of the Government surplus as rapidly as possible.

It is the uncontroverted testimony that about the time conferences were initiated between the copper producers and the Secretary of War the director of sales issued an order directing that pending these negotiations no copper be sold by the War Department to any person. This order was as follows:

FEBRUARY 7, 1919.

Director of sales, Order No. 8.
Subject: Sale of copper and brass.
1. No further sales of either copper or brass, as new material or as scrap, are to be made under any circumstances until further notice.
By authority of the Director of Purchase, Storage and Traffic.
C. W. HARE, Director of Sales.

This inhibition against the sale of copper continued until after the contract was made with the United Metals Selling Co. for the Government surplus copper, and then, on April 18, the director of sales made an order permitting the sale of copper.

Mr. A. G. Peter, secretary of the committee having charge of the disposal of copper for the Ordnance Department during that period, testified that if he had been permitted he could have sold at least part of the copper of the Government at the market price during that time; as a matter of fact many offers were had for the Government copper, but owing to the order of the director of sales none could be sold. The object of the sale to the United Metals Selling Co. and the holding of the same off the market is well indicated by the testimony of Maj. L. R. Quinn, of the Ordnance Department, and who stated that the sale was to keep the market from being depressed; in other words, that the price of copper on the market should not go lower.

Mr. Wolfson said on this subject:

It was essential to get it out of the way, or we thought it was better that it be handled through the same channels that sold the copper. It did not matter whether it was sold by us or not, so long as it was gotten out of the way. We felt so long as that hung over the market there would be no stability. * * * I found I could not do any business with this hanging over the market.

Under the contract for the sale of copper the base price fixed on May 5, for the month of April, was 15.246 cents per pound; on June 5, for the month of May, it was 15.864 cents per pound; and on July 5, for the month of June, it was 17.61 cents per pound. In April the United Metals Selling Co. sold 83,000,000 pounds of copper, and hence took on their contract 13,000,000 pounds of Government copper at the average April price. During the month of May there was sold by the United Metals Selling Co. 207,649,189 pounds of copper, and accordingly there was taken by the United Metals Selling Co. of Government copper on June 5, for the month of May, 3,852,837 pounds. Practically the entire balance of the surplus copper to be taken by the United Metals Selling Co. under this contract was taken on July 5 on the average June price.

On the signing of the armistice the copper producers, represented by the United Metals Selling Co., had on hand approximately 750,000,000 pounds of copper aside from the purchase of the Government surplus copper, so that the price at which the

Government surplus copper was sold to the consumers regulated not only the price of such copper as was being produced at the mines but also the price of approximately 750,000,000 pounds of other copper already on hand.

The profits of the copper producers from their negotiations with the Government during the period of the war, and in the purchase of the surplus copper after the war was over, were enormous, and it must have been apparent to the Government agents that such was the case. It is said that the high prices paid for copper were paid for the purpose of stimulating production. However, the facts do not seem to indicate that it was necessary to pay as great a profit as was paid to accomplish that purpose. It has also been said in defense of the price fixing by the Government and its other negotiations that the market price of copper was approximately 32 or 33 cents per pound when we entered the war, and that the price fixing by the copper producers was far below what they might have obtained on the open market. However, it will be remembered that the copper producers were at the mercy of the Government at that time, and that under section 8 the act of August 10, 1917, the food-control act, the Government had the right at any time to commandeer the mines and to practically fix its own price on copper.

Two methods of computation were used by the committee in ascertaining the cost of producing copper: One was in the examination of such reports of the copper companies as were available to accountants for the committee; the other was a report of the Federal Trade Commission made to the War Industries Board, and a copy of which was before the committee. This last-named document, confidential when received but now a public document, had evidently gone through the hands of the price-fixing committee of the War Industries Board, and this committee was fully conversant with the situation and the profits being made by the copper companies, as appears by their marginal notes upon the original copy. The custodian of these files produced the same, and from the marks made upon it, supposedly by the price-fixing committee, it appears that that committee knew that the profits being made by most of the principal producers in the United Metals Selling Co. combination were making, at a price of 23½ cents per pound, from 8 to 12 cents per pound profit. These marginal notations show that of the whole list of copper producers whose records were examined by the Federal Trade Commission the net profits at 23½ cents per pound were from 12 to 4 cents a pound, and that the principal companies in the United Metals Selling Co. group, and in which Mr. Ryan and the members of the cooperative committee on copper were most intimately interested, were from 8 to 12 cents per pound. Mr. Melville C. Wooster, chief accountant of the Federal Trade Commission, testified that the average cost of production of all the companies within the United Metals Selling Co. group for 1917 was 13.618 cents per pound, and in 1918, 15.326 cents per pound. In 1917 the cost of production per pound in the Utah Copper Co. was 10.4 cents, and in 1918, 12.3 cents. The cost of production in the Calumet & Hecla Mining Co. in 1917 was 12.9 cents, and in 1918, 15.7 cents. The cost of production in the Inspiration Consolidated Copper Co. in 1917 was 11.3 cents, and in 1918, 11.7 cents. The cost of production in the Kennecott Copper Co. in 1917 was 12.4 cents, and in 1918, 18.7 cents. It is useful to notice also that of the four companies last above named each one, except the Inspiration Consolidated Copper Co., reported a decreased production for 1918; and from their reports it is evident that these companies were mining their lower-grade ore and making their mines ready for a time of higher prices, when higher-grade ore might be produced at a lesser expense.

To illustrate the profits made during this period by some of the copper companies, four instances are cited:

The Utah Copper Co. in 1917 made a profit of \$32,600,000, which was 200 per cent of its capital stock, and in 1918 a profit of \$24,750,000, which was 150 per cent of its capital stock. The Calumet & Hecla Mining Co. in 1917 made a profit of \$9,500,000, or 800 per cent of its capital stock, and in 1918, \$3,500,000, or 300 per cent of its capital stock. The Inspiration Consolidated Copper Co. in 1917 made a profit of \$12,260,000, or 55 per cent of its capital stock, and in 1918, \$9,250,000, or 40 per cent of its capital stock. The Kennecott Copper Co. in 1917 made a profit of \$11,826,000, or 70 per cent of its capital stock, and in 1918, \$9,390,135.90, or 60 per cent of its capital stock. It is probable that other companies in the list made similar profits, but the exact information is not available without a careful and detailed audit of the books of these various companies.

Mr. HICKS. Will the gentleman yield?

Mr. GRAHAM of Illinois. I have but very little time.

Mr. HICKS. I simply wanted to ask the gentleman if the figures he has given are net profits.

Mr. GRAHAM of Illinois. I have given the profit per pound of 8 to 12 cents; this was net; that is my understanding of it.

Now, these companies represented in this consolidation, of course, were mostly low-priced producing companies. Let me tell you something else. The remarkable thing about this is that the gentleman from Tennessee [Mr. GARRETT] and the administration and the people who defend it say that they had to make this price to make a profit for the high-cost producing mines, and therefore the mines that had a low cost of production necessarily made more profit. As a matter of fact, all the figures we had available, taken from the reports of the company, show that this price had this effect on copper—that it reduced the production notwithstanding the increase in price. In 1918 three of the four big copper companies, of which we had the figures for production, were companies mining a low-grade ore, that is, a cheap ore, and they were doing it while the price was low in order when the price became high that they could manufacture high-grade ore and get a higher price. So the effect of the proposition was to feed this infernal trust which had its fingers on the throat of the country and let them make such inordinate profits as were entirely unjustified by the needs of the Government. There was no necessity for it, and the Government with its strong hand at the throttle could have commandeered all the copper it needed and made them furnish it at reasonable prices.

Mr. SMITH of Michigan. Will the gentleman yield?

Mr. GRAHAM of Illinois. I have but little time.

Mr. SMITH of Michigan. Did the committee investigate the purchase of food products by the Government?

Mr. GRAHAM of Illinois. Not this branch of the committee; that was done by subcommittee No. 4. Let me say that I find it necessary in order to get the facts before the House and the country to hereafter file a written report. I have conferred with a portion of my committee, and some time in the future the committee is going to give the detailed facts, the specific facts that we can not do now because we have been limited by objections from the Democratic side of the House. We want to file them so that the country can have the benefit of the information that this committee with six months of the hardest work I ever did in my life has collected. [Applause.]

Mr. GARRETT. The gentleman will confer with the other portion of the committee, I suppose?

Mr. GRAHAM of Illinois. I will; but I do not know what good it will do if you assume the same position you have about this.

The profits made by the copper producers out of the purchase by them of the surplus copper of the Government after the armistice would be hard to compute. It is certain that if this 100,000,000 pounds of copper had remained in the hands of the Government or had been sold by the Government to retailers or to the consumer the price of copper would have remained at least stationary. However, by its purchase the producers were enabled, by their combination and by the allocation of business among them as they chose, to control the market absolutely, and being permitted by the Government to combine and pool their interests the market immediately turned and started upward. Even in the matter of the contract itself it is evident that the copper producers were buying on the 5th of May, June, and July large sums of copper at a price that was the average price for the month before and on a constant, rising market, so that any margin there might be in price, by way of an increase, would accrue to the copper producers and be lost to the Government. Just what this loss to the Government would be could only be ascertained by careful computation. In addition the copper producers were given 1 per cent of the cost as a condition of the trade. In addition every pound of the approximately 200,000,000 pounds of copper a month they were selling had an added value given to it by the rising market which the copper producers were creating. It is reasonable to assume that if, during the period the copper producers were taking the Government copper, their aggregate sales were 600,000,000 pounds, including the Government copper, their profit by virtue of the increase in price was approximately \$50,000,000.

Not all the copper producers shared equally in these profits, it is true. Mr. John D. Ryan, in the first purchase of copper by the Government from the United Metals Selling Co., dictated the proportion which each company in that combination should furnish the copper, and this schedule or percentage obtained throughout the war. The same was true in the allocation of the surplus copper purchased from the Government. Some companies, and these were so far as can be seen usually the low-cost production mines, furnished most of the copper. An example of this will be found in the group of mines represented by Mr. John D. Ryan. The United Metals Selling Co. originally represented a small group of mining companies, 13 in number, and to these companies were allotted 152,500,287 pounds. Of

this amount there was allotted to the Ryan companies—the Anaconda Copper Mining Co., Inspiration Consolidated Copper Co.—121,615,919 pounds.

At the time the first sale of copper was arranged at 16½ cents per pound, many statements were circulated through the press of the country relative to the very excellent and patriotic work that had been done in this negotiation. The effort was then made to show that because this price was greatly below the average market price, that thereby the Government had made an immense saving and that the copper producers had patriotically turned over the production of their mines to the public for war purposes.

Scribner's Magazine for August, 1917, contained an extensive article entitled "What the Council of National Defense is and What it has Done," by Grosvenor Clarkson, secretary of the Council of National Defense and of the advisory commission. On page 190 is the following:

* * * Mr. Baruch first announced his presence in the tremendous task of mobilizing American industry by procuring 45,000,000 pounds of copper for the Army and Navy at about half the current market price, saving the Government in the neighborhood of \$10,000,000.

A fair and candid résumé of the whole situation can not fail to convince the reader that the arrangement thus entered into was one extremely favorable to at least a few of the copper producers, and that from this arrangement, and because of the necessity and demands of the Government during the war, those who operated these copper producing properties were enabled to make and did make extravagant and extraordinary profits.

During the progress of the war the people were continually reminded of the necessity of contributing liberally to the support of the Government. They were urged to buy bonds and war-savings stamps to the limit of their capacity and to practice every economy in food and clothing. It is a matter of pride to contemplate how fully the people responded to that request. The savings of the mechanic, the profits of the farmer, the mite of the widow, the pennies of the children, were freely and cheerfully given, with the high and sacred intent to thus advance the cause of our country. I stood one day in the mud in a ruined town in northeastern France and saw a division of American boys go past through the mist toward the battle out yonder that awaited them. I could hear the guns thumping and pounding in front, and over us soared aeroplanes, like monster locusts. There was no pomp and panoply about this. It was somber and serious business. As I looked at these young, healthy, clear-skinned boys, with the sacred fire of youth in them, they who had so much to live for, I thought of the supreme sacrifice they were making for their country. What the rest of us did was, as compared to this, a mere bagatelle, my countrymen. [Applause.] There was no thought of profits or gain or per cents or personal returns. It was a pure and unselfish dedication of all they had to the country that has gained much credit in this old world of ours, my colleagues, by having given them birth. And it does irk me exceedingly when I think of the economies and sacrifices of our people, when I remember what I saw in Flanders and in France, to observe a careless disregard of the public rights and an ignorant and apparently willful waste of public funds. Every cent we have must be carefully conserved. The times cry for the most stringent economies. We must not save our country only to see it become a bankrupt. It is the duty of every right-thinking man to guard in every possible way the public purse, and it matters not whether he be a member of a Claims Board or a Member of the Congress of the United States. [Applause.]

Mr. BLANTON. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. BLANTON. Now that we have had four hours of general debate, what has been accomplished and what can we do?

The SPEAKER. The gentleman does not submit a parliamentary inquiry.

Mr. BLANTON. Very well.

CALENDAR FOR UNANIMOUS CONSENT.

The SPEAKER. Under the agreement heretofore made, the Clerk will call the Calendar for Unanimous Consent.

CERTAIN GRAZING LANDS IN UTAH.

The first business on the Calendar for Unanimous Consent was the bill (S. 3016) to authorize the disposition of certain grazing lands in the State of Utah, and for other purposes.

The SPEAKER. Is there objection?

Mr. SINNOTT. Mr. Speaker, I ask unanimous consent that the bill be passed over without prejudice.

The SPEAKER. The gentleman from Oregon asks that this bill be passed over without prejudice. Is there objection?

There was no objection.

SIOUX TRIBE OF INDIANS.

The next business on the Calendar for Unanimous Consent was the bill (S. 1018) authorizing the Sioux Tribe of Indians to submit claims to the Court of Claims.

The SPEAKER. Is there objection?

Mr. KELLY of Pennsylvania. Mr. Speaker, I object.

Mr. GANDY. Mr. Speaker, will the gentleman withhold his objection until I can make a statement?

Mr. KELLY of Pennsylvania. I withhold the objection for a moment.

Mr. GANDY. I just want to say to the gentleman from Pennsylvania and to the House that the Senate bill 1018 is in identically the same language as a bill that has already passed this House at this Congress, and which has gone to the Senate. The House having passed his identical bill, and there is not the difference of the dotting of an "i" or the crossing of a "t," I hope that my friend will withdraw his objection.

Mr. KELLY of Pennsylvania. Mr. Speaker, I had this morning, as a member of the Committee on Indian Affairs, a delegation of men from the reservation who are particularly concerned in this measure, and they stated that they would have a delegation here shortly after the first of the year to present facts concerning this bill. Therefore, Mr. Speaker, I object.

Mr. GANDY. Mr. Speaker, then I ask unanimous consent that the bill retain its place on the calendar.

The SPEAKER. Is there objection?

Mr. WALSH. Mr. Speaker, I object.

The SPEAKER. The Clerk will call the next bill.

WATER SUPPLY FOR MISCELLANEOUS PURPOSES ON RECLAMATION PROJECTS.

The next business on the Calendar for Unanimous Consent was the bill (S. 796) for furnishing water supply for miscellaneous purposes in connection with reclamation projects.

The SPEAKER. Is there objection?

Mr. WALSH. Mr. Speaker, I object.

Mr. EVANS of Montana. Mr. Speaker, will the gentleman withhold his objection for a moment?

Mr. WALSH. I withhold my objection for a moment.

Mr. EVANS of Montana. Mr. Speaker, it seems quite imperative to a lot of people that this bill should pass. I think the gentleman from Massachusetts, whose purpose is to make an objection, has not investigated the question so that he is in full possession of the merits of the proposition. This is simply to afford the reclamation people the legal right to dispose of some surplus water. I have in my office a letter, which I received within a week from a State senator of my State, asking for the passage of this bill. He tells me in that letter that he has been operating a sawmill within 400 yards of a ditch of the reclamation people; that he has expended \$2,000 trying to get water for his sawmill by digging wells on a reserve where all of the water was taken by the reclamation people. He could not get water, and the only way that he can get it is to haul it in barrels from the ditch, if the reclamation people would permit him to haul it. It seems unreasonable that the Government should not be permitted to sell its surplus water to people under these circumstances.

The bill is safeguarded, I think, by providing that the funds shall go into the Reclamation Service of the particular project. There are some months in the year when the water can not be used for irrigation or for any other purpose. It simply runs to waste to the sea. If it could be utilized by the men who have sawmills or sugar-beet factories, or who want to put alfalfa in silos, the Reclamation Service would get that much money for it, and it might as well obtain it and put it to the credit of the people who are paying for that service. I hope the gentleman will not object.

Mr. WALSH. Mr. Speaker, I appreciate the advantages which the gentleman states will come to certain individuals if we embark on this policy, but I submit that this is not a wise policy to embark upon in connection with the reclamation projects, and, therefore, I object.

CONFERRING CITIZENSHIP UPON CERTAIN INDIANS, ETC.

The next business on the Calendar for Unanimous Consent was the bill (H. R. 288) for the purpose of conferring citizenship upon Indians, segregation of Indian tribal property, and for other purposes.

The SPEAKER. Is there objection?

Mr. MANN of Illinois. Mr. Speaker, I reserve the right to object. The gentleman in charge of the bill does not seem to be here, and I ask unanimous consent that the bill go to the foot of the calendar.

The SPEAKER. The gentleman from Illinois asks unanimous consent that the bill go to the foot of the calendar. Is there objection?

There was no objection.

PERMITTING MINORS TO MAKE HOMESTEAD ENTRY.

The next business on the Calendar for Unanimous Consent was the bill (S. 1729) permitting minors of the age of 18 years or over to make homestead entry or other entry on the public lands of the United States.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. HICKS. Mr. Speaker, reserving the right to object, just why are minors given this right? Is it because of a purpose to aid soldiers and sailors?

Mr. BLANTON. Mr. Speaker, there seems to be no one here who can answer the question, and I object.

The SPEAKER. The gentleman from Texas objects.

ERECTION OF FEDERAL OFFICE BUILDING IN ST. LOUIS, MO.

The next business on the Calendar for Unanimous Consent was the bill (H. R. 484) to provide for the erection of a Federal office building on the site acquired for the Subtreasury in St. Louis, Mo.

The SPEAKER. Is there objection to the present consideration of the bill?

Mr. BLANTON. Mr. Speaker, I object.

Mr. RUCKER. Mr. Speaker, will the gentleman withhold his objection for a moment?

Mr. BLANTON. Mr. Speaker, if the gentleman desires to make a statement, I withhold the objection.

Mr. RUCKER. Mr. Speaker, let me make this statement: This bill is reported from the Committee on Public Buildings and Grounds. Some time ago a bill was reported and passed and is now law authorizing the construction of a Federal building in St. Louis upon land purchased and owned by the Government, but the law authorizing the construction of that building provided for the building of fireproof vaults for use of the Subtreasury at St. Louis. I think it is pretty well conceded now, since the location of the Federal reserve bank in St. Louis, that it will not be long until there will be no occasion for a Subtreasury there, and during the remainder of the time that the Subtreasury is in operation it can continue to do business in the building in which it is now located. This bill simply seeks to amend the bill heretofore enacted by striking out the paragraph in the original act which provided for the expenditure of money for the construction of fireproof vaults, so that money may be saved and the space intended originally for use of the Subtreasury may be used to house other governmental activities. This bill does not involve the expenditure of an additional dollar.

Mr. BLANTON. Will the gentleman yield?

Mr. RUCKER. I will yield.

Mr. BLANTON. Unless the present bill under consideration is passed the money which the gentleman seeks to have available to expend for a public building to be used for purposes other than the Subtreasury could not be expended?

Mr. RUCKER. There has already been, as I understand from recollection, something like \$200,000—

Mr. BLANTON. But by this bill it will permit the expenditure of how many other thousands of dollars?

Mr. RUCKER. The entire amount appropriated for the construction of the building.

Mr. BLANTON. It is \$600,000, is it not?

Mr. RUCKER. Probably that amount.

Mr. BLANTON. Then, by keeping this bill from passing we can keep that \$600,000 in the Treasury, can we not?

Mr. RUCKER. But the gentleman should bear in mind, Mr. Speaker, that by the passage of this bill we will provide housing capacity for a great many governmental activities now housed in rented property. It is a saving in annual rental which the Government is now paying of something like \$35,000 or \$40,000.

Mr. BLANTON. There are 30,000 people in the city of Ranger, Tex., who are getting their mail in a little old shack that—

Mr. RUCKER. The building authorized in this bill is not a post office, I will say to the gentleman.

Mr. BLANTON. I understand it is for governmental purposes, and if we are going to build emergency buildings we ought to build them in these emergency places.

Mr. RUCKER. We will take care of that very soon. I hope the gentleman will not object.

Mr. DYER. Will the gentleman allow me to state in answer to the inquiry of the gentleman from Texas that under existing law the Treasury Department is now authorized to proceed to

erect the building as provided by law? It is only held up to save money.

Mr. BLANTON. Mr. Speaker, I feel the influence of the yuletide, and I want to be gracious, especially to the distinguished gentleman from Missouri, and I have felt so gracious that I have promised my friend from Minnesota [Mr. KNUTSON] that until January 5 I am not going to make any more points of order of no quorum. [Applause.] So that the fellows can go home whenever they want to do so. But this calls for an expenditure of a big sum of money which but for the passage of the bill can not be expended.

Mr. DYER. The gentleman is mistaken, the money is now available.

Mr. BLANTON. Why do not they expend it?

Mr. DYER. The Secretary of the Treasury feels that this money for vaults should be saved to the Government.

Mr. BLANTON. So the purpose of the bill is to permit the money to be spent in a building for purposes other than the Subtreasury?

Mr. DYER. No; the law already provides for a Government building for the use of the Subtreasury and other governmental activities.

Mr. BLANTON. But it is not going to be built?

Mr. DYER. Yes; they can go ahead now.

Mr. BLANTON. Does not the gentleman know the Secretary of the Treasury is not going to build it?

Mr. DYER. No; he has held it up to see if Congress would change the legislation in order to save the expense of the vaults.

Mr. BLANTON. Let us let it go over until after the Christmas holidays and then it can be taken up just as well.

Mr. DYER. The Committee on Buildings and Grounds took the matter up. They called upon the Secretary of the Treasury for a report and he reported, recommending that this bill be enacted into law, and has recommended even to the last Congress that he was very much in favor of it. The Secretary of the Treasury not only this Congress, but the last Congress, recommended this thing to be done, because he is not in favor of going ahead with the building and putting in expensive vaults that the Subtreasury realizes it does not need.

