

By Mr. RAKER: A bill (H. R. 8019) for the relief of needy Indians of California; to the Committee on Appropriations.
By Mr. LANKFORD: A bill (H. R. 8020) to amend the War Finance Corporation act as amended, and for other purposes; to the Committee on Banking and Currency.

PRIVATE BILLS AND RESOLUTIONS.

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

By Mr. BEGG: A bill (H. R. 8021) granting a pension to Ethel England; to the Committee on Pensions.

By Mr. ECHOLS: A bill (H. R. 8022) granting a pension to Julia A. Hatcher; to the Committee on Pensions.

By Mr. EDMONDS: A bill (H. R. 8023) for the relief of the Chinese Government; to the Committee on Claims.

By Mr. FAIRFIELD: A bill (H. R. 8024) to provide for the retirement of Isaac N. Keller; to the Committee on Reform in the Civil Service.

By Mr. GENSMAN: A bill (H. R. 8025) for the relief of J. W. Harrel; to the Committee on Claims.

By Mr. HILL: A bill (H. R. 8026) for the relief of Frederick Hasiedel; to the Committee on Claims.

By Mr. HOUGHTON: A bill (H. R. 8027) granting an increase of pension to Sarah Bennett; to the Committee on Invalid Pensions.

By Mr. KLINE of New York: A bill (H. R. 8028) for the relief of the estate of Catherine Locke, deceased; to the Committee on Claims.

By Mr. McPHERSON: A bill (H. R. 8029) granting a pension to Seaborn A. Frost; to the Committee on Pensions.

By Mr. MONTOYA: A bill (H. R. 8030) for the relief of Joseph B. Tanner; to the Committee on Claims.

By Mr. REECE: A bill (H. R. 8031) granting a pension to John J. Mahan; to the Committee on Pensions.

Also, a bill (H. R. 8032) granting an increase of pension to Lettie Stuart; to the Committee on Pensions.

By Mr. RICKETTS: A bill (H. R. 8033) granting a pension to Cora L. Dilger; to the Committee on Invalid Pensions.

By Mr. WARD of North Carolina: A bill (H. R. 8034) for the relief of Miles L. Clark; to the Committee on Claims.

Also, a bill (H. R. 8035) for survey of Pasquotank River at Elizabeth City, N. C.; to the Committee on Rivers and Harbors.

By Mr. WOODYARD: A bill (H. R. 8036) granting a pension to Christopher C. Holmes; to the Committee on Invalid Pensions.

PETITIONS, ETC.

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

2218. By Mr. ARENTZ: Resolution of the Tonopah Lodge, No. 28, Free and Accepted Masons at Tonopah, Nev., favoring the passage of the Smith-Towner bill; to the Committee on Education.

2219. By Mr. BACHARACH: Petition of 180 citizens of Burlington County, N. J., in favor of recognition of the republic of Ireland by the United States; to the Committee on Foreign Affairs.

2220. By Mr. CAREW: Resolution from the Board of Aldermen of the City of New York, urging recognition of the Irish republic; to the Committee on Foreign Affairs.

2221. Also, petition of the Medical Society of the State of New York, opposing the Sheppard-Towner bill; to the Committee on Interstate and Foreign Commerce.

2222. Also, petition of J. S. Otis Mahogany Co., of New Orleans, La., relative to tariff duty on mahogany; to the Committee on Ways and Means.

2223. Also, letter from W. T. Dunmore, of Utica, N. Y., president of the Homestead Aid Association of Utica, favoring the exemption of \$500 of the income derived from domestic building and loan associations from the income tax; to the Committee on Ways and Means.

2224. By Mr. CLARKE of New York: Petition of Eggleston Post, No. 184, Grand Army of the Republic, of Deposit, N. Y., requesting that the date of marriage of veterans, making widows pensionable, be extended from 1905 to 1915; to the Committee on Invalid Pensions.

2225. By Mr. CHALMERS: Petition of Bethlehem Lutheran Church, of Toledo, Ohio, protesting against atrocities of savage troops on Rhine; to the Committee on Foreign Affairs.

2226. By Mr. CLAGUE: Petition of Winnebago Presbyterian Church, of Winnebago, Minn., urging relief for the peoples of the Near East; to the Committee on Foreign Affairs.

2227. By Mr. HADLEY: Petition of members of the Pomona Grange of King County, Wash., urging the disposition to foreign countries on long-time credit of our rotting agricultural surpluses; to the Committee on Agriculture.

2228. By Mr. KELLEY of Michigan: Petition of 16 manufacturing confectionery firms of Michigan favoring repeal of excise tax on candy and confectionery; to the Committee on Ways and Means.