Mr. BLANTON. Mr. Speaker, I ask unanimous consent that this bill go to the foot of the calendar.

The SPEAKER. The gentleman from Texas asks unanimous consent that the bill go to the foot of the calendar.

Mr. RUCKER. What benefit is it to go to the foot of the calendar?

Mr. BLANTON. It gives us a chance to look into it. The gentleman can get it up any unanimous consent day after Christmas.

The SPEAKER. Is there objection to the immediate consideration of the bill?

Mr. RUCKER. I hope the gentleman will not object.

Mr. BLANTON. I regret that I am forced to object.

Mr. DYER. Mr. Speaker, I ask recognition to move to suspend the rules—

The SPEAKER. The Chair can not recognize the gentleman just yet. The Chair recognizes the gentleman from Pennsylvania [Mr. BUTLER].

CONTINUATION OF ALLOWANCES TO NAVAL OFFICERS.

Mr. BUTLER. Mr. Speaker, I ask unanimous consent to take from the Speaker's table House Joint Resolution 213, to which there are two or three Senate amendments, and to pass the same.

The SPEAKER. The gentleman asks unanimous consent to take up House Joint Resolution with Senate amendments?

Mr. BUTLER. Yes, sir.

The SPEAKER. The gentleman asks unanimous consent for the present consideration of the resolution, with Senate amendments, which the Clerk will report.

The Clerk read as follows:

House joint resolution 213, continuing temporarily certain allowances to officers of the Navy.

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

Mr. WALSH. I think it ought to be reported.

The SPEAKER. The Clerk will report the resolution with amendments.

The Clerk read as follows:

House joint resolution 213, continuing temporarily certain allowances to officers of the Navy.

Whereas since it now appears that peace will not have been declared by October 1, 1919, on which date officers of the Navy, by operation of law, will cease to receive the benefits prescribed in the act of April 16, 1918 (Public, No. 129);

Whereas said benefits will accrue to officers of the Army until peace shall have been declared: Therefore be it

Resolved, etc., That the paragraph in the act of July 11, 1919 (Public, No. 8), which reads as follows:

"The act of April 16, 1918 (Public, No. 129), granting under certain conditions to every commissioned officer of the Army the right to quarters in kind for their dependents or the authorized commutation therefor, including the allowances for heat and light, shall hereafter be construed to apply to officers of the Navy and Marine Corps only during the period of the war and in no event beyond October 1, 1919," be, and the same is hereby, repealed.

Also the following Senate amendments were read:

Page 1, line 1, of the preamble, strike out "will" and insert "has."

Page 1, line 1, of the preamble, strike out "have."

Page 1, line 5, of the preamble, strike out the period and insert a comma and the word "and."

Page 2, line 5, after "repealed," insert a colon and "Provided, That officers of the Navy and Marine Corps shall be entitled to all the rights and benefits under said act of April 16, 1918 (Public, No. 129), from and after October 1, 1919, and during the present emergency."

The title was amended to include "and Marine Corps."

Mr. WALSH. Mr. Speaker, reserving the right to object, the first amendment was, I understood, to strike out the word "will" in the first line of the preamble and insert the word "has"?

Mr. BUTLER. That is true.

Mr. WALSH. Then it will read:

Whereas since it now appears that peace has not have been declared.

Mr. BUTLER. I think the gentleman will find it is part of the Senate amendment that the word "have" should be stricken out.

Mr. WALSH. These are Senate amendments, I assume?

Mr. BUTLER. Yes.

Mr. WALSH. And the preamble was not stricken out as it previously passed the House?

Mr. BUTLER. The preamble was amended. The first amendment is to strike out the word "will," in the second line, and insert the word "has," and then strike out the word "have," so that it will read:

Whereas since it now appears that peace has not been declared by October 1.

The second amendment, I will say to the gentleman, is to insert the word "and" after the part of the preamble in parenthesis, namely "Public, No. 129," so as to connect the other "whereas" with it:

And whereas said benefits will accrue to the officers of the Army until peace shall have been declared.

Mr. WALSH. Reserving the right to object further, Mr. Speaker, the amendments that have been put onto the resolution itself are to the effect that these allowances shall be continued and be made retroactive back to October 1.

Mr. BUTLER. It has that effect, and I will tell my friend why. When this resolution was introduced and first considered here under suspension of the rules it was anticipated that it would be passed prior to October 1. On the day it was considered under suspension of the rules, my friend will recall, which was on September 23, it was in the evening time, and a question of no quorum was raised. Then the business passed over until the next suspension day, which was the third Monday in September, when there was not a suspension of the rules, because the chairman of the Committee on Appropriations moved to consider an appropriation bill or other measure on that Monday reported from his committee. Therefore, it was found on the Speaker's table on the next suspension day as unfinished business. I asked the Speaker to allow me to move to suspend the rules to include the Senate amendment, which amendment had come over in the meantime from the Senate upon another and similar resolution—No. 112. The Speaker said it had better be voted upon, as it remained upon the table as unfinished business. Consequently, there was a roll call and the measure was passed under the suspension of the rules. Then this same resolution went over to the Senate and the amendment was added.

October 1 had passed. I want to take to myself the blame for this amendment to the last naval bill. In order to reduce the expenses, and in the haste in which we made up the naval appropriation bill last summer, I inserted the provision now considered in the bill, and I then did a rank injustice to the officers of the Navy, and I have been told about it a good many times. My friend knows the pressure that has been made to increase the compensation of officers of the Navy. I am especially anxious that this measure, which was made to help the Army, and construed also to be to the advantage of the Navy in 1918, might be continued during the emergency, and if this amendment is adopted it will be so continued.

Mr. WALSH. The gentleman has under consideration a bill providing for readjustment of the pay of the Navy, has he not?

Mr. BUTLER. Yes, sir. But no report has been made on that bill.

Mr. WALSH. But the gentleman expects a report from the committee on that measure?

Mr. BUTLER. I hope that my friend will still continue the same confidence in our committee's disposition to be economical that he has always manifested. I will answer the gentleman candidly, as he asks the question. I believe at this time, and I have been working at it industriously for four months, that Congress must be asked to assist some of the noncommissioned and petty officers of the Navy. I discovered this morning that 1,700 enginemen have left the ships because they are not paid proper compensation. It is that part of the bill to which I am directing my attention. If this measure passes it will bring to these officers of the Navy what they expected to have and what they expected they would have and bring them a little compensation which, in my effort to keep the hands of Congress upon the appropriations, I deprived them of.

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

Mr. LONGWORTH rose.

Mr. WALSH. I will yield.

Mr. BUTLER. I think the gentleman from Ohio [Mr. Longworth] probably rose first.

Mr. LONGWORTH. I am not quite clear as to the gentleman's intention. Is it to move to concur in the Senate amendment?

Mr. BUTLER. Yes. It is only to concur in the Senate amendment.

Mr. LONGWORTH. Is the gentleman clear that the Senate amendment corresponds with the amendment he has noted on his bill?

Mr. BUTLER. Yes, sir.

Mr. LONGWORTH. As I understood the reading, the Clerk did not report it that way. Was there a mistake in the reading?

Mr. BUTLER. I think not. I copied it with the greatest care. The purpose of the amendment is this: If we had succeeded in passing the resolution through the House in September and had gotten it to the Senate exactly as I anticipated, then October 1 would have been yet before us, and the allowance of money would still have gone to these officers. But having got tied up between the House and the Senate, and especially here upon one occasion when we did not have a quorum that would have enabled us to pass the bill under a suspension of the rules, it became necessary to make the amendment.

Mr. LONGWORTH. If the gentleman wants to concur in the Senate amendment he should be certain that the amendment is correct.

Mr. BUTLER. I thank the gentleman from Ohio for calling my attention to it.

Mr. LONGWORTH. I will ask that the Clerk report it again.

The SPEAKER. Without objection, the Clerk will again report the amendments.

The Senate amendments were again read.

Mr. LONGWORTH. The Clerk did not report it that way before.

Mr. BUTLER. Yes.

Mr. LONGWORTH. That is all right.

Mr. BUTLER. I thought the Clerk in reading it must have overlooked that part of the amendment. Now I will yield to the gentleman from Illinois [Mr. MANN].

Mr. MANN of Illinois. I understood the gentleman from Pennsylvania to say that these were allowances which officers of the Navy had expected to receive.

Mr. BUTLER. Yes, sir.

Mr. MANN of Illinois. Did they have any inside information that the treaty would not be ratified by October 1? Why should they expect to receive these allowances later than October 1, when the original provision only lasted until peace was declared?

Mr. BUTLER. I wish I could answer my friend directly. I have not any knowledge on that point. No officer in the service has ever made any statement in my presence in which he attempted to impress me with a view as to when the emergency would be over. I may say to my friend this: That no public official and no officer of the Navy, to the best of my recollection, has ever made any request of me that they should be set right; but I have heard it said that I have been opposed to increasing the salaries of the officers of the Navy when I with my own hand took from them what the act of Congress last year gave them. I will further say to my friend that I would not have done it if I had contemplated that the emergency would have lasted beyond October 1. I would have

allowed these men to have had the benefit of the allowance which the comptroller said the act of 1918 gave them.

Mr. MANN of Illinois. Well, they have had this allowance for a longer period than they had any right to expect they would receive it after the armistice was signed. Now, of course, this means practically that they expect to receive this increased allowance forever, so far as the service is concerned.

Mr. BUTLER. No, sir. The act of 1918 provides that only during the emergency shall these allowances be paid to the officers of the Army. The comptroller has construed the act as extending these allowances to the officers of the Navy and the Marine Corps. They last only during the emergency.

Mr. MANN of Illinois. Well, practically the emergency has long since ceased, but theoretically we are not at peace.

Mr. BUTLER. It was held yesterday that we are still going on with the war. [Laughter.]

Mr. MANN of Illinois. Theoretically we are not at peace, but practically we are at peace so far as allowances are concerned.

Mr. BUTLER. I have felt so, my friend, that we were.

Mr. MANN of Illinois. I can see no reason why we should pay this allowance now unless we are to make this permanent law.

Mr. BUTLER. I would not ask to do it—

Mr. MANN of Illinois. And so far as I am concerned, I am frank to say—the gentleman from Pennsylvania can not very well say—that I think it is very much more important to economize in the expenditures of the Government than it is to increase the pay of anybody at present. The only way we can get back to bedrock and away from high prices is to economize in the Government and in the country. [Applause.]

Mr. BUTLER. Let me say to my friend this: Are you willing to trust this committee for an economical appropriation of funds for the Navy? I know the gentleman will. I have talked with the gentleman frequently.

Mr. MANN of Illinois. I will make no promises in advance. I propose to vote, whenever I get a chance, for economy in the service. [Applause.]

Mr. BUTLER. So do I. I have voted for all the economies that have been suggested.

Mr. MANN of Illinois. I know the gentleman as well as any other man in the House. He is real economy itself, if he had his way.

Mr. BUTLER. I propose to have it or I will not have any way at all. [Laughter.]

Mr. MANN of Illinois. I am not sure.

Mr. BUTLER. I know my old friend of a quarter of a century thinks I am "easy." I am thinking about the American public that has these taxes to pay, but I will say to the gentleman that I think it is in the interest of economy to pass this measure now. I think it will relieve the tension that is now upon us.

Mr. MONDELL. Mr. Speaker, will the gentleman yield?

Mr. BUTLER. Yes.

Mr. MONDELL. I am not clear in my mind as to the effect of the passage of the resolution as now presented. The provision to be repealed was one which applied to the Navy, for a certain period—

Mr. BUTLER. No, sir.

Mr. MONDELL. Let me finish my inquiry.

Mr. BUTLER. I beg the gentleman's pardon.

Mr. MONDELL. The provision which it is proposed to repeal is a provision that applies to the Navy, for a certain time, an act passed for the Army, or intended for the Army, and giving certain additional allowances.

Mr. BUTLER. Yes, sir.

Mr. MONDELL. That is true, is it not?

Mr. BUTLER. Yes; that is true. Will the gentleman allow me to make a statement?

Mr. MONDELL. Will the gentleman let me finish my statement?

Mr. BUTLER. Certainly.

Mr. MONDELL. I thought I was informed about this matter, but the more I have listened to this discussion the more confused I have become, and I want to know how far wrong I am.

Mr. BUTLER. I do not think the gentleman is wrong at all.

Mr. MONDELL. The provision which it is proposed to repeal is a provision which was carried in the naval bill?

Mr. BUTLER. Yes.

Mr. MONDELL. The effect of which was to give certain men in the Navy for a time the benefit of certain additional allowances which had been provided for the Army?

Mr. BUTLER. Yes; but if my friend will permit me to make a statement now, I will go back to 1918—

Mr. MONDELL. While the act originally was intended to apply only to the Army, it was considered to apply to the Navy.

Mr. BUTLER. The gentleman is correct.

Mr. MONDELL. And in order to limit it, you placed a limitation, as far as the Navy was concerned.

Mr. BUTLER. The Committee on Naval Affairs did.

Mr. MONDELL. Now, if you repeal this provision, your assumption is that the auditor will still apply the same rule as formerly, and so long as these allowances go to the Army they will go to the Navy.

Mr. BUTLER. I am assuming that they have construed the original act as applying to the Navy, and therefore if we take out this limitation I assume that the original act will be construed to apply.

Mr. WALSH. Mr. Speaker, I think the discussion that has been had clearly demonstrates that the proposed amendments of the Senate are not in the nature of economy. I opposed this resolution when it was here before, and the amendments of the Senate simply carry it back to October 1, 1919, which I contended would be necessary in order for these allowances to be payable; and much as I regret to interpose an objection to anything favored by the chairman of the Committee on Naval Affairs, I think this is a matter that ought not to be permitted to come up by unanimous consent, and I object.

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

Mr. BUTLER. I move to suspend the rules and take from the Speaker's table H. J. Res. 213 and concur in the amendments of the Senate.

The SPEAKER. The gentleman from Pennsylvania moves to suspend the rules and take from the Speaker's table H. J. Res. 213 and concur in the Senate amendments. Is a second demanded?

Mr. SAUNDERS of Virginia. I demand a second.

The SPEAKER. The gentleman from Virginia demands a second.

Mr. BUTLER. I ask unanimous consent that a second be considered as ordered.

The SPEAKER. The gentleman from Pennsylvania asks unanimous consent that a second be considered as ordered. Is there objection?

There was no objection.

The SPEAKER. The gentleman from Pennsylvania [Mr. BUTLER] is recognized for 20 minutes and the gentleman from Virginia [Mr. SAUNDERS] is entitled to 20 minutes.

Mr. BUTLER. Mr. Speaker, unless some gentleman wishes to ask me a question I will reserve my time.

Mr. KNUTSON. I wish to ask the gentleman a question.

Mr. BUTLER. I yield to the gentleman from Minnesota.

Mr. KNUTSON. How much does this involve?

Mr. BUTLER. This will involve about \$10,000 a day.

Mr. BEGG. For how many days?

Mr. BUTLER. Until the emergency is over. Assuming that during the month of January we shall have an announcement of peace, it will be for October, November, December, and part of January. I have been calculating it by the day and not by the month.

Mr. LAYTON. What does the gentleman mean by emergency—until the league of nations is indorsed?

Mr. BUTLER. I do not know, my friend, what is meant by that. [Laughter.] I should like to inform my good neighbor, but I do not know.

Mr. SNYDER. Will the gentleman yield?

Mr. BUTLER. Yes.

Mr. SNYDER. A few moments ago, when the gentleman made the statement that he favored an increase in the pay of the petty officers—

Mr. BUTLER. Yes.

Mr. SNYDER. Coupled with that statement the gentleman said he had just been advised that some 1,700 enginemen of the Navy had gone out.

Mr. BUTLER. Yes; they have left their ships.

Mr. SNYDER. Will the gentleman tell us what he knows about that? Did they strike, or what?

Mr. BUTLER. No; these men never strike. These men have left, not all at one time, and evidently not by concerted action, but they have left the service of the Government. The war is now over—no; the war is not over. I would be standing upon both sides of the question if I said it was over.

Mr. KNUTSON. Stand right in the middle.

Mr. BUTLER. Yes.

Mr. GARNER. Will the gentleman yield?

Mr. BUTLER. Yes.

Mr. GARNER. This is retroactive since October 1?

Mr. BUTLER. No; it is not retroactive. It is simply continuing.

Mr. KNUTSON. Exactly.

Mr. SNYDER. Let us find out about the 1,700 enginemen who went out.

Mr. GARNER. I want to ask the gentleman to tell us about that.

Mr. BUTLER. I shall be very glad to do it. There are in the Navy from 4,000 to 4,500 enginemen, chief machinists, and their assistants, first, second, and third grade. The chief machinists are most of them yet in the service, as I discover upon an examination of the records this morning, but as to the first, second, and third class machinists many of them have gone out into civil life. They are employed upon merchantmen, employed by the Shipping Board at enormous figures. We pay these men perhaps from \$60 to \$75 a month, and they get maybe three and a half times that from the Shipping Board.

Mr. SNYDER. I evidently got the wrong impression from what the gentleman said. I took it these men had left the service to-day, in a body.

Mr. BUTLER. Oh, no.

Mr. SNYDER. Due to the fact that their compensation was not satisfactory.

Mr. BUTLER. The gentleman is right about the compensation part of it, but they did not leave in a body.

Mr. HULINGS. They could not leave until they were discharged.

Mr. GARNER. Will the gentleman yield now?

Mr. BUTLER. Yes.

Mr. GARNER. This bill applies to all officers of the Navy from October 1, 1919, until the emergency is over.

Mr. BUTLER. Yes; it continues the pay which they had prior to October 1.

Mr. GARNER. Then it will apply to officers or men who were in the Navy who have resigned since October 1, as well as to those who are still in the service?

Mr. BUTLER. I understand not.

Mr. GARNER. Why not? I want to get at the facts, now. But the bill provides that the same compensation shall be allowed the Navy that was allowed prior to October 1.

Mr. BUTLER. When any man resigns, then all his pay ends.

Mr. GARNER. If he had this pay coming to him—

Mr. BUTLER. Oh, if he resigned in the middle of October, I would not ask to make an act retroactive; but the purpose was as I have endeavored to explain, that we made the attempt to pass a joint resolution in September when we discovered the emergency would exist October 1. We started of our own motion to set that right, but by reason of the interlocking between the two bodies, creating some confusion, that date passed. Now, without the Senate amendment the pay would be lost to the officers in October, November, and perhaps half of December. I do not think that is right. I have explained, in the presence of my friends, that I hold myself partly responsible. I think that I went possibly too fast; in endeavoring to cut off a dead finger I cut off a good one.

Mr. GARNER. The law will continue as long as the emergency exists.

Mr. BUTLER. Yes; the Army is drawing this pay, and it will continue during the emergency, and all we ask is the same for the officers of the Navy, including the warrant officers with commission rank.

Mr. SNELL. Will the gentleman yield?

Mr. BUTLER. Yes.

Mr. SNELL. I have heard it stated that the reason there is a shortage of enginemen on the eastern coast is that they have all been sent to the Pacific coast to be there when they had the big parade with the President and the Secretary of War present.

Mr. BUTLER. I must not take up much of the time of this session, but I want to say that I do not believe a word of it. I have for 24 years advocated a fleet on the Pacific coast. I think it belongs to us as well as the Atlantic coast, and it was not until the gentleman who now occupies the office became the Secretary of the Navy that I was able to impress my views upon him. He finally consented to take care of the Pacific coast. I am glad he has taken the fleet over there. There will be no trouble from any nation on that side while that fleet is out there. [Applause.] I am glad he has sent it to the Pacific. We can not have the naval stations out there that are asked for at this time, because we have not the money.

Mr. SNELL. But it is said that the mechanics and engineers are all out there at the present time.

Mr. BUTLER. Listen, if you please. The American people need not be disturbed if some of the officers of the Navy and some of the petty officers of the Navy decline to stand by their ships. We propose to have a Navy notwithstanding.

Mr. SAUNDERS of Virginia. Will the gentleman yield?

Mr. BUTLER. Yes.

Mr. SAUNDERS of Virginia. I understand the statement made on behalf of the original bill is that it was intended to put the officers of the Navy on the same footing as the officers of the Army with regard to drawing certain allowances.

Mr. BUTLER. Yes.

Mr. SAUNDERS of Virginia. For the same period. Now, why did they insert the language "but in no event beyond October 1, 1919"?

Mr. BUTLER. That was a hallucination; I thought we would then be in peace. My friend from Tennessee is always kindly disposed toward me, and he will perhaps share a part of the blame. I was insistent that the war would be over and that there would be no more fighting and peace would be declared before October 1, and then we would know what the appropriations were to be and what demands there would be on the Treasury, and we thought that we would cut it off October 1.

Mr. SAUNDERS of Virginia. Did not the use of that language carry the impression to us in the House that whether or not the war came to an end by that date, that thereafter the allowances would not go to these officers?

Mr. BUTLER. I think the gentleman from Virginia is justified in drawing that conclusion. I am endeavoring to give to him what was in the mind of the committee at the time the provision was put in the bill. If we had thought that this emergency would extend after October 1, I assure the gentleman the provision would not have been reported.

Mr. SAUNDERS of Virginia. What was the use of the language except to carry that idea to the minds of the Members of the House whether or not the termination of the war came, this allowance would not be carried beyond that time? What was contained in the minds of the committee would be accomplished if they had left out the reference to October 1, 1919.

Mr. BUTLER. Yes; if the war had ended all of this compensation would have disappeared.

Mr. SAUNDERS of Virginia. If you had left out the reference to October 1, 1919, you would have put the officers of the Navy on the same footing as the officers of the Army.

Mr. BUTLER. Yes; they would remain on the same footing they were on.

Mr. SAUNDERS of Virginia. And that would have been continued according to the ruling of the controller—

Mr. BUTLER. Yes.

Mr. SAUNDERS of Virginia. So this language meant nothing whatever, except to carry the idea that after that date the allowance would terminate.

Mr. BUTLER. We had the idea that the war would be over by that time and that this allowance would cease. I could hardly tell why we put it October 1.

Mr. SAUNDERS of Virginia. Because you wanted to make a good showing on the bill.

Mr. BUTLER. We did; and have some idea of what the appropriations were to be.

Mr. GARNER. Will the gentleman yield?

Mr. BUTLER. Yes.

Mr. GARNER. If the Army bill had carried a provision limiting the pay to October 1, then this bill would not be in here?

Mr. BUTLER. No.

Mr. GARNER. It is the result of continued legislation, if the Army gets something the Navy wants it. If you had limited the Army bill to October 1, this bill would not be in here.

Mr. BUTLER. Why, all should cease on October 1.

Mr. GARNER. And they are merely asking it now because the Army is getting something that they are not entitled to.