2229. By Mr. KISSEL: Petition of Walter W. Law, jr., president of New York State Tax Commission, and E. Lyons, chairman Wisconsin State Tax Commission, relative to amending the Constitution; to the Committee on the Judiciary.

2230. Also, petition of textile workers of Boston, Mass., urging the passage of House bills 7102 and 7103; to the Committee on Coinage, Weights, and Measures.

2231. Also, petition of Richard Wright, of Brooklyn, N. Y., and 36 residents of the third New York congressional district, urging larger appropriations to be used in the building of ships at the New York Navy Yard; to the Committee on Appropriations.

2232. By Mr. RAKER: Petition of G. Palania, of Redding, Calif., indorsing and urging support of Senate bill 1252 and House bill 7, known as the Towner-Sterling bill; to the Committee on Education.

2233. Also, petition of brotherhood of railway and steamship clerks, freight handlers, express and station employees, of Cincinnati, Ohio, protesting against legislation providing for the immigration of Chinese coolies into the Territory of Hawaii to relieve the labor shortage; to the Committee on Immigration and Naturalization.

2234. Also, petition of San Francisco Chamber of Commerce of San Francisco, Calif., indorsing legislation providing for Federal incorporation of American firms engaged in business in China; to the Committee on Interstate and Foreign Commerce.

2235. Also, petition of Haas Bros., of San Francisco, Calif., protesting against House bill 7112, relative to new regulations in regard to cold storage of food products; to the Committee on Agriculture.

2236. Also, petition of Algoma Lumber Co., of Los Angeles, Calif., urging support of Senate bill 2084; to the Committee on Agriculture.

2237. Also, petition of the Standard Felt Co., of West Alhambra, Calif., requesting protection for felt footwear; to the Committee on Ways and Means.

2238. Also, petition of Germain Seed & Plant Co., of Los Angeles, protesting against a duty on white arsenic and arsenic acid; also petition of Mount Shasta Lodge, No. 312, Brotherhood of Locomotive Firemen and Enginemen, of Dunsmuir, Calif., urging the defeat of the Fordney tariff bill; to the Committee on Ways and Means.

2239. By Mr. ROSE: Petition of citizens of Blair County, Pa., favoring elimination of the tax on carbonated beverages; to the Committee on Ways and Means.

2240. By Mr. YOUNG: Petition of Farmers' Union, Local No. 81, of Sterling, N. Dak., favoring a reduction of rates in various tax measures, etc.; to the Committee on Ways and Means.

2241. Also, telegram in the nature of a petition of the National Nonpartisan Clubs of North Dakota, of Fargo, N. Dak., praying for the passage of the so-called Sheppard-Towner bill; to the Committee on Interstate and Foreign Commerce.

SENATE.

TUESDAY, August 2, 1921.

(Legislative day of Wednesday, July 27, 1921.)

The Senate reassembled at 12 o'clock meridian, on the expiration of the recess.

EXPORTATION OF FARM PRODUCTS.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 1915) to provide for the purchase of farm products in the United States, to sell the same in foreign countries, and for other purposes.

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

The PRESIDING OFFICER (Mr. CURTIS in the chair). The Secretary will call the roll.

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

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| Ashurst | Broussard | Caraway | Dial |
| Borah | Bursum | Culberson | Edge |
| Brandegée | Capper | Curtis | Ernst |

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|--------------|-------------|------------|--------------|
| Fernald | King | Overman | Sterling |
| Gerry | Ladd | Pittman | Sutherland |
| Gooding | La Follette | Pomerene | Swanson |
| Harrell | McCormick | Ransdell | Townsend |
| Harris | McCumber | Reed | Trammell |
| Harrison | McKellar | Sheppard | Wadsworth |
| Heflin | McKinley | Shortridge | Walsh, Mass. |
| Hitchcock | McLean | Smith | Walsh, Mont. |
| Jones, Wash. | McNary | Smoot | Warren |
| Kellogg | Moses | Spencer | Watson, Ga. |
| Kenyon | Norbeck | Stanfield | Williams |
| Keyes | Oddie | Stanley | Willis |

Mr. SMOOT. I wish to announce the absence of the junior Senator from Arizona [Mr. CAMERON] on official business.

I also wish to announce that the Senator from Pennsylvania [Mr. PENROSE] is detained at a meeting of the Committee on Finance.

The PRESIDING OFFICER. Sixty Senators having answered to their names, a quorum is present.

Mr. LA FOLLETTE and Mr. BRANDEGEE addressed the Chair.

The PRESIDING OFFICER. The Senator from Wisconsin is entitled to the floor. Does he yield to the Senator from Connecticut?

Mr. LA FOLLETTE. I yield.

Mr. BRANDEGEE. Last evening after we had entered into the unanimous-consent agreement I gave notice in accordance with the rule as to a modification of unanimous-consent agreements that to-day I would ask unanimous consent that the existing agreement, which provides that the pending unfinished business shall be continued to the exclusion of all other business, shall be modified by inserting after the word "business" the words "except routine morning business and such matters as may be agreed to by unanimous consent." That would take care of any emergency matter or a message from the President or the House of Representatives or the introduction of bills, joint resolutions, and so forth.

Mr. KENYON. Mr. President—

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

Mr. LA FOLLETTE. I yield.

Mr. KENYON. I am not rising to object, but I wish to get the parliamentary viewpoint of the Senator from Connecticut. The unanimous-consent agreement was not for a final vote and did not require a roll call. Under those circumstances, does the Senator believe that it was necessary to give a day's notice in order to ask a change, or does the rule apply only to agreements to take a final vote?

Mr. BRANDEGEE. I thought it was necessary, and that is the reason why I gave the notice.

Mr. KENYON. I thought perhaps the Senator had reflected upon it since.

Mr. BRANDEGEE. No.

Mr. KENYON. I think the rule applies only to a unanimous-consent agreement which requires a roll call and is for a final vote.

Mr. STERLING. Mr. President—

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

Mr. LA FOLLETTE. I yield.

Mr. STERLING. I should like to ask what is the difference between a unanimous-consent agreement such as the Senator from Connecticut desires and an adjournment followed by a morning hour with routine morning business; that is, the presentation of petitions, the introduction of bills and joint resolutions, and so forth?

Mr. BRANDEGEE. Of course, what is known as routine morning business usually occurs in the morning hour; that is, the introduction of bills and joint resolutions, the presentation of petitions, and so forth. It does not mean that unless we have an adjournment we can not have any routine morning business. Such things as usually constitute routine morning business when we do have a morning hour would be admissible under this consent agreement, in my view.

Mr. STERLING. It would not mean that the morning hour might be taken up in the discussion of resolutions or questions arising under the order of petitions, memorials, and matters of that kind?

Mr. BRANDEGEE. No; because such a discussion could not take place in the morning hour anyway except by unanimous consent, and this provides that it can be done by unanimous consent. The idea is that if there should come up some emergency measure and the Senate thought it of sufficient importance to require passage, unanimous consent could be given so that the Government would not be crippled; but, of course, unanimous consent would not be given except for a measure of such magnitude.

The reason why I proposed that the unfinished business should be held before the Senate to the exclusion of all other business was that at that time the proposed unanimous-consent agreement was so framed as that it provided that at 3 o'clock tomorrow we should vote, so that we were only excluding other business for a limited time. But afterwards the agreement was changed, and I had not kept track of the change, so as to provide simply that after 2 o'clock to-morrow no one shall speak longer than 10 minutes, so that no time is fixed for a vote now. The debate has been limited to 10-minute speeches after 2 o'clock to-morrow, and therefore we ought not to tie ourselves up so tight as is done by the existing unanimous-consent agreement.

The PRESIDING OFFICER. Is there objection to the amendment proposed by the Senator from Connecticut? The Chair hears none, and the amendment to the unanimous-consent agreement is agreed to. The Senator from Wisconsin has the floor.

Mr. BORAH. Mr. President—

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

Mr. LA FOLLETTE. I yield.

Mr. BORAH. I submit at this time an amendment which I shall offer to the pending bill whenever we reach the point where the amendment will be in order. I simply desire at this time to have it read and to say just a word in explanation.

The PRESIDING OFFICER. Does the Senator from Idaho desire to have the amendment to the amendment read?

Mr. BORAH. I desire to have it read.

The PRESIDING OFFICER. The Secretary will state the amendment which is proposed by the Senator from Idaho to the amendment.

The READING CLERK. At the end of the amendment it is proposed to add the following as a new section:

That an act entitled "An act to provide capital for agricultural development, to create a standard form of investment based upon farm mortgage, to equalize rates of interest upon farm loans, to furnish a market for United States bonds, to create Government depositaries and financial agents for the United States, and for other purposes," and known as the Federal farm loan act, be, and the same is hereby, amended by adding thereto a section to be known as "section 12a," reading as follows:

"Sec. 12a. The lien reserved to the Government of the United States, however created, for payment to it of construction charges, and charges for operation and maintenance, and all penalties required to be paid under the act of June 17, 1902 (32 Stat., p. 388), and acts amendatory thereof or supplementary thereto, shall not be construed to be a lien or incumbrance as contemplated by this act, wherein loans under this act shall be secured by first mortgages on farm lands, to the end that the provisions of said Federal farm loan act shall extend to lands within all Government reclamation projects, without regard to Government liens for payment of said charges."