Mr. BUTLER. Oh, not that.

Mr. WALSH. Mr. Speaker, will the gentleman yield?

Mr. BUTLER. Let me answer the gentleman from Texas first. I hope my 15 minutes will be up presently, for I do not think that I am doing any good. [Laughter.] Why, of course, I would say in answer to the gentleman. What one Member of Congress wants another wants. Are we not all human?

Mr. GARNER. Yes.

Mr. BUTLER. I think that answers the question.

Mr. MONDELL. Mr. Speaker, will the gentleman yield?

Mr. BUTLER. Yes.

Mr. MONDELL. I think the bill ought to pass, because I believe that so long as these allowances go to the Army it is entirely proper that the officers of the Navy should have the same benefits. I am very glad, however, that the chairman of the Committee on Naval Affairs has taken the position that there are to be none of these great increases of pay and

allowances that people are asking for and that Members of Congress are being importuned to grant. However we may feel about these matters, whatever our sympathy may be, no matter how much we would like to add to the pay and emoluments of men in the public service, the condition of the Treasury is such now that these requests and demands can not be met and allowed.

Mr. GARNER. Mr. Speaker, will the gentleman from Pennsylvania yield to me in order that I may ask a question of the gentleman from Wyoming?

Mr. BUTLER. Yes.

Mr. GARNER. Then if the same effort is made to limit the Army to these allowances as it was proposed to limit the Navy, there will be no demand for this bill?

Mr. MONDELL. Oh, this is not a very large matter.

Mr. GARNER. Only \$10,000 a day, that is all.

Mr. MONDELL. The law makes provision for the Army and we are not going to repeal it. In the providence of God and the good sense of the Senate we hope that before very long the emergency will have ceased, and then all of these allowances will cease, but so long as the Army receives these allowances, I think the Navy should also.

Mr. CALDWELL. Mr. Speaker, will the gentleman tell us which one of those sources he has the greatest confidence in? [Laughter.]

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

Mr. BUTLER. Yes.

Mr. SNYDER. In the arguments that have been made for the passage of this resolution nothing has been said as to the necessity for it, except to put the naval officer upon a par with the Army officer in the matter of compensation for commutation of quarters.

Mr. BUTLER. He expected that and he has arranged all his affairs accordingly.

Mr. SNYDER. That is all very true, but in reality—

Mr. BUTLER. The effect is just what the gentleman states.

Mr. SNYDER. In reality that is what the gentleman is striving to do.

Mr. BUTLER. Yes.

Mr. SNYDER. Not because of any necessity on the part of the naval officer for an increase in compensation. Let us have it just as it is. When gentlemen say that they are opposed to increases in the future, why not start by doing the thing that we ought to do and eliminate now? Starting to eliminate means nothing. The thing that counts is to eliminate, and this proposition here is not based at all upon the necessity of the naval officer, but is based wholly upon a question of putting him on a par with the Army so far as compensation is concerned.

Mr. PADGETT. Mr. Speaker, will the gentleman yield?

Mr. BUTLER. Mr. Speaker, how much time have I consumed?

The SPEAKER. The gentleman has used 15 minutes.

Mr. WALSH. Mr. Speaker, will the gentleman yield?

Mr. BUTLER. Mr. Speaker, I would like to yield to my friend from Massachusetts. He knows that, but I have only 5 minutes left, and I must yield some of that to my colleague, the gentleman from Tennessee [Mr. PADGETT].

Mr. SAUNDERS of Virginia. I have promised the gentleman from Tennessee 5 minutes.

Mr. BUTLER. Did the gentleman want some of my time?

Mr. PADGETT. Oh, no; go ahead.

Mr. BUTLER. I will give the gentleman three minutes, and I will reserve the balance of my time.

The SPEAKER. The gentleman from Virginia [Mr. SAUNDERS] is recognized for 20 minutes.

Mr. SAUNDERS of Virginia. Mr. Speaker, I yield five minutes to the gentleman from Tennessee [Mr. PADGETT].

The SPEAKER. The gentleman from Tennessee is recognized for eight minutes.

Mr. PADGETT. Mr. Speaker, this is a very plain and a very simple matter. Congress passed an act providing commutation of quarters for the Army. Under a prior law the commutations of the Navy are the same as provided by law from time to time for the Army, so that when Congress passed a special act providing commutations of quarters for officers of the Army, to continue during the emergency, by operation of the prior law they became available to the Navy.

Mr. CALDWELL. Mr. Speaker, if the gentleman will yield, I do not think he has made one point quite clear. The officers of the Army are entitled to commutation of quarters when they are not with troops, but when they are with troops they are not so entitled. When the officers went away to this war they left their families here, and they did not have the commutation

of quarters. A law was passed to give them commutation of quarters.

Mr. PADGETT. That is correct. In the naval appropriation bill which was passed last April, in a spirit of economy and assuming that the war would be over, that the emergency would cease, by the 1st of October, 1919, a provision was inserted providing that the commutation of quarters under the prior law which I mentioned a moment ago should not be construed to apply to the Navy beyond October 1, 1919.

Mr. GARNER. Mr. Speaker, will the gentleman yield?

Mr. PADGETT. Yes.

Mr. GARNER. There is but one mistake that the committee made in the interest of economy, and that was in not including the word "army" also in that provision.

Mr. PADGETT. Well, I think the gentleman is entirely wrong when he gets to the facts. Now, that provision was inserted in the naval appropriation bill. The effect of that is that the emergency continuing the Army is now receiving a benefit of that special act, but the Navy is precluded from receiving it after October 1 by virtue of this clause inserted in the Navy appropriation bill providing that it should not be considered to apply to the Navy after October 1. Now, this resolution that was passed by the House was reported by the committee back in September, and we supposed that we would get it enacted before October. The only effect of it is to repeal this provision in the naval appropriation bill providing that commutation of quarters shall not be considered to apply to naval officers after October 1.

Mr. MANN of Illinois. Will the gentleman yield for a question?

Mr. PADGETT. Yes, sir.

Mr. MANN of Illinois. What then was the purpose of putting in the naval appropriation act the language "and in no event beyond October 1, 1919"?

Mr. PADGETT. That was to stop it at that time, because the committee supposed that the emergency would be over at that time.

Mr. MANN of Illinois. But they had already stated in the same paragraph that it should be continued only during the period of the war?

Mr. PADGETT. Yes.

Mr. MANN of Illinois. Now, that was sufficient—

Mr. PADGETT. Yes.

Mr. MANN of Illinois. As far as the war was concerned; and then you added "but in no event beyond October 1." What is the purpose of putting that in?

Mr. PADGETT. As I have stated, it was to stop it on the 1st day of October.

Mr. MANN of Illinois. Regardless of whether peace was declared or not? In other words, they went forward then and are now backing up?

Mr. PADGETT. That fixed a definite time. That was to stop it on the 1st day of October.

Mr. MANN of Illinois. Whether the war was over or not?

Mr. SNYDER. Which was absolutely right.

Mr. PADGETT. Now, the House passed a resolution repealing that clause of the naval appropriation bill providing that it shall not be construed to apply to the Navy after October 1. As I say, we thought we would get that enacted before October 1, but delays have occurred. The bill went over to the Senate, and the Senate passed another bill just identical with this bill and sent it over here, so that the House bill had gone over there and the bill came over here. Then the Senate, in order to get action upon the same bill, passed the House bill with an amendment making it operative upon the 1st day of October, so that these officers will not lose their commutation during the months of October, November, and December. In other words, so that the act will continue. A record vote was taken upon it, and there were but something like—

Mr. BUTLER. Six.

Mr. PADGETT. Five or six votes against it. Two hundred and fifty odd voted in favor of the passage of the resolution.

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

Mr. PADGETT. In just a moment. The statement was made a moment ago that we were asking for it simply because the Army has it and because there is no need of it. I want to disabuse your minds of that. There is a tremendous need of it. We have had extensive hearings, and if you will take the pains to read those hearings any fair-minded man, I think, will come to the conclusion that there is an imperative demand that the pay of officers should be increased, and this is simply to give them the benefit of these commutations from October 1 during the continuance of the emergency, the same as is being received by the Army.

Mr. DEMPSEY. Will the gentleman now yield for a question?

Mr. PADGETT. Yes, sir.

Mr. DEMPSEY. The war service of the Army proper ceases as they reach our shores. Now, is there anything in this proposition? Has the Navy continued to render war services during this period in going back and forth for war purposes?

Mr. PADGETT. Yes; they have been bringing men back and taking supplies over and things of that kind.

Mr. DEMPSEY. As a matter of fact, has not a larger part of the Navy been engaged in war work right up to the present time and during this period for which the gentleman asks this allowance?

Mr. PADGETT. A great deal of it, yes, sir; and I want to say the only effect now of this amendment of the Senate is that instead of its becoming operative and continuing for the time it becomes a law now that there shall be no hiatus, that it shall take effect from the 1st day of October, and from the time that the Army has been receiving it, and when it was expected that it would become legislation. I yield back what time I may have remaining.

The SPEAKER. The time of the gentleman has expired.

Mr. BUTLER. Will the gentleman from Virginia consume the balance of his time? How much time is there remaining?

The SPEAKER. The gentleman from Virginia has 15 minutes and the gentleman from Pennsylvania 2 minutes.

Mr. SAUNDERS of Virginia. Does the gentleman from Pennsylvania wish some time?

Mr. BUTLER. No, sir, unless somebody desires to ask me a question.

Mr. SAUNDERS of Virginia. Mr. Speaker, it is stated on behalf of this legislation both by the gentleman from Pennsylvania [Mr. BUTLER] and the gentleman from Tennessee [Mr. PADGETT] that it originated in a spirit of economy, but I fail to see how they make good that contention. At the very moment the economy feature of this statute becomes effective, they propose to repeal it. No economy will be or could be secured under this statute, unless the allowances referred to are discontinued as of the date fixed in the resolution, and the discontinuance is perpetuated. But, confronted with the unexpected situation that the original provision of the naval bill is really protecting the Treasury and effecting a not inconsiderable economy, the chairman of the Committee on Naval Affairs insists that really his committee is taken by surprise, that it was not intended to secure a real economy by the language used, and if it is now operating to that effect, it should be repealed by the pending resolution.

Mr. LAYTON. Will the gentleman yield for a question for information?

Mr. SAUNDERS of Virginia. I will.

Mr. LAYTON. The gentleman is an older Member of the House and I know nothing about it. How long does commutation attach to an Army officer?

Mr. SAUNDERS of Virginia. I should prefer the gentleman should ask that question of some Member of the Committee on Military Affairs.

Mr. LAYTON. What I mean is the permanent allowance made to an Army officer?

Mr. SAUNDERS of Virginia. It attaches under certain prescribed conditions, and so long as the conditions exist, the allowances continue.

Mr. LAYTON. During the emergency?

Mr. CALDWELL. I will explain to the gentleman from Delaware that there is a continuing permanent law that gives to the Army officer who is not with troops commutation of quarters. During the emergency we passed a law giving to the officer who was with troops a commutation of quarters, so that his family could be cared for while he was in France fighting for us. The law of the Navy was, in general terms, that they should have the same commutation of quarters the Army has, and so by operation of law when we gave the Army the commutation of quarters for men who were with troops we gave it to the naval officers who were with troops and who theretofore did not have it. The emergency legislation limited it until peace was declared, but peace has not been declared. As explained here, they attempted to repeal the law for the Navy for the purpose of making political capital for the Republicans, who were claiming a desire for economy, and now that they find they can not do it without inequality they are in favor of it.

Mr. BUTLER. Will the gentleman give me a minute now?

Mr. SAUNDERS of Virginia. Yes.

Mr. BUTLER. Let me say to the gentleman from New York [Mr. CALDWELL] that the experts of the Navy Department reported to me to-day that they have thirty to forty millions of dollars left over out of this bill, and if we had two weeks more we would save that money, but we do not have it. We were

trying to economize. And I will say to my friend from Virginia [Mr. SAUNDERS] that this does seem a clear and honest and methodical way. Our purpose was to keep our hands on the appropriations and know about what charges would be put upon the Treasury and limit them everywhere we could. Even then, perhaps \$30,000,000 or \$40,000,000 will be left over at the end of the year.

Mr. CALDWELL. Will the gentleman yield?

The SPEAKER. The time of the gentleman has expired.

Mr. CALDWELL. May I have one more minute?

Mr. SAUNDERS of Virginia. Not just now but later.

I will say to my friend from Pennsylvania [Mr. BUTLER] that the proper action for this House to take is to continue the good work that you say you set out to do; in other words, we should defeat this resolution. That action on our part will make effective the scheme of economy which you had in mind when you submitted the naval bill to the House.

Mr. BUTLER. Usually the gentleman has no trouble to get me on his side, but he could not get me over there on this.

Mr. SNYDER. Does the gentleman understand that the only justification for the passage of this resolution is that since the committee has had this lapse in the idea of economy they now feel that they ought to put the naval officers, at least, upon a par with the Army officers, until such time as somebody declares the war to be over?

Mr. SAUNDERS of Virginia. The Committee on Naval Affairs is now confronted with a most unexpected situation. They find to their consternation that their legislation is proving effective for economy. Hence they clamorously insist that it should be repealed.

Mr. SNYDER. When they put in the bill that this commutation should go along further than October 1, that is what they meant?

Mr. SAUNDERS of Virginia. I suppose that the language to the effect that under no circumstances should the allowances be paid after October 1, 1919, was intended as a legislative joker.

Mr. SNYDER. I want to go on record as saying if the committee starts out to practice economy they ought to continue to do it, whether it meets up with some proposed advance that offsets it or not. I take the position also, with the gentleman from Illinois, that I am opposed to any more expenditure of money except for regular and economical purposes.

Mr. GOOD. I would like to ask the gentleman from Virginia [Mr. SAUNDERS] a question. Suppose we pass this resolution and it becomes a law to-day, and that by the first of the year such action should be taken as will permit the President to proclaim that peace has come. What effect would this resolution have then, so far as increase in pay or allowance for the year is concerned?

Mr. SAUNDERS of Virginia. This resolution is both retroactive and prospective. There is only a trifle of a million dollars involved in this joint resolution,—chicken feed, I believe is the phrase applied in these days to an expenditure of only a million dollars.

Mr. GOOD. From the statement of the gentleman from New York, I was rather led to believe that this law only applied during the emergency; but, from what the gentleman says, it is a permanent law.

Mr. BUTLER. Oh, no. I would not vote for it if it was. It is only an emergency measure.

Mr. TILSON. Will the gentleman from Virginia yield to me two minutes?

Mr. SAUNDERS of Virginia. I think I will proceed with my much-interrupted speech, and yield later.

Mr. GOOD. It is not going to do any good if it is for only during the emergency. It is only going to give some officers about \$10,000 a day for services they perform, if the President should proclaim peace to-morrow. It will not help you to keep officers in the service next year.

Mr. SAUNDERS of Virginia. The only merit of this resolution is that it will help some naval officers in the matter of pay during the emergency, or technical continuance of the war.

Mr. GOOD. Is it not true that if you put this in effect in the Navy, after the President has proclaimed peace, it will not help them at all?

Mr. BUTLER. I am not going to have the gentleman now get up of his own will and say it will loot the Treasury. It does not.

Mr. SAUNDERS of Virginia. How much of my time has now been consumed, Mr. Speaker?

The SPEAKER. The gentleman has seven minutes remaining.

Mr. SAUNDERS of Virginia. Now, Mr. Speaker, as I started out to say, the only way to maintain our consistency

in this matter and uphold the gentleman from Pennsylvania in his spirit of economy, is to vote down the resolution. That will make the original action of the Naval Committee an effective instrument of economy.

Mr. LAYTON. Will the gentleman yield a minute?

Mr. SAUNDERS of Virginia. Yes.

Mr. LAYTON. Do you not think, to make it a perfectly complete thing, that we better go back and cut out this commutation for the Army?

Mr. SAUNDERS of Virginia. I have no objection to the gentleman's offering an amendment to that effect if he can do so. The merits of this increase of naval pay have not been discussed at all. No one has undertaken to show in any sufficient fashion that on the merits these officers are entitled to this extra compensation.

The simple statement has been made that because the Army was getting something, therefore the Navy wanted it, and was entitled to it. As I understand the statement made by the gentleman from New York [Mr. CALDWELL], a member of the Committee on Military Affairs, there is far more reason why the Army officers should have received these allowances, than the officials of like rank in the Navy.

Mr. Speaker, it has been said in this connection, I think, by the gentleman from Pennsylvania [Mr. BUTLER], that the naval officers were expecting these allowances; that they had made their arrangements with reference to the same, and that therefore it would be a hardship on them not to pass this resolution. I desire to call the attention of the House to the fact that, far from this being so, that these naval officers were specifically warned, and advised, by the terms of the naval bill that after October 1, 1919, these allowances would not be paid. Therefore they could not have been making their arrangements, unless they had such confidence—

Mr. STEPHENS of Ohio. Mr. Speaker, will the gentleman yield?

Mr. SAUNDERS of Virginia. Yes; but you ought not to interrupt me in the middle of a sentence. I will yield.

Mr. STEPHENS of Ohio. I just wanted to call your attention to the fact that the Navy is still active, and has been active during all these months, and the activity of the minesweepers, who have just raised the mines, has been remarkable. They have just done the most dangerous work of the war and have just returned to this country. This is only for commutation of quarters and not for extra pay. This date of October 1 was probably put in the bill inadvertently, because they thought the war would then be over.

Mr. SAUNDERS of Virginia. Oh, no; I am not willing to allow the Committee on Naval Affairs to be thus misrepresented. It was put in designedly.

Mr. STEPHENS of Ohio. Either way, it is only a matter of justice to the officers of the Navy.

Mr. SAUNDERS of Virginia. I am trying to be just to the members of the Committee on Naval Affairs, and to help them maintain their purpose in respect to economy. I think the House should support them in that attitude. We hear so little at this time of real economy, and have so few opportunities to vote for a proposition of reduction, that I think that the committee should be supported in its original attitude. To pass this joint resolution certainly would not be in the interests of economy.

Mr. TILSON. Mr. Speaker, will the gentleman yield for a question?

Mr. SAUNDERS of Virginia. Not now.

Mr. TILSON. I thought the gentleman had yielded the floor.

Mr. SAUNDERS of Virginia. No. What evidence had I given that I had yielded the floor? [Laughter.] I was doing my best to complete at least one sentence without interruption.

Mr. Speaker, summing up the argument, I think we should disregard the pathetic appeal of the Committee on Naval Affairs in this matter, as presented both by the chairman of that committee [Mr. BUTLER] and the ranking member on the Democratic side [Mr. PADGETT]: First, because they started out in this matter in a spirit of economy. This is a day and an hour calling for economy, and we should seek to make the spirit of economy effective: Second, this is now a retroactive resolution and as a rule this body does not and ought not to favor a retroactive proposition: Third, these naval officers have not been taken unawares, for the simple reason that the original provision specifically advised them of the fact that after October 1, 1919, they would under no circumstances receive these allowances. Therefore as patriotic citizens they presumably made their arrangements and ordered their domestic affairs to conform to the law. For all of these reasons I think this resolution ought to be voted down by the House.

Does the gentleman from Illinois desire to ask me a question?

Mr. MANN of Illinois. No; I wanted some time.
Mr. SAUNDERS of Virginia. I regret that I have only one minute left, and that has been promised to the gentleman from Connecticut [Mr. TILSON].

Mr. TILSON. Mr. Speaker, one point that has not been brought out with respect to this resolution is a point favorable to the passage of it. As the law now stands, without passing this bill, we are really penalizing the naval officer who goes to sea. The reason why the law was originally enacted for the Army was the fact that under the law as it then existed the Army officer who was not with troops drew commutation of quarters, while the officer who was serving in the field with troops and doing the fighting, when there was fighting to be done, drew no commutation of quarters. As a result the family of the officer in the War Department or engaged at some other desk job was provided for, while the family of the officer in the field with his regiment had nowhere to live. It was the same way with the Navy. The officers who were on the ships at sea and doing the hardest kind of work had no commutation until the law was enacted which it is now desired to amend. Unless the limitation to October 1, 1919, is repealed we shall again have the anomalous condition of providing that officers who are safely ensconced in Washington or Annapolis or somewhere else shall draw commutation of quarters while the officers who go to sea do not have it. [Applause.]

The SPEAKER. The time of the gentleman from Connecticut has expired.

Mr. HULINGS. Mr. Speaker, I want to ask the gentleman from Pennsylvania [Mr. BUTLER] for a minute. I believe he has two minutes left.

Mr. BUTLER. Yes. I will yield to the gentleman a minute.

Mr. HULINGS. Mr. Speaker, it seems to me that the House is forgetting the real question, the real bone of all this proposition. This is not a question of economy. It is a question whether you are going to pay patriotic, efficient men in the Navy a decent wage to live on. [Applause.]

These men are leaving the Navy because they can not afford to stay. They love their profession, but they also love their families, and the pay that they get does not enable them to stay in the service.

Mr. BEGG. Mr. Speaker, will the gentleman yield?

Mr. HULINGS. No. I have only a minute, and three-quarters of that is probably gone.

Mr. BEGG. I would like to know if it is the sailors that are quitting, or the officers?

Mr. HULINGS. It is the officers and the sailors both. I happen to know something about it. This little honorarium, as you might call it, this little addition to their pay, is the thing for us to do. I am in favor of this resolution. [Applause.]

The SPEAKER. The time of the gentleman from Pennsylvania has expired. The gentleman from Pennsylvania [Mr. BUTLER] has one minute.

Mr. BUTLER. Mr. Speaker, the gentleman from Connecticut stated the position squarely. These officers receive no commutation of quarters while at sea. They got it during the war by reason of the act of 1918. I repeat it again—and I could do no better if I had a month for the purpose—that this is simply a square act of justice. We must keep this naval force afloat, and this will help us to do it. I appeal to the House to pass this resolution. It sets no precedent. Take it from me, if you please, this is along the line of economy looking to the future, and it will be helpful to us all around. I ask you to pass it. [Applause.]

The SPEAKER. The gentleman from Pennsylvania [Mr. BUTLER] moves that the House suspend the rules and concur in the Senate amendment. The question is on agreeing to that motion.

The question was taken.

Mr. WALSH. Mr. Speaker, I ask for a division.

The SPEAKER. The gentleman from Massachusetts asks for a division.

The House divided; and there were—ayes 82, noes 17.

The SPEAKER. Two-thirds having voted in the affirmative, the Senate amendment is concurred in.

SUGAR.

Mr. HAUGEN. Mr. Speaker, I move to suspend the rules and pass the bill (S. 3284) to provide for the national welfare by continuing the United States Sugar Equalization Board until December 31, 1920, and for other purposes, with amendments.