Mr. BORAH. Mr. President, the proposed amendment to the amendment is somewhat long, but it involves a very simple proposition. I can state it in a word. Under the Federal farm loan act as it now exists the Farm Loan Board is prohibited from making loans upon reclamation farms for the reason it has been determined such loans must be first-mortgage loans. The amendment is simply designed to exclude the lien which the Government may have upon lands within reclamation projects, so as to permit the Farm Loan Board to make loans upon reclamation projects notwithstanding the fact that the Government may have a lien for charges and for expenses in connection with building the canals, and so forth.

As we know, the Farm Loan Board has construed the law in such a way that at the present time it is impossible under the law to make a loan to parties holding lands under Government reclamation projects. By this proposed legislation it is desired simply to extend the farm loan act so that its benefits may accrue to settlers on reclamation projects. The proposed amendment has no other purpose than to permit loans upon the lands under reclamation projects, the lien of the Government notwithstanding.

Mr. ASHURST and Mr. SMOOT addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Wisconsin yield, and if so, to whom?

Mr. LA FOLLETTE. I yield first to the Senator from Arizona.

Mr. ASHURST. Mr. President, I am glad that the Senator from Idaho [Mr. BORAH] has submitted his amendment to the amendment. I presented an amendment on last Thursday, the 28th ultimo, similar to the one now submitted by the Senator from Idaho. It would seem that the Senator from Idaho is following me in this task, but really he is not; he is leading, rather, because the amendment which was presented by myself on last Thursday was, in fact, almost an exact copy of a bill which the Senator from Idaho had introduced on the same subject some months ago.

Mr. BORAH. Mr. President—

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

Mr. ASHURST. I have not the floor, but, with the permission of the Senator from Wisconsin, I will yield to the Senator from Idaho.

Mr. BORAH. Do I understand that the Senator from Arizona has offered the amendment to which he refers to the pending bill?

Mr. ASHURST. Yes; I have offered it to the so-called Norris bill.

Mr. BORAH. I did not know that. I shall be very glad to support the Senator's amendment.

Mr. ASHURST. I want it distinctly understood that the Senator from Idaho is only apparently later than myself in offering the amendment, for the one which I submitted was copied from his bill. The language of his bill was so appropriate that I copied the Senator's bill in my amendment.

If the Senator from Wisconsin will pardon me a moment further, I am not so certain that the amendment will not develop into the best feature of the proposed bill. Senators, recollect what the Reclamation Service has done in 19 years. It has transformed 3,000,000 acres of land, originally worth only about \$5 an acre, or, in the aggregate, \$15,000,000, into fields and farms of a value now aggregating \$600,000,000.

Each year the value of the agricultural products of this reclaimed land, not counting live-stock products, amounts to \$90,000,000. The total value of agricultural products, not counting the live stock which has been grown on those irrigation projects, aggregate \$400,000,000. Five hundred thousand people are now housed and employed on those reclamation projects; 50,000 homes have been built thereon. The work of the Reclamation Service is the epic of our western world, yet, as the learned Senator from Idaho has pointed out, the very people living beneath and under these projects are precluded from the benefits of the Federal farm loan law.

The Senator from Idaho has a record so illustrious with rich statesmanship and work for the good of his country that it is difficult to know which of his efforts to praise the most, but of all the good work he has done or may in the future do for the agricultural interests of this country no greater work can be done, no more true statesmanship can be exhibited, than to pass a bill which will permit the farmers under the reclamation projects to share in the benefits of the Federal farm loan law.

I thank the Senator from Wisconsin for yielding to me at this point.

JOINT COMMITTEE ON REORGANIZATION.

Mr. SMOOT. Mr. President—

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Utah?

Mr. LA FOLLETTE. I yield to the Senator from Utah.

Mr. SMOOT. Mr. President, I ask unanimous consent for the immediate consideration of Senate resolution 109. I intended to call the resolution up last night. It proposes to provide for the payment of the employees of the Joint Committee on Reorganization.

The PRESIDING OFFICER. Is there objection to consideration of the resolution referred to by the Senator from Utah, which will be stated?

The READING CLERK. A resolution (S. Res. 109) to provide for payment of expense of Joint Committee on the Reorganization of the administrative branch of the Government out of the contingent fund.

Mr. PITTMAN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Wisconsin yield to the Senator from Nevada?

Mr. LA FOLLETTE. I yield.

Mr. PITTMAN. I should like to have the resolution read, in order that we may understand what it is.

Mr. SMOOT. I will state to the Senator from Nevada what the resolution proposes.

The PRESIDING OFFICER. Let the Secretary read the resolution, as that is the quickest way to dispose of the matter.

The reading clerk read the resolution (S. Res. 109), which had been submitted by Mr. Smoot on July 12, 1921, and reported from the Committee on Appropriations July 15, 1921, as follows:

Resolved, That, pursuant to the authority contained in the joint resolution entitled "Joint resolution to create a Joint Committee on the Reorganization of the Administrative Branch of the Government" (Public Resolution No. 54, 66th Cong.), and in the joint resolution entitled "Joint resolution to authorize the President of the United States to appoint a representative of the Executive to cooperate with the Joint Committee on Reorganization" (Public Resolution No. 1, 67th Cong.), there shall be paid out of the contingent fund of the Senate one-half of the expense of said Joint Committee on Reorganiza-

tion, upon vouchers countersigned by the chairman of the said committee on the part of the Senate and approved by the Committee to Audit and Control the Contingent Expenses of the Senate.

The PRESIDING OFFICER. Is there objection to the present consideration of the resolution?

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

Mr. OVERMAN. Mr. President, as I understand, the money for the payment of the employees of the joint committee is to come from the contingent fund of the Senate?

Mr. SMOOT. Half of it is to come from the contingent fund of the Senate and half of it from the contingent fund of the House.

Mr. OVERMAN. Why is not a direct appropriation made to cover this expense?

Mr. SMOOT. Because the original joint resolution provided that the expenses should be taken care of in this way from the contingent fund. I will say to the Senator that the House has already passed a resolution providing that half of the expenses may be taken from the contingent fund of the House, but it will be impossible to pay the employees until the pending resolution is passed by the Senate.

The PRESIDING OFFICER. The question is on agreeing to the resolution.

The resolution was agreed to.

COMPARISON OF PROPOSED FEDERAL HIGHWAY LEGISLATION.

Mr. TOWNSEND. Will the Senator from Wisconsin yield to me to make a request to have a statement printed in the RECORD?

Mr. LA FOLLETTE. Certainly; I yield to the Senator from Michigan.

Mr. TOWNSEND. The Committee on Post Offices and Post Roads requested me recently to prepare a comparison of the two road bills now pending. I have done that, and ask leave to have the comparison printed in the RECORD in parallel columns.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

The comparison referred to is as follows:

| THE FEDERAL HIGHWAY LAW AS IT WILL BE | |
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| <i>With the Dowell bill passed in its present form.</i> | <i>With the Townsend bill passed in its present form.</i> |
| (Abbreviations: "D." Dowell bill; "1916," law of 1916; "1919," amendments of 1919.) | (Abbreviations: "T." Townsend bill; "Sec. of Ag.," Secretary of Agriculture; "S. H. D.," State highway department.) |

ADMINISTRATION.

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| By the Secretary of Agriculture. (Sec. 1, 1916.) | By a commission of three. (Sec. 1, T.) |
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APPROPRIATIONS.

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| None provided in Dowell bill. | \$100,000,000 for 1921-22 and \$100,000,000 for 1922-23 for road system; \$5,000,000 for 1921-22 and \$10,000,000 for 1922-23 for roads through national forests. |
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APPORTIONMENT.

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| One-third according to area; one-third according to population; one-third according to mileage of "rural delivery and star routes." Every State to receive at least one-half per cent of the total amount of fund. | Same provision as in Dowell bill. |
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AVAILABLE UNTIL.

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| In States having a highway department, one year after close of fiscal year for which fund allotted. In States not having a highway department, three years after close of fiscal year for which fund is allotted. (Sec. 3, 1916.) Two years after close of fiscal year for which funds allotted. (D., sec. 9.) | Two years after close of fiscal year for which funds allotted. (T., sec. 2.) |
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FUNDS REAPPROPRIATED.

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| Within 60 days after close of year available. (Sec. 3, 1916.) At end of period when available. (D., sec. 9.) | Within 60 days after end of year they are available. (T., sec. 20.) |
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SELECTION AND DESIGNATION OF ROADS.

Dowell bill—Continued.

Sec. of Ag. and S. H. D.'s shall agree on roads to be constructed and the character and method of construction. (Sec. 1, 1916.)

Sec. of Ag. shall have authority to approve in whole or part or require modifications or revisions thereof.

S. H. D. shall select not exceeding 7 per cent of State road mileage, not exceeding $\frac{2}{3}$ ths of which shall be known as primary or interstate roads and the balance ($\frac{1}{3}$) secondary or intercounty roads.