The SPEAKER. The gentleman from Iowa moves to suspend the rules and pass S. 3284 with amendments, which the Clerk will report.

Mr. MARTIN. Mr. Speaker, I demand a second.

The SPEAKER. The bill will be read first.
Mr. MANN of Illinois. It has to be read first.
The Clerk read as follows:

Be it enacted, etc., That the President is authorized to continue during the year ending December 31, 1920, the United States Sugar Equalization Board (Inc.), a corporation organized under the laws of the State of Delaware, and to vote or use the stock in such corporation held by him for the benefit of the United States, or otherwise exercise his control over the corporation and its directors in such a manner as to authorize and require them to adopt and carry out until December 31, 1920, plans and methods of securing, if found necessary for the public good, an adequate supply and an equitable distribution of sugar at a fair and reasonable price to the people of the United States. Sections 5 and 10 of the act entitled "An act to further provide for the national security and defense by encouraging the production, conserving the supply, and controlling the distribution of food products and fuel," approved August 10, 1917, as far as the same relates to raw or refined sugar, sirups, or molasses, are hereby continued in full force and effect until December 31, 1920, notwithstanding the provisions of section 24 of said act: *Provided,* That the provisions of this act shall expire as to the domestic product September 30, 1920: *And provided further,* That the zone system of sale and distribution of sugars heretofore established by the said United States Sugar Equalization Board shall be abolished and shall not be reestablished or maintained, and that sugars shall be permitted to be sold and to circulate freely in every portion of the United States. The termination of this act shall not affect any act done or any right or obligation accruing or accrued, or any suit or proceeding had or commenced in any civil case before the said termination pursuant to this act; but all rights and liabilities under this act arising before its termination shall continue and may be enforced in the same manner as if the act had not terminated. Any offense committed and all penalties, forfeitures, or liabilities incurred prior to such termination may be prosecuted or punished in the same manner and with the same effect as if this act had not been terminated.

Mr. CANDLER. Mr. Speaker, I demand a second.

Mr. HAUGEN. I ask unanimous consent that a second be considered as ordered.

The SPEAKER. The gentleman from Iowa asks unanimous consent that a second be considered as ordered. Is there objection?

There was no objection.

The SPEAKER. The gentleman from Iowa has 20 minutes and the gentleman from Mississippi [Mr. CANDLER] has 20 minutes.

Mr. HAUGEN. Mr. Speaker, the bill provides that the President is authorized to continue during the year ending December 31, 1920, the United States Sugar Equalization Board, and that sections 5 and 10 of the food-control act, so far as the same relate to sugar, are hereby continued in full force and effect until December 31, 1920.

Mr. DUPRÉ. Will the gentleman yield?

Mr. HAUGEN. Yes.

Mr. DUPRÉ. Are there any committee amendments?

Mr. HAUGEN. There is one committee amendment—to strike out all after the enacting clause and insert in lieu thereof the matter read from the clerk's desk.

Mr. DUPRÉ. Will the gentleman be good enough to state how the bill reported from his committee differs from the bill that passed the Senate?

Mr. HAUGEN. It differs in this respect: That the Senate bill repeals section 5, the licensing provision of the food-control act, while the amendment continues it with respect to sugar, notwithstanding the termination of the war.

Mr. BEE. Will the gentleman from Iowa yield for a question?

Mr. HAUGEN. Certainly.

Mr. BEE. I am not familiar with this situation, but this was a war measure, as I understand it.

Mr. HAUGEN. Yes; the food-control act was.

Mr. BEE. If peace is declared and the country returns to a peace basis, as if no war had ever existed, what authority has Congress, then, to continue in time of peace a measure for the regulation of certain commodities?

Mr. HAUGEN. The gentleman is referring to the act as a whole. I am not sure that section 5 is based entirely upon the war power. The contention is that Congress has the power to pass a law licensing dealers to a certain extent outside of the war power. Besides, this condition results because of the war to a certain extent.

Mr. BEE. If the gentleman will permit the question, before the war was there any law that regulated the sale and use of sugar, such as is now contemplated in this bill?

Mr. HAUGEN. No; there was not.

Mr. BEE. Then by what authority, when this country is at peace, has the Congress a right to interfere in these matters, unless you go into the domain of licensing and controlling every industry in this country and taking all of them over?

Mr. HAUGEN. The fact that Congress did not assert its authority before the war is no reason why it should not do so at the end of the war. Besides, this condition exists because of the war.

Mr. BYRNS of Tennessee. Will the gentleman yield?

Mr. HAUGEN. Yes; certainly.

Mr. BYRNS of Tennessee. As I heard the bill read, the Senate amendment undertakes to repeal the action of the equalization board in establishing zones?

Mr. HAUGEN. It does, and the committee amendment does also.

Mr. BYRNS of Tennessee. As I understand, the establishment of those zones has resulted in requiring people in certain sections of the country to pay almost double what people pay in other sections of the country?

Mr. HAUGEN. Yes; through their establishment and the action of the Department of Justice.

Mr. BYRNS of Tennessee. Is it the opinion of the gentleman that this amendment which the gentleman seeks to have adopted will do away with that discrimination, and will allow people in different parts of the country to get sugar at substantially the same price?

Mr. HAUGEN. The House amendment also does away with the zone system. It directs its discontinuance.

Mr. BYRNS of Tennessee. And will enable people to get sugar at reasonably fair prices?

Mr. HAUGEN. If action is taken in the matter.

Mr. CRAMTON. Will the gentleman yield?

Mr. HAUGEN. Certainly.

Mr. CRAMTON. As I understand, the purpose of the extension of this law is to enable the Sugar Equalization Board to act in securing a distribution of sugar at a fair and reasonable price?

Mr. HAUGEN. Yes.

Mr. CRAMTON. Can the gentleman explain what is to be the relation between the authority of this board, which is to secure a uniform price, and the activities of the Attorney General, who has fixed a price of 17 cents for sugar produced in Louisiana and a price of 11 cents for sugar produced in Michigan? Is the authority of the Attorney General to be superseded?

Mr. HAUGEN. The food-control act gives the President of the United States certain authority which he has turned over to the Department of Justice; but there is also in existence this organization, the United States Sugar Equalization Board, a corporation incorporated under the laws of the State of Delaware. Both are agencies of the President.

Mr. CRAMTON. And are we to understand that with the extension of this law the Sugar Equalization Board will proceed with the equalization of the price of sugar, while the Attorney General, also acting under the authority of the President, will proceed to approve a price of 17 cents for Louisiana sugar and a price of 11 cents for Michigan sugar?

Mr. HAUGEN. The whole matter rests with the President of the United States; but as the gentleman has stated, the price of sugar in Louisiana to-day, I understand, is from 17 to 18 cents, while the price in the beet-sugar section is about 10 cents—about 7 or 8 cents difference in price between the two parts of the country. The price in one section is about double the price in another section of the country.

Mr. CRAMTON. The gentleman explained the matter fully when he said it all rested in the hands of the President.

Mr. HAUGEN. Yes; it rests in the hands of the President.

Mr. SNELL. Will the gentleman yield?

Mr. HAUGEN. Surely.

Mr. SNELL. I wish the gentleman would state in a few words what the actual effect on the country will be of the extension of this law?

Mr. HAUGEN. It will be left up to the President. The President has had the authority, but he has not exercised it. We do not propose to add anything to the authority which he had, nor do we take anything from it. It is suggested here to continue sections 5 and 10 of the food-control act with respect to sugar. Section 5 is the licensing provision and section 10 is the requisition provision.

Mr. SNELL. If the President does not exercise the powers which he already has we will get no relief?

Mr. HAUGEN. We will be exactly where we are now and some will go without sugar as at the present time. There is no question about it—had the President exercised his power under the law the situation now would have been entirely different.

Mr. SNELL. Why do you expect relief by continuing the power?

Mr. HAUGEN. The President has the power to relieve the situation; if he does not do so the responsibility will rest upon him and not upon Congress.

Mr. CAMPBELL of Kansas. Will the gentleman yield for a question?

Mr. HAUGEN. Yes; surely.

Mr. CAMPBELL of Kansas. Is it true that England has come into our sugar market and has purchased sugar at a price fixed by the producer, and in some instances running as high as 20 cents a pound?

Mr. HAUGEN. Mr. Wilkinson, a jobber of Washington, before the Senate committee said that he had been offered 22 cents a pound for sugar.

Mr. CAMPBELL of Kansas. By England?

Mr. HAUGEN. It has been alleged that sugar is being exported to England and other countries.

Mr. CAMPBELL of Kansas. I understand that there are millions of tons of sugar on the wharves in New Orleans waiting for shipment to England—sugar that was purchased for 20 or 25 cents a pound for England. I want to know if that is true.

Mr. HAUGEN. We had no evidence before our committee bearing upon that. This is the situation: The world's shortage of sugar is about 2,000,000 tons. There is produced in the United States 1,777,000 long tons. The prewar consumption was about 83 pounds per individual, during the war about 75 pounds, and is at present about 92 pounds. If that is correct, about 4,520,000 long tons of sugar will be required to supply the demand in the United States. The Cuban crop is about four and a half million tons, while their local consumption is but 150,000 tons, leaving, then, 4,350,000 tons for export. From one-quarter to one-third of the Cuban crop has already been exported at the present time. Deducting that from the 4,350,000 tons, they have about 3,000,000 tons for export. If apportioned as it was in the year past, one-third to Europe and two-thirds to the United States, there is about 2,000,000 tons available in Cuba for export to the United States. Add to that the 1,777,000 tons produced in this country and we will have 3,777,000 tons, which is 742,300 tons less than is required.

It goes without saying that it is necessary for Congress to do something to relieve the situation. Although the hour is late and the administration has slept upon its right to avail itself of the opportunity, there is some possibility of saving the situation to some extent. As I have said, we add nothing to the power granted in the food-control act as it relates to sugar, and we take nothing away, but if we pass this bill there will be no excuse for not exercising the power and protecting the people of the United States and supplying them with, if not an adequate supply of sugar, at least partial relief.

Mr. MONTAGUE. Will the gentleman yield?

Mr. HAUGEN. Yes; certainly.

Mr. MONTAGUE. Does your bill carry any provision for an embargo on sugar?

Mr. HAUGEN. No. We have that under another act.

Mr. KELLY of Pennsylvania. Will the gentleman yield?

Mr. HAUGEN. Yes; certainly.

Mr. KELLY of Pennsylvania. I would like to ask the gentleman whether the House amendment continuing the equalization board takes away the zones.

Mr. HAUGEN. It does. In that respect it is identical with the Senate bill.

Mr. BANKHEAD. Will the gentleman yield?

Mr. HAUGEN. Yes.

Mr. BANKHEAD. In view of the statement made by the chairman of the committee that the total amount of sugar in sight is only about 2,000,000 tons, the statement of the gentleman from Kansas [Mr. CAMPBELL] that there are millions of tons on the wharves at New Orleans is a little inaccurate.

Mr. CAMPBELL of Kansas. If I said tons, I meant pounds.

Mr. MARTIN. If the gentleman from Iowa will yield, I want to say that there are not 5,000,000 pounds of sugar on the wharves at New Orleans. Some few months ago the British Royal Commission got the refiners to refine sugar for them, and it has since been shipped. There is no sugar there that has not been distributed.

Mr. SMITH of Michigan. I wish the gentleman would explain the discrepancy in the price of sugar in Louisiana and in Michigan.

Mr. HAUGEN. I understand the price in Louisiana is 17 to 18 cents, and in Michigan about 10 cents per pound. Mr. Speaker, I reserve the balance of my time. I will avail myself of the privilege to extend my remarks by inserting extracts from the report and hearings.

The following is quoted from the Senate report on the bill:

Agreeable to the provisions of the Food Administration act, the President by proclamation in the summer of 1918 created the Sugar Equalization Board. Presumably for the purpose of effecting freedom from personal liability, the members of the board on July 15, 1918, filed articles of incorporation in the State of Delaware and obtained

a charter under the name of United States Sugar Equalization Board, with authorized capital stock of \$5,000,000.

The powers conferred upon the corporation are to purchase, or otherwise acquire, manufacture, sell, dispose of, store, handle, and deal in raw and refined cane and beet sugar, sirups, and molasses.

The capital stock of this corporation was furnished by the President out of his emergency funds, and he holds all the shares of the capital stock of the corporation.

In the fall of 1918 the Sugar Equalization Board procured the 1919 Cuban sugar crop in order to assure to the American consumer a regular supply of sugar at a reasonable price and arranged with the beet-sugar producers of the United States and Louisiana cane-sugar producers to take their product at a compensatory price.

Of the supply of sugar purchased in Cuba, two-thirds was retained for our local requirements, and one-third went to the British Royal Commission for Great Britain, France, and Italy.

The price paid for the Cuban raw sugar was \$5.50 a hundred pounds at the northern ports and \$5.40 at the southern ports of Cuba. Agreement was had with the sugar refiners whereby sugar was refined at the cost of \$1.54 per hundred pounds, which allowed the sale of sugar on the part of the refiners at 9 cents a pound, less 38 cents per hundred pounds retained by the Sugar Equalization Board in order to permit the equalization of prices and to cover cost to administration. The result of the functioning of this board brought about stable prices to the consumer of 10 cents per pound and a fairly equitable distribution of sugar throughout the United States until about July 1, 1919, when a shortage was observed in various parts of the United States, with a tendency on the part of some to exact from the consumer an unreasonable price.

On July 29 of the present year Cuban sugar producers, through their accredited agents, made a written offer to the Sugar Equalization Board to sell the Cuban crop of sugar for 1920 "at a price moderate but compensating to the producer and well within the economic reach of the consumer."

Following the receipt of this offer the Sugar Equalization Board gave thorough consideration to the proposal of the Cuban growers, and on August 14, 1919, addressed the President by letter and memorandum recommending that negotiations be entered into for the purpose of procuring the sugar crop of 1920. The act of the board, however, was not unanimous, as Dr. F. W. Taussig submitted to the President a memorandum suggesting that no negotiations should be entered into with the Cuban producers and that the regulation and restriction of sugar prices should cease with the close of the present arrangement December 31.

Aside from acknowledging the arrival of these memoranda, no action was taken by the President, so that the Sugar Equalization Board on the 20th of September addressed another communication to the Chief Executive stating that "the time is fast approaching, if it has not arrived, when we will be unable to control the Cuban crop of sugar for the year 1919-20 unless action is taken at once."

This communication also contains the statement that a considerable tonnage of Cuban sugar had already been sold and that the board felt that unless prompt action was taken the representatives of the Cuban producers would withdraw their proposition. On September 22 the Executive Secretary acknowledged the receipt of this note. On the same day the representatives of the Cuban cane sugar producers wrote to the chairman of the Sugar Equalization Board directing his attention to their offer of July 29 to sell the Cuban crop of 1920 and observed:

"In the interval that has transpired we have awaited your answer, confidently believing that the United States Government would undertake the continued control of sugar, and every interest concerned, especially the American consumer, would experience the advantage of a stabilized market. Unfortunately the logic of the situation has not impressed the Government, or in keeping with its traditional policy—the war being over—it is thought best to permit the market to be ruled by the natural law of supply and demand. While we had hoped for a different conclusion as to the negotiations put forward by Cuba, we reluctantly accept the situation now existing and return the authority under which we are acting."

On the day following the president of the Sugar Equalization Board transmitted this letter to the President. No action having been taken by the President concerning these negotiations, the situation was called to the attention of the Senate by the junior Senator of Indiana, Mr. New, through a resolution dated October 1, 1919. A subcommittee of the Committee on Agriculture and Forestry commenced hearings on this resolution on October 3 and thereafter a bill was introduced into the Senate authorizing the President to acquire raw sugars, if the same could be had at a reasonable price, and to prohibit exportation of sugar and to license the importation, manufacture, storage, sale, and distribution of sugar during the year ending December 31, 1920.

The following is quoted from the House report on the bill:

Section 5, food-control act, of August 10, 1917, gives the President authority to license the import, manufacture, storage, or distribution of foods, including sugar. Section 10 authorized him to requisition foods, hence the administration, under the food-control and other acts, had, and still has, the authority and funds to buy and sell sugar, to license the dealers therein, and thus regulate the price and provide an adequate supply. It is unnecessary to set out that had favorable action been taken upon the recommendation of the Sugar Equalization Board of August 14, 1919, to the President; or its urgent appeal of September 20, calling attention to the fact that the time was fast approaching, if it had not already arrived, when we would be unable to control the Cuban crop of 1920, and that unless prompt action was taken the representative of the Cuban producers would withdraw their proposition, which was done; or had action been taken on these negotiations when the Cuban producers' letter was transmitted to the President the unfortunate circumstances with which we are now confronted would have been averted. Though that opportunity has passed, even now, if advantage is taken of the law, it is believed that the situation can be relieved to a large extent.

In view of the failure to take advantage of the opportunity, the inconvenience incurred to the public by the shortage of sugar and the hardship certain to follow, the continuation of the Sugar Equalization Board and the extension of sections 5 and 10 of the food-control act, in so far as they relate to sugar, seems essential. Your committee has seen fit to amend the bill by extending sections 5 and 10 of the food-control act, in so far as they relate to sugar, notwithstanding the provisions of section 24 of said act, which reads in part.

In support of the committee amendment, the following are quoted (a telegram from the chairman of the United States Sugar Equalization Board):

"Hon. G. N. HAUGEN,
Chairman House Committee on Agriculture, Washington, D. C.:

"Replying your wire 13th, the United States Sugar Equalization Board is unanimously of the opinion that without the powers of licensing, embargo, and distribution control, its continuation could not serve any useful purpose, and these powers the McNary bill fails to provide. Furthermore, the time has gone by when a considerable portion of the 1920 Cuban crop can be purchased at a reasonable price. The Equalization Board was a war measure, dealing only with last year's crop, and this has all been distributed. It has no control over domestic sugars now available in fair volume nor new Cuban sugars, which are now beginning to move.

"(Signed) GEO. A. ZABRISKIE."

Extracts from the statement of Mr. William A. Glasgow, general counsel Sugar Equalization Board, New York, made before the Committee on Agriculture and Forestry, United States Senate, Sixty-sixth Congress, first session, during the hearings on the sugar shortage:

Page 96 Mr. Glasgow states:
"You have asked me to prepare a bill setting forth certain powers, as we thought it necessary for that board to have if Congress thought it was proper to purchase the Cuban crop of sugar next year. I prepared that bill and forwarded it to you, as, in our judgment, what was necessary in case you should determine it was desirable to purchase that crop. We are not pressing that bill before Congress or before this committee.

"I do say, Mr. Chairman, on behalf of that board, that the powers in that bill are absolutely necessary to have, in our judgment, if you should decide to purchase the Cuban crop."

Page 97, further:
"Mr. GLASGOW. I can see nothing, Mr. Chairman, nor can the board see anything that can be accomplished by it in the purchase of the Cuban crop, if the sole function of the sugar board is to go there and buy it and feed it out to the refiners and they feed it out in return to the middlemen, and they feed it out in turn to the dealers for speculation in the United States. Why not? In our judgment it is better to let the speculation begin with the refiners, purchasing from Cuba, and there is no occasion whatever for the sugar board to intervene and purchase the sugar crop in Cuba and give it to the refiners and feed it to them in the proportions which may be agreed upon for them to take and speculate on—some of them perhaps might—or the men they sell to to speculate upon and the American consumer pay the bill of the speculation. If Congress thinks it is all right to let the thing go along, it is entirely satisfactory to us. But our position is that there is no useful function for the Sugar Equalization Board to accomplish unless it is for us to try to fix upon a fair and reasonable price for the purchase of the raw, and a fair and reasonable price for the refining, and a fair and reasonable price of margin to the dealer and get the sugar to the consumer at a reasonable price, outside of speculation, and a uniform price throughout the United States.

"Do I make it clear now, Mr. Chairman, as far as the license feature is concerned?"

Page 99:
"Mr. GLASGOW. I understand. Our position is certainly clear, and I want it to be made clear if I can, that if you gentlemen determine that we ought to buy this crop, give us the powers that are absolutely essential to carry it out; if you determine it is undesirable to buy this crop, then do not make the purchase and let the refiners buy if they can in the markets upon terms.

"Senator McNARY. Upon that point—and I think it very vital—if Congress simply authorized the Sugar Equalization Board, and gave it the power to acquire the balance of the Cuban crop, you would not desire to function unless you had the power of license and the power of placing embargoes?"

"Mr. GLASGOW. Absolutely. We have to control the refiners in the United States in order to accomplish any good by the purchase of that crop.

"Senator McNARY. You have operated the last two years under a license system, have you not?"

"Mr. GLASGOW. Oh, yes. We can not keep the refiners together unless we have the control.

"Senator McNARY. Has anybody complained of hardness of your control?"

"Mr. GLASGOW. No, sir."

Page 164:
"Mr. GLASGOW. We have tried it under the fair price list, which has not been satisfactory at all. Let me ask one other question; Would not your suggestion carry with it the necessity of having money enough to buy all of this sugar?"

"Let me say one other word, I do not want the license system; I am just as opposed to it as you are on every basis, but from practical experience in this matter I do not see anything but failure ahead of this equalization board without the powers; and we ask simply that unless we are given the powers, that Congress do not put the burden on this board to try to do it."

Mr. CANDLER. Mr. Speaker, I yield to the gentleman from Louisiana [Mr. MARTIN] 10 minutes.

Mr. MARTIN. Mr. Speaker, this bill is not only unnecessary, but its agitation before Congress for the past three months will be responsible for the high price of sugar that will prevail next year.

I say it is unnecessary because it does not give the President or the United States Sugar Equalization Board any more powers than they had in July of this year or than they have now.

The United States Sugar Equalization Board originated with the Food Administration and it was incorporated, with the President as the sole and only stockholder, for the purpose of buying the Cuban crop and controlling the sugar market during the year.

All of the powers of the board are derived from the Lever Act, and this act is still in full force and effect to-day. In July

of the present year the Cuban sugar producers wrote the equalization board that they were again prepared to sell this Government their entire Cuban crop if this Government desired to purchase it.

The board held a meeting and on August 14 addressed a letter to the President inclosing the Cuban offer and recommending that the Cuban crop be purchased. Mr. Taussig, a member of the equalization board, dissented from the views of a majority of the board, in a separate memorandum, recommending that governmental control should be relinquished, and stating that if the price of sugar was to be specifically controlled, so should that of bread, meat, and clothing.

The Secretary to the President acknowledged receipt of these communications, stating that they would be brought to the attention of the President.

On September 20 the equalization board again wrote to the President directing his attention to their first communication and stating that unless action was taken at once they would be unable to purchase the Cuban crop.