States shall submit any proposed revisions of the system selected.

When provision made for completion and maintenance of the system 7 per cent more may be added. (D., sec. 6.)

Townsend bill—Continued.

The commission, in cooperation with the S. H. D., shall from time to time, and subject to such changes as deemed advisable, select, designate, and establish an interstate system composed of primary roads, with due consideration for the agricultural, commercial, postal, and military needs, and afford ingress and egress from each State and the D. of C.

When these are built in any State, the commission then to cooperate with the S. H. D. in selecting, etc., other highways connecting or correlating therewith.

"If any S. H. D. fails, neglects, or refuses to cooperate, or fails to agree with the commission, the commission may then determine the selection, designation, and establishment of the route or routes." (T., sec. 6.)

PROJECTS.

S. H. D. shall submit projects, "setting forth proposed construction of any rural post road or roads therein." (D., sec. 4.)

If projects approved, State shall furnish such surveys, plans, specifications, and estimates therefor as the Sec. of Ag. may require. (D., sec. 4.)

Preference shall be given to "such projects as will expedite the completion of an adequate and connected system of roads interstate in character." (D., sec. 4.)

"Upon this system (7 per cent) all Federal aid shall be expended." (D., sec. 4.)

Not less than 60 per cent of all Federal aid shall be expended on the primary or interstate roads until provision has been made for the entire system. (D., sec. 6.)

S. H. D. shall submit project statements, setting forth proposed construction, etc.

If projects approved, State shall furnish such surveys, plans, specifications, and estimates therefor as the commission may require. (T., sec. 23.)

In any State where the interstate roads have been constructed according to standard adequate for traffic, then aid extended to construction of connecting roads. (T., sec. 6.)

CONDITIONS PRECEDENT.

Legislative assent to this act. (Sec. 1, 1916.)

Submit project statements. (D., sec. 4.)

Not later than 3 years after adjournment of first regular session of legislature after passage of act State must provide funds "equal to apportionment of Federal funds allotted each year for construction of roads."

"Provide a State fund adequate for the maintenance of Federal-aid roads and by law shall place said maintenance work under the direct supervision of the S. H. D." or—

If the State constitution or laws do not provide for such fund and maintenance, projects may be approved until 3 years after adjournment of first regular session of legislature if "funds for maintenance are appropriated or provided by the civil subdivisions of the State and expended under direct control of the S. H. D." (D., sec. 4.)

Legislative assent to act. (T., sec. 10.)

Submit project statements. (T., sec. 22.)

Not later than 2 years after passage of the act the State "shall make provisions for State funds required each year of the State by this act for the construction and reconstruction of highways." (T., sec. 22.)

State must make "adequate provision for the maintenance of all highways selected in that State which have been or which may hereafter be constructed according to adequate standards approved by the commission." (T., sec. 6.)

The point has been raised that States should be required to provide only the amount needed to match the Federal aid, which in the public-land States is less than half. Why require an amount "equal to apportionment before approving project"?

It has been suggested that the regular sessions of the legislatures do not meet until 1923 in most States. Three years after that makes 5 years' grace added to the 5 years the law has been in force, making 10 years. That few States have a "law" providing for a "maintenance fund" or a law placing the work under direct control of the S. H. D., and practically no civil subdivisions of States have a law permitting these subdivisions to collect taxes for expenditure "under direct control of the S. H. D." In such cases the point has been raised, How could a State have a project approved?

CONSTRUCTION.

Dowell bill—Continued.

"The construction work and labor in each State shall be done in accordance with its laws and under the direct supervision of the S. H. D., subject to the inspection and approval of the Sec. of Ag. and in accordance with the rules and regulations made pursuant to this act." (Sec. 6, 1916.)

Townsend bill—Continued.

"The construction work and labor in each State shall be done in accordance with its laws and under the direct supervision of the S. H. D., subject to the inspection and approval of the commission and in accordance with the rules and regulations pursuant to this act." (T., sec. 23.)

That the construction and reconstruction of such highways Federal funds may be expended on under this act shall be undertaken by the S. H. D. subject to the approval of the commission. (T., sec. 8.)

PAYMENTS.

When project completed, or may arrange for partial payments as the work progresses. (Sec. 6, 1916.)

Not to exceed \$20,000 per mile plus portion State's part is reduced on account of public-land area, which is in proportion the "unappropriated and reserved lands" bear to total area of State.

When project completed, or may arrange for partial payments as the work progresses. (T., sec. 23.)

No mention is made of limit per mile, but this provision in present law not being "inconsistent" with provisions of Townsend bill, the \$20,000 per mile probably applies.

MAINTENANCE.

"State shall provide a State fund adequate for the maintenance of Federal-aid roads and by law shall place said maintenance work under the direct control of the S. H. D." Or if the constitution or laws of the State do not provide for such fund and control the civil subdivisions must provide the funds to be expended under direct control of S. H. D. Or no projects will be approved. (D., sec. 4.)

"To maintain the rural post roads constructed under the provisions of this act shall be the duty of the States." (D., sec. 5.)

No project shall be approved until the State has made adequate provision for maintenance of all roads then or thereafter constructed with Federal aid. (T., sec. 6.)

PENALTY.

If roads are not properly maintained Sec. of Ag. shall give notice to the S. H. D.

If within 100 days they are not put in proper condition Sec. of Ag. shall refuse to approve any project.

Sec. of Ag. shall proceed immediately to have road put in proper condition and charge the cost to Federal fund allotted to that State.

Upon reimbursement by the State the funds reimbursed will be placed in the U. S. Treasury to the credit of miscellaneous receipts and the

If State fails to maintain roads after construction the commission shall give notice to the S. H. D.

If within 60 days the road is not placed in proper condition, the commission shall refuse to approve any further project in the State and proceed to put the road in condition and charge the cost against the Federal fund allotted to that State.

Upon reimbursement by the State the funds reimbursed to be placed back in the Federal fund to the credit of the State

Dowell bill—Continued.

Sec. of Ag. shall then approve further projects. (D., sec. 5.)

It has been suggested the Federal road fund should not be deprived of the money reimbursed. In fact, only one State so far has failed in its undertaking to maintain, and this was for lack of funds, then why should such a severe penalty be imposed?

The point has also been raised that this language requires the State to maintain the Federal-aid roads, constituting 7% of the total road mileage, as soon as they are elected and whether constructed or not, which might be very burdensome to some States and possibly bar them entirely from qualifying to receive Federal aid.

No provision.

Townsend bill—Continued.

and further projects may then be approved.

The commission may do the work and buy or lease the necessary equipment, etc., to repair the road. (T., sec. 6.)

"The commission shall establish an accounting division in its organization, which shall devise and install a proper method of keeping the commission's accounts." (T., sec. 4.)

EXPENSES.

The Sec. of Ag. empowered to employ assistants, clerks, and other persons from civil service lists of eligibles, rent buildings outside of Washington, and purchase such supplies, materials, equipment, office fixtures, and apparatus, and to incur such travel expenses as he may deem necessary. (Sec. 9, 1916.)

The commission shall employ and fix the salary of a chief engineer, a secretary, and such accounting, engineering, and other assistants and employees as it deems necessary. With the exception of the chief engineer, secretary, and labor to be taken from civil service lists.

No salary to exceed \$5,000 per annum shall be paid except to the chief engineer, and in fixing the salaries to be governed by the salaries paid other Government employees. (T., sec. 4.)

The commission may incur expense for transportation, rent, travel, office equipment, etc. (Sec. 5.)

EXPENSE FUND.

Not to exceed 3% of the fund shall be set aside for expenses and the balance remaining at the end of the year be turned into the general fund for apportionment to the States.

Not to exceed 1½% of the fund shall be set aside for expenses, and the balance remaining at the end of the year shall within 60 days after the close be turned into the general fund for apportionment to the States. (T., sec. 20.)

WAR SURPLUS MATERIALS.

The Sec. of War authorized to turn over to the Sec. of Ag. war material, equipment, and supplies not needed for war and suitable for road work, reserving 10% for forest road work.

Same provision in Townsend bill. (T., sec. 7.)

Those turned over to be allotted to the States in the same proportion as funds. (Sec. 7, 1919.)

MAPS.

No provision.

"Within two years * * * the commission shall prepare, publish, and distribute a map showing highways and forest roads it has selected * * * and at least annually thereafter * * * supplementary maps showing its program in selection, construction, and reconstruction." (T., sec. 9.)

TRANSFER OF LANDS GRANTED TO RAILROAD AND CANAL COMPANIES.

No provision.

"Consent of the U. S. is hereby given to any railroad or canal company to convey * * * any part of its right

Dowell bill—Continued.

No provision.

TRANSFER OF PUBLIC LAND OR ROAD MATERIALS THEREON.

Townsend bill—Continued.

of way or other property in that State acquired by grant from the U. S." to the S. H. D. (T., sec. 11.)

"If the commission determines that any part of the public lands or reservations of the U. S. is reasonably necessary for the right of way * * * or as a source of materials * * * for the construction or maintenance * * * the commission shall file with the Sec. of the department supervising such land a map, etc."