Receipt of this letter was also acknowledged by the Secretary to the President, but no action was taken by the President himself. On September 22 the Cuban producers withdrew their offer to sell, and on the following day the board wrote the President, stating that the situation was out of hand and that he had, therefore, advised the American sugar refineries as to conditions so that they might purchase raw sugars as per prewar times.

I think it follows from this statement of facts either that the matter was not laid before the President or that if it was he took the advice of Prof. Taussig.

Some definite action with respect to the Cuban crop should have been taken at that time, because the Cubans were then willing to sell their sugars at from 6½ to 7 cents per pound, and not only could the equalization board have purchased the crop at those figures, but the refiners could have purchased it at the same figures had they known what the policy of the Government would be.

The refiners would have entered the Cuban market after they had been notified by the equalization board on September 20 that they were at liberty to do so, if the agitation in Congress had not immediately followed.

On October 3 the agricultural committee of the Senate began its hearings on the New resolution, which was introduced on September 27 and which resulted in the McNary bill. If this bill had not been introduced, the sugar refiners of this country could and would have purchased the Cuban crop at the same figure as could the equalization board, but with this bill pending, the refiners kept out of the market, waiting to see what the policy of this Government would be. While the refiners kept out of the market, foreign Governments did not, and as a consequence the price of Cuban sugar has been going up, until now it is doubtful whether the Cuban crop can be purchased at 10 cents per pound.

But, Mr. Speaker, the fact that this Government may have adopted a vacillating policy with reference to the Cuban crop is no good reason why a penalty should be visited on the domestic producers of sugar. It is no reason why they should be selected as the one industry in this country that should be controlled and placed under license. It is no reason why it should be selected as the one and only farm product that during the coming year will not have a free and open market.

The sugar producers of this country have never objected to the purchase of the Cuban crop, but on the contrary they have urged it, and yet because this Government failed to purchase the Cuban crop or to give the refiners of this country a free hand to purchase it you now say under the provisions of this bill that you propose to handicap, embarrass, and discourage the domestic producers. I do not believe that this Congress appreciates what this license feature means.

It means that a pound of sugar can not be produced in this country until the producer has first obtained a license from the equalization board. It means that after he has made it it must lie up in some warehouse until he has been told by the board to whom he can sell it or ship it. It means that the man who makes sirup and molasses on his farm, whether from cane or sorghum, must likewise secure a license before he makes it or ships and disposes of it. It means that after it leaves the hands of the producers and goes into the hands of the wholesaler that he too must secure a license and that he must dispose of it according to instructions from the equalization board.

Mr. Speaker, the licensing feature in this bill is entirely unnecessary. If it is not too late, the Cuban crop should be purchased, refined in this country, and distributed to the consumers at the lowest possible figure. This can be done with-

out in any way interfering, tampering with, or discouraging the domestic industry.

The price of Cuban sugars has always controlled the market in this country, and the purchase of the Cuban crop either by the Government or by the refineries will fix the price of sugar in the United States and at the same time guarantee an adequate supply of sugar to the American people.

The Cuban crop for 1920 is estimated at.....	Tons.
The local consumption in Cuba amounts to.....	4,500,000
	150,000

Thus leaving for export.....	4,350,000
Mr. Zabriskie, the president of the United States Sugar Equalization Board, stated before the Senate committee that about one-fourth of this crop had been sold partly to European countries and in part to American refiners; deducting this one-fourth.....	1,087,500

We have in Cuba, still remaining for export.....	3,262,500
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The Government estimates of the domestic sugar crop of the United States and its possessions are as follows:

	Short tons.
Beet crop, United States.....	953,000
Louisiana cane crop.....	138,000
Hawaiian cane crop.....	600,000
Porto Rican cane crop.....	300,000

Total.....	1,991,000
Reduced to long tons this domestic crop would be.....	1,777,700
Adding Cuban crop, now available for purchase and export.....	3,262,500

Leaves a total for distribution in this country of.....	5,040,200
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(To this may be added such portion of the Cuban crop as has already been purchased by refiners in this country, and also such portion of the Philippine crop as may be brought to this country.)

The estimated consumption of sugar in this country for the current year amounts to about.....	4,260,000
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Thus leaving a surplus of.....	780,200
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By the mere purchase, therefore, of the remaining unsold portion of the Cuban crop, either by the refineries or by the United States Sugar Equalization Board, this country will have an adequate supply of sugar and the Cuban price will control in our markets as it has always done.

The present scarcity of sugar is only temporary. It was brought about by the longshoremen strike, which tied up more than 100,000 tons of sugar in the Atlantic ports and put out of commission many ships engaged in this trade. This caused our refineries to shut down for several weeks because of the want of raw material.

This strike has been settled, the seaboard refineries are now running day and night, and, besides, the domestic beet sugars are now being placed upon the market.

The Cuban crop begins to move about January 1, and it is only a question of a week or 10 days when this country will have an ample supply of sugar, and the present famine will be relieved.

Mr. Speaker, if this great war has taught one lesson that the American people should take to heart it is that it is only by the encouragement of our own industries that we can ever hope to become independent of the world.

It is but poor encouragement to the cane and beet producers of this country to say to them: "You can raise cane and beets, but before you can convert it into sugar you must first get a license from the Government. And after you have made it into sugar you can not dispose of it as you see fit, but you must dispose of it in such manner as may be directed by a board, known as the United States Sugar Equalization Board. This board will tell you not only when, where, and to whom this sugar shall be shipped, but it will also relieve you of the trouble of fixing a price on your sugar. You shall sell your sugar in such manner and for such price as the equalization board may determine, and if you make any money well and good, but if you lose money and go bankrupt, well, we are sorry, but Uncle Sam has himself gone into the wholesale sugar business, and he will not stand for competition."

This policy of the Government will not tend to encourage and increase the production of sugar in this country, but will tend to demoralize the industry.

The Cubans, who by the way are not under license, will be glad to dispose of their crop in bulk and at a fair price, and the seaboard refiners will be glad to refine these sugars at 2 cents a pound as against 0.6 of a cent a pound before the war.

But the domestic producer is told that he is now put in the class with distillers of whisky, and he must now secure a license before he can even engage in the manufacture of sugar, sirup, or molasses.

Mr. Speaker, there was some excuse for control during the war, but this excuse no longer exists, and I can not believe that this Congress is prepared to single out one great industry in this country for governmental control.

To do this is unfair, unjust, and un-American. [Applause.]

Mr. SMITH of Michigan. I wish the gentleman would state what the reason is for the discrepancy in the price of sugar in Louisiana and the State of Michigan.

Mr. MARTIN. If the gentleman will give me time I will try and make it clear. The situation in Louisiana is this: Our normal crop is 300,000 tons. This year we will make less than 100,000 tons. In other words, we have about 25 per cent of a normal crop. Just at the time that this crop came upon the market there was a shortage of sugar in this country, a great scarcity, brought about by the longshoremen's strike, and when we began to harvest our crop people from all sections of the country rushed to Louisiana to buy sugar. They were willing to buy it at any price that we fixed. We had but to name the price. Many of them were offered 25 to 27 cents a pound for their sugar. This matter was brought to the attention of the Attorney General, and he wrote to the United States District Attorney in New Orleans that if any one attempted to sell sugar at any such price he should be prosecuted for profiteering.

The SPEAKER. The time of the gentleman from Louisiana has again expired.

Mr. SNELL. Mr. Speaker, I ask unanimous consent to have the time for the discussion of this sugar proposition extended 10 minutes on a side. It is one of the most important questions that has come before us, and I think we should have time to get information in respect to it.

The SPEAKER. The gentleman from New York asks unanimous consent that the time for debate be extended 10 minutes on each side. Is there objection?

Mr. WINGO. Mr. Speaker, reserving the right to object, 10 minutes is not enough. Most of the Members of the House are in just the position that I am. They have conflicting reports in respect to the matter, and I think the House ought not to act hurriedly. I hope the gentleman from New York will make his request 20 minutes on a side.

Mr. SNELL. Then, Mr. Speaker, I renew my request and made it 20 minutes on a side.

The SPEAKER. The gentleman from New York asks unanimous consent that the time for debate be extended 20 minutes on a side. Is there objection?

Mr. GARD. Mr. Speaker, is there any request for time on either side to take up this additional time?

Mr. CANDLER. Mr. Speaker, I have requests for additional time.

The SPEAKER. Is there objection? [After a pause.] The Chair hears none. The gentleman from Iowa has 28 minutes remaining and the gentleman from Mississippi has 28 minutes remaining.

Mr. SNELL. Mr. Speaker, will the gentleman from Louisiana yield for a question?

The SPEAKER. The gentleman from Mississippi has control of the time, not the gentleman from Louisiana.

Mr. CANDLER. Mr. Speaker, I yield the gentleman from Louisiana three minutes more.

Mr. HAUGEN. Mr. Speaker, I yield the gentleman three minutes.

Mr. SNELL. Mr. Speaker, will the gentleman yield now?

Mr. MARTIN. The gentleman from Michigan [Mr. SMITH] asked me a question, and I want to answer that. As I was stating when I was interrupted, this situation was brought to the attention of the Attorney General. He, in turn, instructed the United States district attorney of New Orleans that if any one attempted to sell sugar at any such price he should be prosecuted as a profiteer, or rather he should be called before him and made to explain why he had sold sugar at any such figure, and if the explanation was not satisfactory he should be prosecuted. The two United States Senators from Louisiana and myself heard of this and we went down to see the Attorney General. We asked him if this report was true and he stated it was. He showed us the letter that he had addressed to the United States district attorney. We protested, first, because under the Lever Act all farm products were exempt, and we believed that sugar was a farm product. The United States Attorney General stated that he did not agree with us; that he thought that sugar was a manufactured product. I believe his ruling to be erroneous, but we further said to him that "even admitting what you say is true, that we are manufacturers and not farmers, then you can not convict anyone in Louisiana for the simple reason that a man who sells his sugar for 25 cents a pound, with only 25 per cent of a crop, can not make any money, and if he makes no profit he can not be prosecuted for profiteering." The Attorney General saw the force of this argument, but stated that in view of the fact that he was receiving so many protests from the Southern States against this

price of sugar he felt he had to take some action in order to get the price of sugar reduced in Louisiana.

Mr. SNELL. Mr. Speaker, will the gentleman yield now?

Mr. MARTIN. I have not yet gotten through with this answer. I shall be glad to yield when I am through. It was then suggested that as he had a United States district attorney in New Orleans, who lived near the sugar district, that that United States district attorney and the producers in that State should get together and make some agreement whereby there would not be any charge of profiteering in Louisiana in respect to the sale of sugar. That was done. The United States district attorney met with the sugar producers of Louisiana. The producers laid the facts before him. He had the assistance of two ex-Senators from Louisiana. The producers showed him the size of the crop and what it had cost them to produce it, and after going over all of the facts and figures they came to the conclusion that any man in the State of Louisiana who sold sugar at a price not exceeding 17 cents a pound would not be profiteering, and that a great majority of them at that price would lose money. The sugar producers of Louisiana then voluntarily agreed that they would not sell any sugar in that State at more than 17 cents a pound for clarified sugar and 18 cents a pound for refined sugar.

The district attorney stated that if they did not he was going to call them before him to show cause why they should not be held as profiteers.

Mr. SMITH of Michigan. Was there anything said in the consideration of the sugar question about the low price in Michigan as to how it happened they could sell in Michigan at 7 and 8 cents where it was selling, say, in Louisiana at 17 cents?

Mr. MARTIN. I do not know, but I am informed that at 10 or 11 cents in Michigan you are making more money than at 17 in Louisiana, because we are not making any.

Mr. DUPRÉ. In view of that fact, is it not a fact that a great many sugar producers have been selling a large part of their crop at less than that?

Mr. MARTIN. Yes.

Mr. DUPRÉ. Does not the gentleman know some have been doing that?

Mr. MARTIN. Yes; I have sold some myself.

Mr. SNELL. Will the gentleman yield?

Mr. MARTIN. I will.

Mr. SNELL. I understood the gentleman in his remarks to say as one of the reasons why they did not want this extension granted that about the first of January there would be plenty of sugar for all. What facts has the gentleman to place before the House to substantiate that statement? That is the thing we are specially interested in.

Mr. MARTIN. I will give them to the gentleman.

Mr. DALLINGER. While the gentleman is waiting for his figures may I ask him this question? I would like to ask the gentleman from Louisiana whether or not he is in favor of so much of this bill, that part of this bill down to the proviso on page 5 which I understand authorizes the purchase of this Cuban crop?

Mr. MARTIN. Yes, I am. I have no objection, and I stated in my remarks that I have no objection.

Mr. DALLINGER. If the gentleman will yield for a further question. With the licensing provision embodied in section 5 of the Food Control Act reenacted in this bill as proposed by the House Committee on Agriculture, whether or not that would not give the Sugar Equalization Board and the President the right to control exports of refined sugar from the United States?

Mr. MARTIN. Yes.

Mr. LONGWORTH. Will the gentleman yield for a brief question?

Mr. MARTIN. I will.

Mr. LONGWORTH. If I understood the gentleman correctly he said the price of sugar in Louisiana was regulated by the price of sugar in Cuba?

Mr. MARTIN. I said the price of sugar all over the country was regulated by the Cuban price.

Mr. LONGWORTH. Then what difference would the volume of the production in Louisiana have one way or the other?

Mr. MARTIN. It has very little.

Mr. LONGWORTH. The gentleman speaks—

The SPEAKER. The time of the gentleman has expired.

Mr. MARTIN. I ask permission to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Louisiana? [After a pause.] The Chair hears none.

Mr. CANDLER. I yield five minutes to the gentleman from Missouri [Mr. RUBEY].

Mr. RUBEY. Mr. Speaker, in the five minutes allotted to me I want to call the attention of the House to the Senate bill and to the amendments offered to that bill by the Committee on Agriculture, and I will say that this is a unanimous report from our committee. There was no division in the committee in regard to this bill. We felt that it ought to be passed. This bill is Senate bill 3284, and if the Members of the House have not copies of this bill, if you will look on page 359 of the Record of December 10 you will find the bill set out, with the exception that an amendment was adopted in the Senate that is not there printed. Now, the first amendment, and the main one, by the Committee on Agriculture is found on page 2 of the Senate bill, wherein the Senate repeals the provision of the food-control bill providing for the licensing feature. Now, here is the difference between the House committee and the Senate in regard to this bill: The Senate gave authority to the Sugar Equalization Board to buy the Cuban sugar; it then repeals the licensing feature and does not give the Sugar Equalization Board the authority and the right to control the sugar after it has been purchased. The Committee on Agriculture felt that the control of the sugar should remain in the hands of this Sugar Equalization Board, and therefore they not only struck out the provisions repealing the licensing feature, but they reinserted it affirmatively in the bill and provided that the Sugar Equalization Board should use the licensing feature of the food-control act during the life of this act. The object of that is simply this: If we go to Cuba and buy 3,000,000 tons of sugar and bring it into the United States and sell it through the refineries and the wholesale dealers and do not in some way control them in the price that they shall make to the retailers and the retailers to the consumers, why, the price of sugar will go sky-high. We are simply bringing in here 3,000,000 tons of sugar upon which the dealers in sugar throughout the country can profiteer for the next 9 or 10 months. Now, then, we felt that with this provision in the bill and this safeguard thrown around it, that we can afford to authorize the Sugar Equalization Board to purchase this sugar.

Now, again: We retain in the bill the Senate provision which says that the provisions of this act shall expire as to domestic sugar on September 30, 1920. That is left in the bill. We leave in the Senate bill the last provision of the bill relating to the doing away with the zone system. That is prohibited, and in that regard the House committee and the Senate are in full accord.

So those are the provisions, Mr. Speaker, of the bill as it is presented here to the House this afternoon for consideration.

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

Mr. RUBEY. I will.

Mr. WELLING. I came in since the discussion began. I would like to know if it is true that the Department of Justice has authorized the sale of the Louisiana crop at a price of from 17 to 25 cents a pound?

The SPEAKER. The time of the gentleman from Missouri has expired.

Mr. RUBEY. That has already been explained on the floor of the House, I will say to the gentleman.

Mr. HAUGEN. Mr. Chairman, I yield to the gentleman from Michigan [Mr. McLAUGHLIN] eight minutes.

Mr. McLAUGHLIN of Michigan. Mr. Speaker, I shall say little, if anything, in regard to the sugar situation in the country. I think it is pretty well understood, and I believe everyone present realizes that something should be done respecting it.

As far as I am concerned, and as far as I know the opinions of others, what we are offering by this bill does not promise very much, because we are really offering nothing that is not now statute law. We are giving the President no authority that he has not had for more than two years; the authority he has had under the act of August 10, 1917. This bill, Mr. Speaker, is simply a suggestion to the President, a sort of polite request to him, to exercise the authority which up to this time he has failed to exercise. The bill reads:

The President is authorized to continue.

The Senate bill, as it was drafted, had the word "directed"—

That the President is authorized and directed.

The word "directed" was stricken out. I understand the President of the United States is never "directed" to do anything. He is "authorized" and "permitted" to do so-and-so, as Congress may determine or wish to suggest.

Now, as the gentleman from Iowa [Mr. HAUGEN] and the gentleman from Missouri [Mr. RUBEY] have said, this bill is like the Senate bill, with one exception. The first portion of it is a suggestion to the President that he act; that he use the authority,

which up to this time he has failed to use, to put into action the Sugar Equalization Board, that it may purchase sugar and distribute it throughout the country. The bill before us, offered by the House committee, differs from the Senate in this, that the Senate bill has a provision which refuses permission to the President to exercise the power carried in section 5 of the food-control act. That is the section which carries the licensing provisions.

If the bill should pass as it came from the Senate, and the President should assume to act under the rest of the bill, he would not be able to use or permit the Sugar Equalization Board to use the licensing feature of the food-control act. The House committee believes that if anything is to be accomplished under this bill; if the President should finally, ultimately, some day be induced to act, little, if anything, can be done unless he be permitted to invoke the power conferred upon him by section 5, to license the manufacturers, dealers, and distributors of sugar.

Mr. LUCE. Mr. Speaker—

Mr. McLAUGHLIN of Michigan. Pardon me until I finish my statement. We believe that any good work that can possibly be done must be done under the licensing feature. And the Committee on Agriculture recommends that it not only shall not be repealed, as the Senate bill provides, but that its life shall be extended, that the section shall not be permitted to die with the proclamation of peace. Our bill extends the life of the section to December 31, 1920.

Mr. LUCE. I have in my hand the annual report of the American Sugar Refining Co. for 1918, in which the statement is made in effect that the licensing feature of this board in 1918 did not reduce the consumption of sugar. The only effect, so far as it appears, was to produce great hardship in certain parts of the country, and increase consumption in other parts of the country that had not previously consumed the maximum. Will the gentleman point out where the continuance of the life of this board will result in anything else except the repetition of the hardship and injury caused by the existence of the board for two years?

Mr. McLAUGHLIN of Michigan. I think with the existing and threatened shortage of sugar, and the fact that in one part of the country the price of 9 cents a pound prevails, in another part 10½ cents, and in still another part 17 cents, there should be some authority in the equalization board to control the sugar business even to the extent of controlling prices, as it will be able to do under the licensing system.

The members of the equalization board have evidently changed their minds since making the report from which the gentleman from Massachusetts quotes, because they told the Senate committee that this act would be of no value unless they were permitted to work under the licensing section of the food-control act, and the chairman of the Committee on Agriculture of the House received a telegram from the president or chairman of the equalization board telling him that the passage of this bill would produce little, if any, good unless the board were permitted to operate under section 5 of the food-control act.

Mr. SNELL. Mr. Speaker, will the gentleman yield for just a question?

Mr. McLAUGHLIN of Michigan. In just a moment. This amendment of the Committee on Agriculture of the House would extend also the life of section 10 of the food-control act, which is the commandeering section, by which the President of the United States in an emergency is permitted to commandeer sugar and other food products and to provide for their distribution. We think it is proper to continue that and not let it die with the proclamation of peace, which may come before the 31st of December, 1920.

Mr. Speaker, we have put these amendments into the bill so that the power of the present law, the teeth of the present law, may be retained to give the President and the equalization board all possible authority, or in this way urge upon their attention that they have this authority, so that there will be no excuse in the future for the inaction that they have been guilty of up to this time. They have been talking about lack of authority. They have come before Congress and asked for something that they already have. We are giving them all they ask for, and more, so that if nothing is done the fault will lie with them and not with us.

As I say, I do not look for every much good to come of this because of the failure and refusal of the administration to act up to this time. But we are by this bill practically reenacting a statute which has been on the books for more than two years, giving them and continuing to them all the power they ask, and more, and if nothing is done from this time on, the fault will not lie with Congress. [Applause.]

Mr. LONGWORTH. Mr. Speaker, will the gentleman yield?

Mr. McLAUGHLIN of Michigan. Yes.

Mr. LONGWORTH. It is the opinion of the gentleman and his committee that if the President does have large powers under this act the price of sugar will not be unduly enhanced?

Mr. McLAUGHLIN of Michigan. It gives the President, under the Sugar Equalization Board, authority to control the manufacture, distribution, and use of sugar, and under that power the prices can be controlled. If a license is issued, it can contain all kinds of conditions, to the effect that the sugar will be sold in such and such a way, in such and such quantity, for such and such prices. Under that power, if it is exercised, the price can be controlled.

Mr. SMITH of Michigan. They have that authority to-day.

The SPEAKER. The time of the gentleman from Michigan has expired.

Mr. HAUGEN. Mr. Speaker, I yield four minutes to the gentleman from Kansas [Mr. TINCHER].

The SPEAKER. The gentleman from Kansas is recognized for four minutes.

Mr. TINCHER. Mr. Speaker and gentlemen of the House, I think this bill should pass, although it only accomplishes one thing, and that would be to bring about the purchase by this board of the Cuban sugar.

Last August seven members of this board out of eight began to persist with the President in the attempt to procure his authority to purchase the Cuban sugar. But, true to form, the President listened to one member out of eight—he evidently did; and, in another way true to form, he has pursued the “watchful-waiting” policy to such an extent that he has not to-day answered the request of the seven members of the Sugar Board. If any board up to that time had deserved the gratitude of the people of the United States for the way they had handled the war measures, in my judgment it was the Sugar Board. Everybody knows that there had not been an increase in the price of sugar up to that date, as there had been on other articles, and the board had accumulated \$30,000,000 in the Treasury and had not worked a hardship on anyone.

Mr. Speaker, I want in this brief time to answer one other proposition that has been advanced here, so that no Member will misunderstand. The Department of Justice has no authority to fix the price of sugar anywhere. The Department of Justice under the food-control law had the authority, and it was its duty, to prosecute profiteering, and there is nothing unusual and nothing strange about the fact that the Attorney General of the United States has said to the people of Louisiana who produce sugar, “You can charge 17 cents and not be profiteers,” and at the same time has said to the people of Kansas who produce sugar, “You can charge only 11 cents, and if you charge more you will be profiteers.”

I say there is nothing strange in the administration's attitude on that question. But this committee is inserting the license clause in the bill, so that the board, if permitted to function, can go ahead and control the price of sugar fairly and equitably in the United States, and will not have to be dependent on the Department of Justice to prosecute profiteers in order to control the price of sugar. I want to say to the membership of this House that in every instance where we have depended upon the Department of Justice to control prices by enforcing the antiprofitteering law it has been an absolute failure. I beg of you to pass this bill as the committee reported it to you. [Applause.]

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

Mr. TINCHER. I would yield, but my time has expired.

Mr. HAUGEN. I yield one minute to the gentleman from New York [Mr. SNELL].

Mr. SNELL. Mr. Speaker, what I am interested to find out with regard to this licensing system is this: As I understand, you are going to extend the present licensing system. Under that system the man who wants to go to the corner grocery and buy two or three pounds of sugar for his family can not get it, because the grocer can not buy it and sell it at the price that the committee say he must pay; but the manufacturer can go into the field and buy any number of tons to manufacture candy or something else. What I want to have put into this law is something that will protect the family and the domestic use of sugar.

Mr. HAUGEN. The board has the power now. The fact that it has not exercised it is up to the board, of course.

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

Mr. HAUGEN. All my time is allotted. I yield three minutes to the gentleman from Massachusetts [Mr. DALLINGER].

Mr. MADDEN. Mr. Speaker, will the gentleman from Massachusetts [Mr. DALLINGER] yield to me for a question?

Mr. DALLINGER. I have only three minutes.

Mr. MADDEN. I will not take over a half a minute.

Mr. DALLINGER. What is the gentleman's question?

Mr. MADDEN. Does the gentleman believe we ought to license the people who have to deal in sugar?

Mr. DALLINGER. I will explain that.

Mr. MADDEN. I want to say that I do not, and I think it is the most iniquitous thing that we could undertake to do.

Mr. DALLINGER. On October 16 I introduced a bill (H. R. 9976) to prohibit the exportation of sugar from the United States or from any place subject to its jurisdiction for the period of six months. This bill, which was designed to meet an emergency, was referred to the Committee on Interstate and Foreign Commerce. The first hearing on the bill was to-day, and the further consideration of this and other sugar bills was continued until Friday, so that apparently nothing will be done before the Christmas recess in the way of compulsory legislation by Congress stopping sugar going out of the country.

Now, what are the facts in regard to the sugar situation in the United States?

SUMMARY OF THE FACTS IN REGARD TO SUGAR.

During the first four or five months of the year 1919 it seemed probable that the United States would have plenty of sugar. The Sugar Equalization Board itself sold 150,000 tons for export, and they permitted sugar refiners to accept export orders for sugar.

During the latter part of May and the month of June, however, the situation changed completely. By July 1 it became apparent that the world's sugar production would be short 2,000,000 tons. Accordingly the equalization board ordered the refiners to stop accepting orders for export, and also borrowed 50,000 tons of sugar which had been allotted to the British commission with the expectation that it could be paid back later.

On August 1 the Sugar Equalization Board made the following recommendations: First, that the board be given the power to license all sugar dealers, together with the power to examine their books; second, that the board be given the power of distribution and rationing; and, third, that the board be given the power to prohibit the exportation of sugar—that is, to put in force an embargo. I understand from the equalization board that these recommendations were referred by the President to the Secretary of Agriculture, who, on the advice of so-called experts, decided to take no action in the matter.

On August 14 the Sugar Equalization Board advised the President that the Cuban commissioners had offered to the American Government the entire Cuban sugar crop for the year 1920, the average price at that time being about 6½ cents per pound, and called attention to the fact that the Cuban commission should be advised at an early date as to whether our Government proposed to consider this offer. Not receiving any reply from this communication, on September 20, 1919, the Sugar Equalization Board called the President's attention to the fact that unless some action was taken at once it would be impossible for the United States to control the Cuban sugar crop for the year 1920. If the President had heeded these communications of the Sugar Equalization Board and given his assent to the purchase of the Cuban sugar crop, the present situation would not have arisen.

THE PRESENT SITUATION.

The sugar situation at the present time in many parts of the country is very acute, and immediate action should be taken by Congress.

From January 1 to November 1 the total exportations of sugar from the United States amounted to 1,246,869,413 pounds, making a monthly average of 124,686,941 pounds, which would be 1½ pounds a month for every man, woman, and child in the United States. In addition to this, 22,000,000 pounds in the warehouses of the American Expeditionary Forces at the time of the armistice were sold by order of the Secretary of War to the French Government at an average price of 2½ cents per pound.

The prohibition of further export orders by the Sugar Equalization Board has not prevented the sugar refiners from continuing to fill export orders already on their books, and, more important still, it has not prevented and is not preventing the export of resale sugar. For instance, a broker in New York has been and still is as free to buy sugar for a consumer in London as for a consumer in Chicago. After it leaves the refinery there is no means of tracing where the sugar goes, as it may be resold from broker to broker. In the month of October over 9,000 tons of this resale sugar was exported from the United States.

According to the Sugar Equalization Board, the wholesalers, instead of supplying their retail trade so that the family sugar bowl can be kept replenished, have been selling their stocks at high prices to confectioners, condensed-milk manufacturers,

chocolate manufacturers, manufacturers of preserves, and a large part of the finished product has been and still is being exported.

I am aware that men engaged in the sugar business are very likely to treat a lot of 1,000 tons of sugar as practically negligible. From the point of view of the American consumer, however, it should be borne in mind that 1,000 tons means that 1,000,000 housewives who are to-day asking for 2 pounds of sugar to fill the family sugar bowl will be able to get it. A lot of 50,000 tons, which was the amount borrowed by the Sugar Equalization Board from the British supply, would furnish 2 pounds apiece to 50,000,000 American citizens.

Mr. Speaker, such in brief are the facts in the case. The present situation is serious. Sugar and sugar products are going out of the country. An emergency exists and nothing is being done. Personally I would like to see Congress pass an embargo bill even if it was only for 60 days, to stop sugar from going out of this country. [Applause.] I believe that the American people would like to see such a bill passed. [Applause.]

But it seems impossible to secure the passage of a separate sugar embargo bill in time to do any good. Therefore as long as this bill is here and has been amended by the Committee on Agriculture so as to give some governmental agency the power to prohibit further exports of sugar, and there is a strong probability that it may become a law, I shall vote for it. I am frank to say, however, that I would like to see an amendment adopted giving to the Sugar Equalization Board the power to regulate and prohibit exports regardless of the President, or I would like to see an amendment to the first section adopted adding the words "and directed," so that the section as amended would read "the President is authorized and directed," and so forth. Nevertheless, I recognize that under suspension of the rules no amendment is permissible at this time and that this bill must pass just as it comes from the hands of the committee or not at all. Inasmuch, however, as this is the only chance we have of securing legislation to stop sugar going out of the country and to furnish the American consumer with an adequate supply of sugar at a reasonable price, I am in favor of this bill and trust that it will pass.

Mr. CANDLER. I yield one minute to the gentleman from Missouri [Mr. RUBEY].

Mr. RUBEY. Mr. Speaker, I am in entire sympathy with the views expressed by the gentleman that this bill, with the licensing provision as we have brought it in here, will, indirectly at least, control the export situation. The Sugar Equalization Board, through the licensing power, can absolutely control the exports of the 3,000,000 tons of sugar that they are to bring in here from Cuba.

By unanimous consent Mr. DALLINGER, Mr. TINCHER, and Mr. HAUGEN were given leave to revise and extend their remarks in the RECORD.

Mr. HAUGEN. I yield three minutes to the gentleman from Pennsylvania [Mr. KELLY].

Mr. KELLY of Pennsylvania. Mr. Speaker and gentlemen, I desire to congratulate this Committee on Agriculture on having performed a real public service in bringing this measure before the House. The question involved is one which concerns every household in America, and immediate action is necessary if we are to prevent great hardship being inflicted upon the people.

No more gigantic opportunity to exploit the public need could be imagined than that which will be offered to profiteers if no action is taken. The average annual consumption of sugar in this country is 8,000,000,000 pounds. If gamblers and speculators can manipulate the price a single additional cent, they will take \$80,000,000 out of the pockets of the American people. If they can, through their juggling tactics, increase the price 10 cents a pound, they will add \$800,000,000 to the food bill of this country.

Will they do it? I sincerely believe that if this measure is not passed and if all restrictions are removed on January 1, as will be done if no action is taken by Congress, the price of sugar will be around 30 cents a pound by March 1, and a new crop of millionaires will be made at the expense of the people of America.

The United States Sugar Equalization Board has made grave mistakes, it is true. I have been in almost daily touch with that board for the past three months and have followed its work closely. During the war period it acted wisely, and I believe its regulation and control of sugar kept the price down to a very considerable degree.

Then came the opportunity for the board to purchase the Cuban crop at a price of about 6½ cents a pound. The question was put up to the President, with favorable recommendation

on the part of seven members and a dissenting opinion by one member. Apparently the President followed the solitary adviser; at least, he failed to request that the crop be purchased by the board, and the opportunity was lost.

That was a serious mistake, and its results will be measured in terms of dollars and cents in every home in America during the coming year.

Another mistake was the zoning system put into operation by the board. They arbitrarily established zones and ordered that certain kinds of sugar be used wholly to supply great districts, without regard to the actual relation of the production of such sugars to the needs of the districts.

For instance, the Pittsburgh district was put within the eastern zone and was ordered to secure its supply from eastern refiners. Shortly after this order went into effect I was deluged with complaints from dealers in the Pittsburgh district who were unable to get sugar. I took it up at once with the board and was promised that Pittsburgh would get exactly the same quantity as was received during the last four months of 1918.

Everybody was satisfied, because it was assumed that the promise meant that the same amount would be received as was received from all sources. But when I found that only a small fraction of the actual amount was being received and called upon the equalization board for action, I learned that it was planning to ship only the same amount from eastern refineries, regardless of the fact that three-fourths of the supply for Pittsburgh came last year from the beet-sugar refineries of the West. It was only after repeated efforts and long delay that I was able to secure an allotment of beet sugar for Pittsburgh, while other districts in the beet-sugar zone had an oversupply.

Now, Mr. Speaker, this measure before us abolishes the zone system in distribution and will end that mistaken policy. I believe it will also compel action in the purchase of that part of the Cuban crop which remains, even though the price paid must of necessity be much greater than was required last August.

The House Committee on Agriculture has also amended the Senate bill by providing that sections 5 and 10 of the food-control act shall be in effect as applied to sugar. These are licensing and requisitioning features, and without them this measure would be of little practical value. If the Cuban crop were purchased and brought to this country and the refiners were left to act without restrictions, the public would gain nothing. There would simply be an open invitation to all to profiteer to their hearts' content.

I appeared before the Agriculture Committee to urge the insertion of the licensing feature because I want to see some real benefits come from this legislation. It is easy to talk in aphorisms, as we have heard here to-day, and to proclaim that the "free play of the law of supply and demand" will solve such a problem. That famous old law of "supply and demand" has been nullified by profiteers in food products. They have locked up the supply in warehouses and storehouses; they have exported great quantities overseas and kept it from the people of this country. The supply, manipulated in such fashion, does not affect the price and neither does the demand from hungry people. Since the law of "supply and demand" is being nullified, it is better to have it done by the Government, representing all the people, than by the profiteers, exploiting all the people.

Mr. Speaker, it is high time to take drastic steps to end the activities of black-flag profiteers in the necessities of life. They are as dangerous in their defiance of law and fundamental Americanism as are the red radicals who preach violent overthrow of this Government. Both despise the law and both would establish minority rule.

Without the passage of this measure there will be unbridled profiteering and unlimited gambling in sugar next year. We can prevent that by licensing every man that deals in sugar and making sure that unjust, unreasonable, and discriminatory prices and practices are not indulged in. This measure is drastic, but it is necessary. It is broad enough to cover, I believe, the diverting of great quantities of sugar, needed by the people on their own tables, to candy manufacturers and soft-drink makers, whose products are luxuries, for which high prices can be secured. The conditions make such an act as this necessary, and it should pass this House by a unanimous vote.

Mr. CANDLER. I yield five minutes to the gentleman from Maryland [Mr. BENSON].

Mr. BENSON. Mr. Speaker, were it not for the fact that this bill has been brought in under a suspension of the rules, thereby making it impossible to amend, I would offer an amendment to the bill that would, to my mind, prevent the distribution of

sugar in such a way as has in the past caused much complaint from those who desire sugar for domestic use. The amendment I had prepared reads as follows:

Provided, That in the distribution of sugar the reasonable necessities of wholesale grocers supplying retail grocers be given preference.

I venture to hope that the conference committee will consider the wisdom of incorporating in the bill a provision that will bring about the result I had hoped to attain by the passage of such an amendment.

I have been in correspondence by mail for over two months with the Sugar Equalization Board. In addition to this, I have sent the board several telegrams and communicated with Mr. H. K. Hall, an assistant to Mr. Lowry, over the telephone, this last-named method being the only way I could get a reply during the past 10 days, as replies to my letters of December 6 and 13 and my telegram of December 6 have not been received. I appealed to Mr. Hall over the telephone to permit the Federal fair-price commissioner at Baltimore to distribute eight carloads of sugar that had been there for more than a week and had not been distributed by the board. He said it could not be done in that way, but would have to go through the regular route. I insisted that something be done to get this sugar to the people, and Mr. Hall replied, "Mr. BENSON, you must recognize that we own that sugar." I said, "Who are we?" He replied, "The equalization board." I asked him who owned the stock in the equalization board, and his reply was, "The President of the United States." I then told Mr. Hall that I considered it a great piece of impertinence for him, an employee of the equalization board, to say that "We, the equalization board, own this sugar, and that therefore we are going to distribute it as we say."

When people in New York attempt to distribute sugar to consumers in Baltimore, and they allot 827 bags to the Coca-Cola Co., 525 bags to George Bloom & Sons, 248 bags to Guth Chocolate Co., 600 bags to Lauer & Suter Co., 1,950 bags to Stewart, Son & Co., 100 bags to Headley Chocolate Co., and similar amounts to other candy and soft-drink manufacturers, and allot 292 bags to J. A. Edmondson and 50 bags to H. Pfeil Co., two houses that have gone out of business, while they allot to the Grocers' Service Bureau, a large corporation, having approximately 850 retail grocers to supply, only 25 bags, I say that that is an experience in distribution that does not work out well.

Mr. MARTIN. Who made that distribution?

Mr. BENSON. The equalization board in New York. I have appealed to the board to distribute the sugar that was allotted to the two firms in Baltimore that have gone out of business, and suggested that their quota be allotted to the Grocers' Service Bureau. This request was made on December 13, but I have received no answer to date. The people in Baltimore are suffering for sugar largely because it has not been fairly distributed in Baltimore, not because of a failure to get the sugar to that city, and unless some plan is devised to take care of the wholesale grocers who supply the retail grocers, the ultimate distributors to those who desire sugar for domestic use, it can not be fairly distributed through New York.

Mr. SNELL. Mr. Speaker, will the gentleman yield?

Mr. BENSON. Certainly.

Mr. SNELL. Will this bill remedy the situation the gentleman is speaking of?

Mr. BENSON. Not to my mind.

Mr. SNELL. That is the question that I am interested in.

The SPEAKER. The time of the gentleman from Maryland has expired.

Mr. BENSON. Mr. Speaker, I ask unanimous consent to revise and extend my remarks in the Record.

The SPEAKER. Is there objection.

There was no objection.

Mr. CANDLER. Mr. Speaker, what we hope to do under the provisions of this bill is to remedy some of the inequalities that are complained of by the gentleman from Maryland [Mr. BENSON]. What I am personally interested in more than anything else is to provide some means by law whereby the people of this country themselves in their homes and on their tables may acquire sugar at a reasonable price, and be protected from profiteering, now seemingly being indulged in in this home necessity. [Applause.]

Mr. STEVENSON. Mr. Speaker, will the gentleman yield for a question?

Mr. CANDLER. Yes; with pleasure.

Mr. STEVENSON. Is there any possibility of holding down the price of sugar? I have been over to my office since this discussion has been going on, and I found there two letters from two ladies in two different parts of my district saying that they are

being charged 25 cents a pound for sugar, and sometimes as high as 28 cents.

Mr. CANDLER. I think it is outrageous that those ladies were required to pay such an exorbitant price for sugar, and the object of this bill is to reduce the price of sugar, and we hope, if passed, it will accomplish that result.

Mr. EMERSON rose.

Mr. CANDLER. I can not yield. I am sorry that we can not discuss a means of furnishing sugar to the people of this country in their homes at a reasonable price without some one attacking the President of the United States. I regret that my distinguished friend from Michigan [Mr. McLAUGHLIN] and my genial friend from Kansas [Mr. TINSCHER] found it necessary even in the discussion of this great domestic question to attack the President of the United States and the Democratic administration. As was suggested by a very able and distinguished gentleman who preceded me in a speech to-day, on another subject, it seems that there is no occasion under any circumstances or anywhere but that some one feels that it is his duty to make a partisan attack on the great head of the Government of the United States and his administration which is in power by the will of the people.

I hope that some time we may be able to go into some question which all the membership of this House will be willing to settle upon some great patriotic basis in the interest of all of the American people without Members attacking the President of the United States, who is, at last, the President of us all regardless of party, and the President of all the people. I assert that he has done, and is now doing, and will continue to do, so long as he remains in the Executive chair of this great Republic, everything possible in the interest of all the people of the United States. He does not suffer by your puny attacks, but you will find you and your party will suffer if you continue to attack him without "rhyme or reason," on any and all occasions. [Applause on the Democratic side.]

Mr. MANSFIELD. Mr. Speaker, will the gentleman yield?

Mr. CANDLER. I am very sorry I can not yield at this moment. I hope to be able to yield to my good friend a little later. It is complained that the President did not act. It is true that the sugar question was brought to his attention by this equalization board on the 20th of August last. There was a division of opinion in the equalization board. It is true that the majority did recommend that action be taken at that time. Mr. Taussig, a member of the board, recommended that action be not taken at that time. The President was considering the matter, and during his consideration of it he became, as you know, and as I know, sick and temporarily unable to consider the public business during some time, and none, by the direction of his eminent physicians, was brought to his attention. I think it is time to stop this unjust and partisan criticism of the President of the United States on every occasion and about everything when, without the fault and beyond the power of the President, in God's providence and wisdom, He saw proper to inflict upon him serious illness, which to some extent still continues. Thank God, however, he is rapidly improving, and I pray the good Lord that he may soon be entirely well, and you know when he is well he can take care of you and all your criticism. [Applause on the Democratic side.] It is charged that the President is the cause of this trouble because he did not take action. Let us see. In the hearings before the Senate committee we get some information on the subject. I read from the CONGRESSIONAL RECORD of December 10 last, at page 360, a statement from the Senate hearings before their committee, to which attention was called by Senator HARRISON, of Mississippi, during the discussion in the Senate:

Mr. HARRISON. I read from the hearings, on page 108. The Senator from Nebraska [Mr. NORRIS] asked this question:

"Senator NORRIS. If the President had authorized you, would you have done it?"

Speaking of the purchase of the Cuban sugar crop.
"Mr. GLASGOW. No, sir; not until Congress had given us the powers and they thought it proper. It would come back at last to the discretion of Congress as to whether they desired the distribution of sugar continued."

Mr. Glasgow, the gentleman making that statement, was the general attorney for the Sugar Equalization Board, and as such spoke by authority.

Therefore, if the President had acted at that time, the general attorney stated that the board would not have acted and would not have bought the sugar without the authority of Congress. The Senate had this matter under consideration from October 3, and for more than 10 weeks were considering it; and, because of the fact that the matter was pending in the Senate committee and in the Senate and they were threatening, at least, to legislate upon it, the refiners and people who deal largely in sugar refused to go into the market

and buy the crop of Cuban sugar and refine it and give the people the benefit of it for fear the Government would take action and take it away from them and convert and distribute it under Government control and supervision. Therefore it was the Senate of the United States that held up the situation, for the Congress of the United States had the authority and power to act. You who are in control of legislation in the House and responsible for it failed to act and the Senate failed to act, and this condition has arisen which confronts us to-day. Some Member asked to know whether or not there was any sugar in sight, whether it can be obtained at the present time. I read the following statement from a speech of Senator GAY, of Louisiana, delivered in the Senate on December 12 last:

	Tons.
The Cuban crop for 1920 is estimated at.....	4,500,000
The local consumption in Cuba amounts to.....	150,000
Thus leaving for export.....	4,350,000
Mr. Zabriskie, the president of the United States Sugar Equalization Board, stated before our committee that about one-fourth of this crop had been sold, partly to European countries and in part to American refiners; deducting this one-fourth, or.....	1,087,500
We have in Cuba, still remaining for export.....	3,262,500
The Government estimates of the domestic sugar crop of the United States and its possessions are as follows:	
	Short tons.
Beet crop, United States.....	953,000
Louisiana cane crop.....	135,000
Hawaiian cane crop.....	600,000
Porto Rican cane crop.....	300,000
Total.....	1,991,000

SUGAR SHORTAGE.		Tons.
Reduced to long tons, this domestic crop would be.....		1,777,700
Adding Cuban crop now available for purchase and export.....		3,262,500
Leaves a total for distribution in this country of.....		5,040,200
(To this may be added such portion of the Cuban crop as has already been purchased by refiners in this country, and also such portion of the Philippine crop as may be brought to this country.)		
The estimated consumption of sugar in this country for the current year amounts to about.....		4,260,000
Thus leaving a surplus of.....		780,200

This statement conclusively shows there is sugar available, and the question is whether or not under this bill you will give authority to the equalization board to purchase it in order that they may control and distribute it in this country, and by the exercise of the powers conferred in this bill reduce the price of sugar to the consumer upon his table and enable him to get sugar. [Applause.]

Mr. DUPRÉ. Will the gentleman yield?

Mr. CANDLER. I will.

Mr. DUPRÉ. Has the gentleman heard any opposition to the purchase of the Cuban sugar crop expressed on this floor by gentlemen who do not favor the licensing feature of this bill?

Mr. CANDLER. No; but it is not being purchased by American interests, and we are trying to provide a way to purchase it for the benefit of all the people.

Mr. DUPRÉ. Therefore the gentleman's argument is extremely pointed.

Mr. CANDLER. Yes; pointed in showing that there is sugar available for purchase. Some Members wanted to know how much sugar there was, and I am simply giving the statement here from a competent source, from one of the gentleman's own Senators, Senator GAY, of Louisiana, showing the amount of available sugar that could be acquired in case the authority is given to the equalization board to purchase the sugar.

Mr. LINTHICUM. If the gentleman will yield, what would be the result if this law was not passed, if the equalization board were discontinued? Would it not result in very high prices and a monopoly of sugar?

Mr. CANDLER. I think the gentleman is entirely correct. Indications at least are that it would go higher and higher, as it is doing at the present time, and it would go sky high as soon as all Government control is taken away from it. Now, then, this bill provides for the continuance of this equalization board. Then it provides further for the striking out of the provisions of the Senate bill which eliminate the licensing feature and reinserting the licensing feature in this bill.

Mr. MADDEN. Will the gentleman yield?

Mr. CANDLER. In a moment or so. As was stated by the gentleman from Missouri [Mr. RUBEN], if that feature were left out of the bill, then if sugar should be purchased by the equalization board and brought into this country and they sold it and turned it loose upon the market of this country to the wholesaler without any control, they could not regulate the

price at which it would be sold to the retailer or the consumer, but under the licensing feature they could control the price at which it was sold to the wholesaler, and they could control the price at which it would be sold by the wholesaler to the retailer, and therefore control the price in this country at which it was sold to the consumer and in that way see that the consumer had the opportunity to purchase the sugar at a reasonable price.

Mr. MADDEN. Does the gentleman favor the control of all the businesses in the United States under the licensing system?

Mr. CANDLER. The gentleman from Illinois very well knows I do not.

Mr. MADDEN. But the gentleman's argument would indicate that he was in favor of controlling—

Mr. CANDLER. I am in favor of taking the power and control of the Government off of private enterprise in this country and restoring normal conditions at the very earliest moment that it is possible to do it, but in an emergency like this here confronting us, when the people of this country are being imposed upon not only in the price paid but in getting possession at all of one of the real everyday necessities which is demanded upon their table, then I think the power of the Congress should be exercised and exercised promptly, in order that the general public may be protected.

Mr. MADDEN. Then the wise thing to have been done by the committee of which the gentleman is a distinguished member would be to bring in a bill here to repeal the war power now held by the President and all the other boards under his jurisdiction—

Mr. CANDLER. Well, all the war powers expire when the treaty of peace is ratified and the President of the United States shall by proclamation proclaim that peace has been established, and the war power will not be entirely taken away or expire until peace is secured by the ratification of a treaty which will terminate the war. May God speed the day when peace universal is realized by all mankind. [Applause.]

Mr. MARTIN. Will the gentleman yield?

Mr. CANDLER. Yes.

Mr. MARTIN. Will the gentleman favor an equalization board for the purpose of holding down the price and distribution of cotton?

Mr. CANDLER. When an emergency exists as it is here it will be time enough to consider that question, but it does not exist now, and it has not existed in the past. The farmers are not getting full value for their cotton now. There is a world shortage of cotton, and a small crop in this country, and, of course, that has advanced the price.

Mr. MARTIN. What does cotton sell for now?

Mr. CANDLER. Not as much as it is really worth, all things considered—

Mr. STEPHENS of Ohio. Will the gentleman yield?

Mr. CANDLER. I will.

Mr. STEPHENS of Ohio. Under the administration of affairs as they exist now, how does it come that we have such a scarcity of sugar and high price of sugar with this board of equalization existing and functioning at the present time? If it is not successful now, would it be if we were to retain it?

Mr. CANDLER. Because they really ceased to function so far as the available crop is concerned. If they had actively continued in operation they would have brought to this country the sugar available at the present time, but because of the failure of the Congress that had the power to act, and because of the fact that the necessary legislation was held up by the Senate of the United States for a long time, and because no final action has been taken up to the present time, we find ourselves in the condition that exists to-day, and another reason was suggested by the gentleman from Louisiana [Mr. MARTIN] in his speech, and that was that the strike of the longshoremen when they refused to unload ships loaded with sugar caused the loaded ships to remain for quite a while in the ports, thus creating the first scarcity of sugar. I have shown by the statement I read awhile ago that there is plenty of sugar available. The question is, Will you pass this bill and thereby make an effort to secure it and get it to the people and provide means to see that they not only get the sugar but get it at a reasonable price?

Mr. STEPHENS of Ohio. May I ask another question? If we had no Sugar Equalization Board during the past year, would not we have had plenty of sugar now at reasonable prices?

Mr. CANDLER. Oh, no. Certainly, the equalization board did not keep any sugar out of this country and did not keep anybody from buying sugar who wanted to buy it. If the people who deal in sugar and refine it for sale wanted to buy sugar and had been willing to do so, they could have gone into the markets and bought it. There was no limitation upon

them and no prohibition upon them which prevented them from buying sugar. The reason the refiners and the people who usually handle the sugar by private enterprise did not buy, I understand, was because this bill was pending in the Senate and being held up, and they were afraid to go into the market in view of that fact and buy for private enterprise. The trouble was caused by delay in passing necessary legislation.

Mr. MADDEN. I would like to ask the gentleman from Mississippi if it is wise to extend the licensing system to the question of sugar why it would not be wise to extend the licensing system to cotton. Is he in favor of putting cotton under the licensing system?

Mr. CANDLER. The gentleman from Louisiana [Mr. MARTIN] just asked that question a moment ago, and the gentleman from Illinois simply repeats it; that is all. I told the gentleman from Louisiana when he asked the question that there was no demand for a licensing system in reference to cotton and no emergency that called for it, and therefore no necessity for it in any part of the country, and I say the same to the gentleman from Illinois. I dare say, however, that there are people in the homes in the district of the gentleman from Illinois [Mr. MADDEN], and people in the homes in the district of every Member of Congress in the United States to-day who are demanding sugar, and demanding it at a reasonable price, and asking that something be done to protect the people of this country in this sugar emergency. Will you come to their rescue by passing this bill? [Applause.] Complaint has been made of inequality in price in different zones. This bill provides—

That the zone system of sale and distribution of sugars heretofore established by the said United States Sugar Equalization Board shall be abolished and shall not be reestablished or maintained, and that sugars shall be permitted to be sold and to circulate freely in every portion of the United States.

That provision in the bill will abolish the zone system and prevent it being reestablished or maintained, and will equalize prices so that sugar shall be permitted to be sold and circulate freely in every portion of the United States. So with the passage of this bill containing that provision that complaint can and will no longer exist. In the interest of the people, to relieve the situation in the homes, and for the benefit of the general public I appeal to you to promptly pass this bill, so that the relief necessary may come, and may come quickly. Let Congress delay no longer. [Applause.]

The SPEAKER. The time of the gentleman from Mississippi has expired.

Mr. HAUGEN. Mr. Chairman, I yield the balance of my time to the gentleman from Michigan [Mr. FORDNEY].

The SPEAKER. The gentleman from Michigan is recognized for five minutes.

Mr. FORDNEY. Gentlemen, I have but little to say on the subject. It is a matter of very great importance.

Mr. MADDEN. Mr. Speaker, will the gentleman yield for a question?

Mr. FORDNEY. If we can get order, so that I can hear the question of the gentleman.

Mr. MADDEN. I would like to ask the gentleman from Michigan if he is in favor of putting all the business interests of the United States under the licensing system?

Mr. FORDNEY. No; and anybody that knows me ought to know that without asking the question.

Mr. EMERSON. Will the gentleman yield?

Mr. FORDNEY. I have only five minutes.

Mr. EMERSON. I would like to know—

Mr. FORDNEY. I will yield if your question is very brief.

Mr. EMERSON. I will make it brief. There is some talk here about an embargo on exportation of sugar. Is this sugar in this country or is it in Cuba? The gentleman knows, and I would like him to answer that question.

Mr. FORDNEY. Mr. Speaker, it would be unlawful to put an embargo upon sugar this year, because the contract between the Sugar Equalization Board and Great Britain, France, and Italy is that this corporation purchased the sugar for export from Cuba for this year without competition from those other countries, with the understanding and agreement that this corporation would deliver to England, France, and Italy a proportionate amount of this Cuban sugar. To talk about putting an embargo upon the exportation of sugar while that contract lasts is nonsense. It can not be done.

The gentleman from Mississippi has just given the figures of the consumption and production of sugar in this country, which figures are correct. Our people are the greatest sugar-consuming people in the world, with the single exception of the English people. Our consumption reaches about 81 pounds per capita per year, while that of Great Britain is nearly 100 pounds. Before the war England obtained from Germany and Austria-

Hungary very largely her supply of sugar, including what she obtained from this country. We produce 25 per cent of our consumption of sugar in this country from beets and cane and we import 25 per cent of our consumption from our insular possessions—Hawaii, Porto Rico, and the Philippines. We look to Cuba and the West Indian Islands and South America for the remainder of our consumption of sugar—about one-half of it. There is a shortage in the world's supply of sugar to-day, as reported. Every time the sugar-refining companies of this country want to boost the price of refined sugar they report a shortage in the world's supply of sugar, and up goes the price. It is said there is a shortage of about 3,000,000 tons out of a total production of 17,000,000 tons in the world. I believe the equalization board did good work this year. They kept the price of sugar down to a reasonable point and below that in foreign countries that did not produce their own sugar.

I believe that the equalization board might do some good this coming year if it would purchase the Cuban crop of sugar to-day and control the price, control the distribution to the refiners of the country, and therefore fix the wholesale price in this country as they did last year.

The licensing feature, if I am correct, existed in the law last year, but by contract between the equalization board and the producers of sugar and the wholesalers that licensing feature was not brought into operation, by contract, I say, and therefore the people of the country have had sugar at a fair price. I am opposed to a licensing feature in the control of any of our great industries in the country, those engaged in the production of food or clothing supplies. I believe it will not be applied if the existing law is extended for another year or if the rights under that law by contract are extended.

The SPEAKER. The time of the gentleman from Michigan has expired.

Mr. FORDNEY. May I ask unanimous consent for two minutes more?

The SPEAKER. All time has expired. The question is on suspending the rules and passing the Senate bill as amended.

The question was taken, and the Speaker announced that in his opinion two-thirds had voted in the affirmative.

Mr. MARTIN. A division, Mr. Speaker.

The SPEAKER. The gentleman from Louisiana asks for a division.

The House divided; and there were—ayes 128, noes 23.

Mr. MARTIN. Mr. Speaker, I make the point of no quorum.

Mr. MONDELL. Will the gentleman withhold that until I can make a unanimous-consent request?

Mr. MARTIN. Yes.

Mr. MONDELL. Mr. Speaker, I renew the request that I made earlier in the day, that the House dispense with business under the Calendar Wednesday rule to-morrow, and that business that was in order on Monday shall be in order to-morrow.

The SPEAKER. The gentleman from Wyoming [Mr. MONDELL], with the consent of the gentleman from Louisiana [Mr. MARTIN], asks unanimous consent that to-morrow Calendar Wednesday be dispensed with, and that the business in order on Monday be taken up instead. Is there objection?

Mr. MANN of Illinois. Reserving the right to object, that means suspension day to-morrow. What is coming up under suspension?

Mr. MONDELL. I do not know what the Speaker has in mind to be recognized, but there are some bills on the Unanimous Consent Calendar that ought to be passed. There are two bills from the Committee on Banking and Currency, and I am hopeful that we may consider them. There are a number of bills on the Unanimous Consent Calendar.

The SPEAKER. The Chair has made no engagement as to unanimous consent, except that he has promised to recognize a gentleman as to one bill from the Committee on Banking and Currency, and one on a bill for a subtreasury at St. Louis.

Mr. MONDELL. One bill is to make gold certificates a legal tender. The other is a Senate bill to provide for the expenses of the farm-loan banks.

The SPEAKER. The one the Chair had in mind was for making gold certificates a legal tender.

Mr. MONDELL. I do not know that the other will come up. It is simply on the calendar.

The SPEAKER. Is there objection?

Mr. MORGAN. I object, Mr. Speaker.

Mr. GARNER. Reserving the right to object, Mr. Speaker, I want to ask the gentleman from Wyoming if he will not modify that request and have it apply only to unanimous consent, and then we shall know certainly what is coming up.

Mr. MORGAN. Mr. Speaker, I withdraw my objection.

Mr. MONDELL. My idea was that we could go through the calendar. There is a gold-certificate bill that ought to be passed.

Mr. GARNER. Does the gentleman know of anybody that is going to object to that bill?

Mr. MONDELL. I do not. No one can tell.

Mr. GARNER. There is a Rules Committee that can obviate that matter, and I do not believe you ought to ask unanimous consent to have suspension day all day to-morrow. That is what it means. It seems to me that it is asking a good deal of the House to ask for the entire day for the suspension of the rules when you do not know what is going to be brought up.

Mr. MONDELL. We did not have suspension of the rules Monday or unanimous consent Monday.

Mr. GARNER. We have had it to-day. We have had two suspensions of the rules. I assume this one is going to pass. I am sorry each of them will have been passed. If the gentleman will make his request apply to unanimous consent, I shall not object. Otherwise I will.

Mr. MANN of Illinois. The Unanimous Consent Calendar probably would not take all day to-morrow.

Mr. GARNER. We then can probably take up any subject that came under the rule. I want to have some assurance on that point. If I can have that assurance, I will agree.

Mr. MONDELL. I had in mind two bills. I do not know that the Speaker will recognize either of the gentlemen having them in charge. One of them is in regard to the public building at St. Louis.

Mr. GARNER. We will get an agreement from the Speaker.

The SPEAKER. The request is what the Chair has stated.

Mr. MONDELL. One bill is in regard to the Federal building at St. Louis and the other is a bill to make gold certificates a legal tender.

Mr. GARNER. With the understanding that the Unanimous Consent Calendar will be called and that there will be no other motions to suspend the rules except the ones which the gentleman from Wyoming has mentioned, I shall not object.

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

Mr. MONDELL. Yes.

Mr. BLACK. Is the Federal-building project at St. Louis a new project?

Mr. MONDELL. Oh, no; that is old.

Mr. GARD. The bill for the Federal building at St. Louis may be considered to-night, I suspect, by unanimous consent.

Mr. MONDELL. There are other matters before the House.

The SPEAKER. If the bill is considered by unanimous consent, of course it will not require suspension.

Mr. JOHNSON of Washington. Will the gentleman add the deportation bill to his agreement?

Mr. GARNER. No; I will not agree to that.

The SPEAKER. Is there objection to the request of the gentleman from Wyoming [Mr. MONDELL]?

Mr. GARD. I object, Mr. Speaker.

The SPEAKER. The gentleman from Ohio objects. Does the gentleman from Louisiana make his point of order?

Mr. MARTIN. Yes.

Mr. DYER. I ask the gentleman to withhold that for one moment. I want to renew the request made by my colleague—

The SPEAKER. That is not in order. There is a motion before the House.

Mr. DYER. It might be done by unanimous consent.

SEVERAL MEMBERS. Regular order!

The SPEAKER. The gentleman from Louisiana makes the point of order that there is no quorum present. The Chair will count.

Mr. DUPRÉ. I suggest to the Chair that on the vote there were 128 one way and 23 the other.

The SPEAKER. It does not follow that everybody present voted. The Chair finds that there is no quorum present. The Doorkeeper will close the doors. The Sergeant at Arms will notify the absent Members. As many as favor suspending the rules and passing the bill will vote yea, those opposed nay, and the Clerk will call the roll.

The question was taken; and there were—yeas 258, nays 34, answered "present" 1, not voting 138, as follows:

YEAS—258.

Almon	Brand	Carew	Dale
Anderson	Briggs	Carss	Dallinger
Andrews, Md.	Brinson	Carter	Darrow
Andrews, Nebr.	Browne	Casey	Davey
Ayres	Browning	Chindblom	Davis, Minn.
Babka	Burdick	Christopherson	Davis, Tenn.
Bacharach	Burrughs	Clason	Dempsey
Bankhead	Butler	Cleary	Dent
Barbour	Byrnes, S. C.	Coady	Dickinson, Mo.
Barkley	Byrns, Tenn.	Cole	Dickinson, Iowa
Begg	Caddwell	Collier	Domnick
Benham	Campbell, Kans.	Cramton	Doughton
Benson	Campbell, Pa.	Crowthor	Dowell
Blackmen	Candler	Cullen	Drane
Bland, Va.	Caraway	Currie, Mich.	Dunbar

Dyer	Johnson, Wash.	Mooney	Sinclair
Edmonds	Jones, Pa.	Morgan	Sinnot
Elliot	Juhl	Morin	Smith, Idaho
Elston	Keller	Mott	Smith, Ill.
Emerson	Kelly, Pa.	Murphy	Smithwick
Esch	Kendall	Nelson, Mo.	Snell
Evans, Nebr.	Kettner	Newton, Mian.	Stengall
Evans, Nev.	Kinchloe	Newton, Mo.	Stephens, Miss.
Flood	Kinkaid	O'Connell	Stephens, Ohio
Fordney	Knutson	Ogden	Stevenson
Freeman	Kraus	Oldfield	Stiness
French	LaGuardia	Oliver	Stoll
Fuller, Mass.	Lampert	Olney	Strong, Kans.
Gallagher	Langley	Overstreet	Summers, Wash.
Gandy	Lankford	Padgett	Sweet
Ganly	Larsen	Paige	Swope
Gard	Layton	Park	Taylor, Tenn.
Garland	Lea, Calif.	Parker	Temple
Goldfoglo	Lee, Ga.	Pell	Thomas
Good	Lehbach	Phelan	Tillman
Graham, Ill.	Linthicum	Platt	Tilson
Green, Iowa	Little	Porter	Timberlake
Greene, Vt.	Loneragan	Purnell	Tincher
Griest	Longworth	Quin	Tinkham
Griffin	Lufkin	Radcliffe	Treadway
Hadley	McArthur	Rainey, Ala.	Upshaw
Hardy, Colo.	McClintic	Rainey, H. T.	Vaile
Harrison	McCulloch	Rainey, J. W.	Vare
Haskell	McDuffie	Raker	Vestal
Hastings	McGlennon	Ramsey	Vinson
Haugen	McKiniry	Ramseyer	Voigt
Hawley	McKinley	Randall, Wis.	Volstead
Hayden	McLaughlin, Mich.	Reber	Walters
Hays	McLaughlin, Nebr.	Reed, N. Y.	Ward
Hellin	McPherson	Ricketts	Watson
Hernandez	MacCrate	Robson, Ky.	Watson, Pa.
Hersman	MacGregor	Rodenberg	Weaver
Hickey	Magee	Rogers	Weiling
Hill	Maher	Rose	White, Kans.
Hoch	Major	Rouse	Wilson, Pa.
Holland	Mann, S. C.	Rowe	Wingo
Howard	Mapes	Rubey	Winslow
Huddleston	Mays	Rucker	Wood, Ind.
Hull, Iowa	Mead	Sanders, N. Y.	Woods, Va.
Husted	Michener	Saunders, Va.	Wright
Hutchinson	Minahan, N. J.	Scott	Yates
Ireland	Monahan, Wis.	Sells	Young, N. Dak.
Jacoway	Mondell	Sherwood	Zihlman
Johnson, Miss.	Montague	Shreve	
Johnson, S. Dak.	Moore	Siegel	

NAYS—34.

Bee	Focht	Luce	Farrish
Black	Garner	McFadden	Rayburn
Box	Garrett	Madden	Sanford
Brooks, Pa.	Goodykoontz	Mann, Ill.	Smith, Mich.
Clark, Mo.	Gould	Mansfield	Strong, Pa.
Curry, Calif.	Greene, Mass.	Martin	Walsh
Dupré	Hardy, Tex.	Merritt	Watkins
Echols	Lanham	Moore, Ind.	
Fess	Lazaro	O'Connor	

ANSWERED "PRESENT"—1.
Crago

NOT VOTING—138.

Ackerman	Fairfield	King	Sanders, La.
Anthony	Ferris	Kitchin	Schall
Ashbrook	Fields	Klecza	Scully
Aswell	Fisher	Kreider	Sears
Baer	Foster	Lesher	Sims
Bell	Frear	Luhring	Sisson
Bland, Ind.	Fuller, Ill.	McAndrews	Slomp
Bland, Mo.	Gallivan	McKenzie	Small
Blanton	Glynn	McKeown	Smith, N. Y.
Boies	Godwin, N. C.	McLane	Snyder
Booher	Goodall	Mason	Stedman
Bowers	Goodwin, Ark.	Miller	Steele
Britten	Graham, Pa.	Moore, Ohio	Steenerson
Brooks, Ill.	Hamill	Moore, Pa.	Sullivan
Brumbaugh	Hamilton	Moore, Va.	Sumners, Tex.
Buchanan	Harrell	Mudd	Tagge
Burke	Hersey	Neely	Taylor, Ark.
Cannon	Hicks	Nelson, Wis.	Taylor, Colo.
Cantrill	Houghton	Nicholls, S. C.	Thompson
Clark, Fla.	Hudspeth	Nichols, Mich.	Towner
Connally	Hulings	Nolan	Venable
Cooper	Hull, Tenn.	Osborne	Watson, Va.
Copley	Humphreys	Peters	Webster
Costello	Igoe	Pou	Welty
Crisp	James	Randall, Calif.	Whaley
Denison	Jeffers	Reavis	Wheeler
Dewalt	Johnson, Ky.	Reed, W. Va.	White, Me.
Donovan	Johnston, N. Y.	Rhodes	Williams
Dooling	Jones, Tex.	Riddick	Wilson, Ill.
Doremus	Kahn	Riordan	Wilson, La.
Dunn	Kearns	Robinson, N. C.	Wise
Eagan	Kelley, Mich.	Romjue	Woodyard
Eagle	Kennedy, Iowa	Rowan	Young, Tex.
Ellsworth	Kennedy, R. I.	Sabath	
Evans, Mont.	Kless	Sanders, Ind.	

So, two-thirds having voted in favor thereof, the bill was passed.

The following pairs were announced:

- Mr. DENISON with Mr. BRINSON.
- Mr. KLECZKA with the Mr. SCULLY.
- Mr. MILLER with Mr. WATSON of Virginia.
- Mr. FOSTER with Mr. STEELE.
- Mr. NOLAN with Mr. McKEOWN.
- Mr. OSBORNE with Mr. GALLIVAN.

Mr. SANDERS of Indiana with Mr. IGOE.
 Mr. ACKERMAN with Mr. YOUNG of Texas.
 Mr. ANTHONY with Mr. WISE.
 Mr. BAER with Mr. WILSON of Pennsylvania.
 Mr. BLAND of Indiana with Mr. WILSON of Louisiana.
 Mr. BOIES with Mr. WHALEY.
 Mr. BOWERS with Mr. WELTY.
 Mr. BRITTEN with Mr. VENABLE.
 Mr. BROOKS of Illinois with Mr. TAYLOR of Colorado.
 Mr. BURKE with Mr. TAYLOR of Arkansas.
 Mr. CANNON with Mr. TAGUE.
 Mr. COOPER with Mr. SUMNERS of Texas.
 Mr. COPLEY with Mr. SULLIVAN.
 Mr. COSTELLO with Mr. STEDMAN.
 Mr. DUNN with Mr. SMITH of New York.
 Mr. ELLSWORTH with Mr. SMALL.
 Mr. FAIRFIELD with Mr. SISSON.
 Mr. FEAR with Mr. SIMS.
 Mr. FULLER of Illinois with Mr. SEARS.
 Mr. GLYNN with Mr. SANDERS of Louisiana.
 Mr. GOODALL with Mr. SABATH.
 Mr. GRAHAM of Pennsylvania with Mr. ROWAN.
 Mr. HAMILTON with Mr. ROMJUE.
 Mr. HARRELD with Mr. ROBINSON of North Carolina.
 Mr. HERSEY with Mr. RIORDAN.
 Mr. HICKS with Mr. RANDALL of California.
 Mr. HOUGHTON with Mr. POU.
 Mr. HULINGS with Mr. NICHOLLS of South Carolina.
 Mr. JAMES with Mr. NEELY.
 Mr. JEFFERIS with Mr. MOORE of Virginia.
 Mr. KAHN with Mr. McLANE.
 Mr. KEARNS with Mr. McANDREWS.
 Mr. KELLY of Michigan with Mr. LESHNER.
 Mr. KENNEDY of Iowa with Mr. KITCHIN.
 Mr. KENNEDY of Rhode Island with Mr. JONES of Texas.
 Mr. KRESS with Mr. JOHNSTON of New York.
 Mr. KING with Mr. JOHNSON of Kentucky.
 Mr. KRIEDER with Mr. HUMPHREYS.
 Mr. LUHRING with Mr. HULL of Tennessee.
 Mr. MCKENZIE with Mr. HUDSPETH.
 Mr. MASON with Mr. HAMILL.
 Mr. MOORE of Ohio with Mr. GOODWIN of Arkansas.
 Mr. MOORE of Pennsylvania with Mr. GODWIN of North Carolina.
 Mr. MUDD with Mr. FISHER.
 Mr. NELSON of Wisconsin with Mr. FERRIS.
 Mr. NICHOLLS of Michigan with Mr. EVANS of Montana.
 Mr. PETERS with Mr. EAGLE.
 Mr. REAVIS with Mr. EAGAN.
 Mr. REED of West Virginia with Mr. DOREMUS.
 Mr. RHODES with Mr. DOOLING.
 Mr. RIDDICK with Mr. DONOVAN.
 Mr. SCHALL with Mr. DEWALT.
 Mr. SLEMP with Mr. CRISP.
 Mr. SNYDER with Mr. CONNALLY.
 Mr. STEENERSON with Mr. CLARK of Florida.
 Mr. THOMPSON with Mr. CANTRELL.
 Mr. TOWNER with Mr. BUCHANAN.
 Mr. WEBSTER with Mr. BRUMBAUGH.
 Mr. WHEELER with Mr. BOOHER.
 Mr. WHITE of Maine with Mr. BLANTON.
 Mr. WILLIAMS with Mr. BRAND of Missouri.
 Mr. WILSON of Illinois with Mr. BELL.
 Mr. WOODYARD with Mr. ASWELL.
 Mr. CRAGO with Mr. ASHBROOK.
 The vote was announced as above recorded.
 A quorum being present, the doors were opened.

FEDERAL OFFICE BUILDING AT ST. LOUIS, MO.

Mr. DYER. Mr. Speaker, I ask unanimous consent that the bill H. R. 484, to which objection was made but has been withdrawn, be taken up, providing for the erection of a Federal building at St. Louis.

The SPEAKER. The gentleman from Missouri asks for the immediate consideration of the bill H. R. 484. Is there objection?

There was no objection.

The SPEAKER. This bill is on the Union Calendar.

Mr. DYER. I ask unanimous consent that the bill be considered in the House as in Committee of the Whole.

The SPEAKER. The gentleman from Missouri asks unanimous consent that the bill be considered in the House as in Committee of the Whole. Is there objection?

Mr. ROUSE. I object.

Mr. DYER. Mr. Speaker, I move to suspend the rules and pass the bill.

Mr. ROUSE. Mr. Speaker, I move that the House do now adjourn.

The SPEAKER. The gentleman from Kentucky moves that the House do now adjourn.

The question was taken, and the House refused to adjourn.

Mr. DYER. Mr. Speaker, I move that the House resolve itself into Committee of the Whole House on the state of the Union for the consideration of the bill H. R. 484.

Mr. ROUSE. Mr. Speaker, I make the point that no quorum is present.

The SPEAKER. The Chair will count. [After counting.] One hundred and twenty-one Members present; not a quorum.

ADJOURNMENT.

Mr. MONDELL. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock and 5 minutes p. m.), the House adjourned until to-morrow, Wednesday, December 17, 1919, at 12 o'clock noon.

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 secretary of the United States Shipping Board, transmitting third annual report of the United States Shipping Board, covering the period June 30, 1918, to and including June 30, 1919 (H. Doc. No. 435); to the Committee on the Merchant Marine and Fisheries and ordered to be printed.

2. A letter from the Secretary of the Treasury, transmitting copy of a communication from the Secretary of the Interior submitting a supplemental estimate of appropriation required by the General Land Office for the protection of the so-called Oregon and California railroad lands for the fiscal year 1920 (H. Doc. No. 520); to the Committee on Appropriations and ordered to be printed.

3. A letter from the Secretary of the Treasury, transmitting copy of a communication from the Acting Secretary of the Navy submitting a deficiency estimate of appropriation, for payment to the Joe Andrews Co., of Los Angeles, Calif., for repair of an automobile damaged while in use by the Navy Department during the influenza epidemic of 1918 (H. Doc. No. 521); to the Committee on Appropriations and ordered to be printed.

4. A letter from the Acting Secretary of War, transmitting a letter from the Acting Chief of Engineers, with map, on a preliminary examination of San Antonio River, Tex., authorized by the river and harbor act approved July 27, 1916 (H. Doc. No. 522); to the Committee on Flood Control and ordered to be printed.

5. A letter from the Secretary of the Treasury, transmitting draft of a proposed bill entitled "An act fixing the compensation of certain officials in the Customs Service, and for other purposes" (H. Doc. No. 523); to the Committee on Ways and Means and ordered to be printed.

6. A letter from the Secretary of War, transmitting a letter from the Acting Chief of Engineers, United States Army, together with report of Col. G. R. Lukesh, Corps of Engineers, with map, on preliminary examination of the waterway between Charleston Harbor, S. C., and the North Santee River, by way of Wando River, authorized by the river and harbor act approved March 2, 1919 (H. Doc. 524); to the Committee on Rivers and Harbors and ordered to be printed.

7. A letter from the Clerk of the House of Representatives, transmitting report showing the average number of employees, including clerks to Members and Delegates, receiving the increased compensation at the rate of \$240 per annum during the first four months of the fiscal year 1920 (H. Doc. 525); to the Committee on Appropriations and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills and resolutions were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. GOOD, from the Committee on Appropriations, to which was referred the bill (H. R. 11223) making appropriations to supply urgent deficiencies in appropriations for the Employees' Compensation Commission and the Public Health Service for the fiscal year ending June 30, 1920, reported the same without amendment, accompanied by a report (No. 502), which said bill

and report were referred to the Committee of the Whole House on the state of the Union.

Mr. BARKLEY, from the Committee on Interstate and Foreign Commerce, to which was referred the bill (H. R. 10847) granting the consent of Congress to Marion County, State of Mississippi, to construct a bridge across the Pearl River in Marion County, State of Mississippi, reported the same with amendments, accompanied by a report (No. 503), which said bill and report were referred to the House Calendar.

Mr. JOHNSON of Washington, from the Committee on Immigration and Naturalization, to which was referred the bill (H. R. 11224) to amend the act entitled "An act to exclude from the United States aliens who are members of the anarchistic and similar classes," approved October 16, 1918, reported the same without amendment, accompanied by a report (No. 504), which said bill and report were referred to the House Calendar.

Mr. GOOD, from the Committee on Appropriations, to which was referred the joint resolution (H. J. Res. 261) to make immediately available the appropriation for the expenses of regulating further the entry of aliens into the United States, reported the same with an amendment, accompanied by a report (No. 505), which said resolution and report were referred to the Committee of the Whole House on the state of the Union.

Mr. HAUGEN, from the Committee on Agriculture, to which was referred the bill (S. 3284) to provide for the national welfare by continuing the United States Sugar Equalization Board until December 31, 1920, and for other purposes, reported the same with an amendment, accompanied by a report (No. 506), which said bill and report were referred to the House Calendar.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

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

By Mr. GOOD: A bill (H. R. 11223) making appropriations to supply urgent deficiencies in appropriations for the Employees' Compensation Commission and the Public Health Service for the fiscal year ending June 30, 1920; to the Committee on Appropriations.

By Mr. JOHNSON of Washington: A bill (H. R. 11224) to amend the act entitled "An act to exclude and expel from the United States aliens who are members of the anarchistic and similar classes," approved October 16, 1918; to the Committee on Immigration and Naturalization.

By Mr. WEBSTER: A bill (H. R. 11225) making provisions for the irrigation of Indian lands within the limits of the Curlew irrigation district, in the State of Washington; to the Committee on Indian Affairs.

By Mr. McFADDEN: A bill (H. R. 11226) to amend an act approved April 23, 1918, entitled "An act to conserve the gold supply of the United States; to permit the settlement in silver of trade balances adverse to the United States; to provide silver for subsidiary coinage and for commercial use; to assist foreign governments at war with the enemies of the United States; and for the above purposes to stabilize the price and encourage the production of silver"; to amend section 3514 of the Revised Statutes establishing the standards of gold and silver coins, and for other purposes; to the Committee on Banking and Currency.

By Mr. WATSON of Pennsylvania: A bill (H. R. 11227) extending the period during which the prosecutions of certain violations of the selective-service act may be brought; to the Committee on the Judiciary.

By Mr. CLASSON: A bill (H. R. 11228) to authorize the establishment of a Coast Guard station on the coast of Green Bay, at or in the vicinity of Strawberry Passage, in Door County, Wis.; to the Committee on Interstate and Foreign Commerce.

By Mr. TINCHER: A bill (H. R. 11229) to increase the limit of cost of the public building to be erected at Pratt, Pratt County, Kans.; to the Committee on Public Buildings and Grounds.

By Mr. CAMPBELL of Pennsylvania: A bill (H. R. 11230) to permanently transfer the United States Coast Guard from the Treasury Department to the Navy Department; to the Committee on Interstate and Foreign Commerce.

By Mr. RAKER: A bill (H. R. 11231) defining criminal syndicalism and sabotage, proscribing certain acts and methods in connection therewith and in pursuance thereof, and providing penalties and punishments therefor; to the Committee on the Judiciary.

By Mr. JOHNSON of Mississippi: A bill (H. R. 11232) for the enlargement, extension, and improvement of the post-office building at Hattiesburg, Miss.; to the Committee on Public Buildings and Grounds.

By Mr. LUFKIN: A bill (H. R. 11233) to amend an act of October 6, 1917, entitled "An act to provide for reimbursement of officers, enlisted men, and others in the naval service of the United States for property lost or destroyed in such service"; to the Committee on Naval Affairs.

By Mr. FESS: A bill (H. R. 11234) to amend an act entitled "An act to regulate and improve the civil service of the United States, approved January 16, 1883"; to the Committee on Reform in the Civil Service.

By Mr. KELLY of Pennsylvania: A bill (H. R. 11235) to provide for aeroplane mail service between Pittsburgh, Pa., and Kansas City, Mo.; to the Committee on the Post Office and Post Roads.

By Mr. BLAND of Indiana: A bill (H. R. 11236) for the erection of a public building at Linton, Ind.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 11237) to make additions, extensions, and improvements to the post-office building at Vincennes, Ind., to be used for post-office and mine-rescue purposes; to the Committee on Public Buildings and Grounds.

By Mr. KENDALL: Joint resolution (H. J. Res. 264) declaring November 11 of each year to be a national holiday; to the Committee on the Judiciary.

By Mr. CLARK of Missouri: Resolution (H. Res. 421) to pay six months' salary of George Killeen, deceased, doorkeeper on messenger roll, and \$250 for funeral expenses to his daughter, Miss Ella M. Killeen; to the Committee on Accounts.

By Mr. DALLINGER: Memorial from the Legislature of the State of Massachusetts relative to the reported intention of the Navy Department to discontinue certain lines of work at the Boston Navy Yard; to the Committee on Naval Affairs.

PRIVATE BILLS AND RESOLUTIONS.

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

By Mr. ANDERSON: A bill (H. R. 11238) granting an increase of pension to Lorin B. Ohlinger; to the Committee on Pensions.

By Mr. ANTHONY: A bill (H. R. 11239) granting an increase of pension to Marguerite Murphy; to the Committee on Pensions.

Also, a bill (H. R. 11240) granting an increase of pension to Anton Schwarz; to the Committee on Pensions.

By Mr. ASHBROOK: A bill (H. R. 11241) granting an increase of pension to L. W. Severus; to the Committee on Invalid Pensions.

By Mr. BACHARACH: A bill (H. R. 11242) granting a pension to George A. Cooper; to the Committee on Pensions.

By Mr. DICKINSON of Missouri: A bill (H. R. 11243) granting a pension to Nancy C. Troupe; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11244) granting a pension to Enoch K. Shackelford; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11245) granting a pension to Albert Shellhorn; to the Committee on Invalid Pensions.

By Mr. FIELDS: A bill (H. R. 11246) granting a pension to Elizabeth Burgess; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11247) granting an increase of pension to Alexander Kimbrough; to the Committee on Invalid Pensions.

By Mr. HAMIL: A bill (H. R. 11248) for the relief of Lester Cross; to the Committee on Claims.

By Mr. HICKEY: A bill (H. R. 11249) granting a pension to Mary Jane Miller; to the Committee on Invalid Pensions.

By Mr. HOUGHTON: A bill (H. R. 11250) granting a pension to Delos Burke; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11251) granting an increase of pension to Emanuel Miller; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11252) granting an increase of pension to Emmet Ellis; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11253) granting an increase of pension to James L. Newbury; to the Committee on Pensions.

Also, a bill (H. R. 11254) granting an increase of pension to Thaddeus B. Tannery; to the Committee on Invalid Pensions.

By Mr. JOHNSON of South Dakota: A bill (H. R. 11255) for the relief of the estate of Joseph F. Mitchell; to the Committee on Claims.

By Mr. LEHLBACH: A bill (H. R. 11256) granting an increase of pension to Isabella W. Williams; to the Committee on Invalid Pensions.

By Mr. McCULLOCH: A bill (H. R. 11257) for the relief of the Liberty loan subscribers of the Mineral City Bank; to the Committee on Claims.

Also, a bill (H. R. 11253) granting an increase of pension to Luther C. Reidabaugh; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11259) granting an increase of pension to Gariet H. Fowler; to the Committee on Pensions.

Also, a bill (H. R. 11260) granting an increase of pension to Harper Brosius; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11261) granting an increase of pension to William A. Ernst; to the Committee on Pensions.

By Mr. MAPES: A bill (H. R. 11262) granting an increase of pension to Joseph Mason; to the Committee on Invalid Pensions.

By Mr. REED of New York: A bill (H. R. 11263) granting an increase of pension to Frederick A. Hart; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11264) granting a pension to Charles Apthorp; to the Committee on Invalid Pensions.

By Mr. SMITH of Idaho: A bill (H. R. 11265) granting a pension to Sarah R. Van Court; to the Committee on Invalid Pensions.

By Mr. TAGUE: A bill (H. R. 11266) for the relief of the employees of the Mead-Morrison Manufacturing Co., East Boston, Mass.; to the Committee on Claims.

By Mr. TAYLOR of Tennessee: A bill (H. R. 11267) granting a pension to Huldah Chapman; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11268) granting a pension to Alexander Emory; to the Committee on Invalid Pensions.

Also, a bill (H. R. 11269) granting an increase of pension to Charles Dodson; to the Committee on Pensions.

Also, a bill (H. R. 11270) granting an increase of pension to Flora Moore; to the Committee on Invalid Pensions.

By Mr. TINCHER: A bill (H. R. 11271) granting a pension to Adam Perry Kaufman; to the Committee on Invalid Pensions.

By Mr. WARD: A bill (H. R. 11272) for the relief and reimbursement of Cora T. Dering; to the Committee on War Claims.

PETITIONS, ETC.

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

428. By Mr. CAREW: Petition of Poughkeepsie Lodge, No. 275, Benevolent and Protective Order of Elks, favoring deportation of undesirable aliens; to the Committee on Immigration and Naturalization.

429. By Mr. CLASSON: Petition of Teddy Budlong, No. 39, of the American Legion, pledging support to the Government in suppressing radical elements; to the Committee on the Judiciary.

430. By Mr. EMERSON: Petition of Warren Lodge, Benevolent and Protective Order of Elks, favoring deportation of undesirable aliens; to the Committee on Immigration and Naturalization.

431. By Mr. JOHNSTON of New York: Petition of Bay Ridge Lodge, No. 1277, Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees, of Brooklyn, N. Y., opposing Cummins and Esch bills and favoring Sims bill; to the Committee on Interstate and Foreign Commerce.

432. By Mr. McGLENNON: Petition of Washington Camp, No. 196, Patriotic Order Sons of America, favoring deportation of undesirable aliens; to the Committee on Immigration and Naturalization.

433. By Mr. MICHENER: Petition of sundry citizens of the second congressional district of Michigan, favoring universal military training; to the Committee on Military Affairs.

434. Also, petition of Wm. C. Stark Post, No. 97, American Legion, favoring legislation to rid country of undesirable aliens; to the Committee on Immigration and Naturalization.

435. Also, petition of the Men's Club of the Congregational Church of Ypsilanti, Mich., favoring use of armed forces to protect eastern Asia Minor; to the Committee on Foreign Affairs.

436. Also, petition of Michigan Daily Newspaper Association, opposing proposed change in zone system of second-class postage; to the Committee on the Post Office and Post Roads.

437. By Mr. O'CONNELL: Petition of Auto Pneumatic Action Co., of New York, favoring Madden bill, for 1-cent postage; to the Committee on the Post Office and Post Roads.

438. By Mr. RAKER: Petition of A. C. Hugg and others, of Corning, Calif., favoring two-year Government control extension bill; to the Committee on Interstate and Foreign Commerce.

439. Also, petition of California Fruit Exchange, Sacramento, Calif., urging appropriation for an experimental vineyard in California for converting wine grapes into commercial uses; to the Committee on Agriculture.

440. Also, petition of California Corrugated Culvert Co., of West Berkeley, Calif., favoring House bill 6044; to the Committee on Irrigation of Arid Lands.

441. Also, petition of California Automobile Trade Association, favoring House bill 10182; to the Committee on Interstate and Foreign Commerce.

442. Also, petition of Alturas Parlor, No. 159, Native Daughters of the Golden West, Alturas, Calif., regarding Japanese immigration; to the Committee on Immigration and Naturalization.

443. By Mr. ROWAN: Petition of the Foreign Trade Club, of San Francisco, concerning legislation for weights and measures; to the Committee on Coinage, Weights, and Measures.

444. Also, petition of St. Paul Association Public and Business Affairs, concerning railroad legislation; to the Committee on Interstate and Foreign Commerce.

445. Also, petition of Poughkeepsie Lodge, No. 275, Benevolent and Protective Order of Elks, favoring deportation of undesirable aliens; to the Committee on Immigration and Naturalization.

446. Also, petition of M. E. Upplin, of New York, favoring recognition of the Republic of Armenia, and for relief in Alaska; to the Committee on Foreign Affairs.

447. By Mr. STINESS: Petition of Slocum Post, No. 10, Rhode Island Department, Grand Army of the Republic, urging passage of Fuller pension bill, H. R. 9369; to the Committee on Invalid Pensions.

448. By Mr. TILSON: Petition of West End Association, of New Haven, Conn., favoring House bill 10650; to the Committee on the Judiciary.

449. By Mr. VAILE: Petition of the Denver Retail Grocers and Meat Dealers' Association, of Denver, Colo., opposing House bill 9088; to the Committee on Ways and Means.

450. By Mr. WARD: Petition signed by Rev. Robert H. Kelley and other pastors and citizens of Liberty, N. Y., urging that relief be extended to the Jewish people in the Ukraine; to the Committee on Foreign Affairs.

451. By Mr. YATES: Petition of Champaign-Urbana Typographical Union No. 444, Champaign, Ill., urging that Congress take such steps as may immediately end the differences between the operators and miners, the miners' demands may be equitably settled, the mines opened, the miners given a fair and honest wage, the operators a reasonable profit, and the public a square deal; to the Committee on Mines and Mining.

452. Also, petition of A. W. Williams, Quincy, Ill., reciting that the Cummins bill appears to take away from such roads as earned more than a stipulated percentage on their real value a substantial proportion of the excess, and urging that a law of this kind if applied to business generally would be very disastrous; to the Committee on Interstate and Foreign Commerce.

453. Also, petition of Dr. T. J. Dunn and Mrs. Anna Dunn, Dieterich, Ill., reciting that the Cummins bill, if enacted into law, would end all railroad enterprise; to the Committee on Interstate and Foreign Commerce.

SENATE.

WEDNESDAY, December 17, 1919.

(Legislative day of Tuesday, December 16, 1919.)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

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

The VICE PRESIDENT. The Secretary will call the roll.

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

Ball	Hale	McKellar	Simmons
Bankhead	Harris	McLean	Smith, Ga.
Calder	Harrison	McNary	Smith, Md.
Capper	Henderson	Moses	Smith, S. C.
Colt	Hitchcock	Nelson	Smoot
Culberson	Johnson, S. Dak.	New	Sterling
Cummins	Jones, N. Mex.	Newberry	Sutherland
Curtis	Jones, Wash.	Norris	Thomas
Dial	Kellogg	Nugent	Townsend
Edge	Kendrick	Overman	Trammell
Elkins	Keyes	Page	Walsh, Mass.
Fletcher	King	Philpotts	Walsh, Mont.
France	Kirby	Pol Dexter	Warren
Frellinghuysen	Knox	Pomerene	Watson
Gay	La Follette	Ransdell	Wolcott
Gerry	Lenroot	Sheppard	
Gronna	McCormick	Sherman	