The Secretary may grant the request imposing conditions for the protection of the public estate, or failing to do this may certify that the appropriation would be contrary to the public interest or inconsistent with the purpose for which the lands or materials were reserved. If he does neither within four months the commission may proceed to appropriate the lands or materials. (T., sec. 12.)

TYPES OF ROAD.

Must be free from tolls. (Sec. 1, 1916.)

Must be free from tolls. (T., sec. 6.)

"The Sec. of Ag. shall approve only such projects as may be substantial in character, and the expenditure of funds hereby authorized shall be applied only on such improvements." (D., sec. 4.)

"That only such durable types of surface and kinds of material shall be adopted * * * as will adequately meet the existing and probable future traffic needs and conditions thereon."

"* * * consideration being given to the type and character which shall be best suited for each locality and to the probable character and extent of the future traffic." (T., sec. 13.)

"That all highways in the interstate system constructed after the passage of this act shall have a right of way of ample width and a wearing surface of an adequate width which shall be not less than 20 feet unless, in the opinion of the commission, it is rendered impracticable by physical conditions, excessive costs, probable traffic requirements, or legal obstacles." (T., sec. 14.)

INFORMATION—PUBLICATION OF.

"The Sec. of Ag. shall encourage more general understanding of the economic use of public roads and highways, and shall collect, publish, and demonstrate for the benefit of all sections of the U. S. useful information on highway transport, construction, and maintenance, which shall include such recommendations as he may deem necessary for preserving and protecting the highways and insuring the safety of traffic thereon." (D., sec. 8.)

"The commission shall encourage a more general understanding of the economic use of public roads and highways, and shall collect, publish, and disseminate for the benefit of all sections of the U. S. useful information on highway transport, construction, and maintenance." (T., sec. 15.)

RULES.

"That the Sec. of Ag. is authorized to make rules and regulations carrying out the provisions of this act." (Sec. 10, 1916.)

"That the commission shall prescribe rules and promulgate needful rules and regulations for the carrying out of the provisions of this act, includ-

Dowell bill—Continued.

Townsend bill—Continued.

Dowell bill—Continued.

Townsend bill—Continued.

ing such recommendations as the commission may deem necessary for preserving and protecting the highways and insuring the safety of traffic thereon." (T., sec. 16.)

tain and they are expended under direct control of the S. H. D. (D. sec. 6.)

EX-SOLDIERS—PREFERENCE FOR.

Sec. 6 of the act of 1919 provides that ex-soldiers, sailors, and marines should be given preference.

"Other things being equal, preference shall be given to honorably discharged soldiers, sailors, and marines." (T. sec. 4.)

Sec. 4 of the Dowell bill amends the first paragraph of sec. 6 of the "act of 1916 as amended."

There is but one paragraph in sec. 6 of the act of 1919, and if sec. 4 of the Dowell bill is intended to amend this, then the provision referring the ex-soldiers, etc., is dropped out and ceases to be a part of the road law.

Adjusted pay for soldiers, sailors, and marines doing road work is not mentioned, but, being part of the present law and not inconsistent with the provisions of the bill, would probably remain as the law.

Officers or enlisted men of the Army, Navy, or Marine Corps engaged in road work shall be paid the difference between Army pay and compensation to civilians for the same work on roads. (Sec. 9, 1919.)

INVALID.

No provision.

Provides that if part of the act should be held invalid, it will not invalidate the whole act. (T., sec. 19.)

PUBLIC LAND STATES.

The share of Federal aid set aside for the State shall not exceed 50% of the total cost per mile of the road, except in "States containing unappropriated public lands and reservations under Federal control exceeding 5% of the total area" of the State, in which case the amount set aside for the project from the funds apportioned to the State shall be the 50% plus a percentage of the total cost equal to one-half the percentage the unappropriated public lands and reservations bear to the total area of the State. (D., sec. 4.)

Provides that when the commission shall approve any project the Sec. of the Treasury shall then set aside not to exceed 50% of the cost as estimated, except in States containing unappropriated public lands exceeding 5% of the total area of the State, in which case the Sec. shall set aside the 50% plus a percentage of the total estimated cost equal to one-half the percentage which the area of the unappropriated lands in such State bears to the total area of such State. (T., sec. 22.)

FOREST ROADS.

No appropriations.

50% of the appropriations made under the act of 1919 to be expended on roads within and partly within the national forests and apportioned among the States, Territories, and insular possessions in the ratio the area of such forests in the State bear to the total area of the State, and the remaining 50% expended on roads and trails necessary for the protection, administration, and utilization of the national forests, and shall be apportioned by the Sec. of Ag. in proportion to the relative needs of the national forests, taking into consideration existing transportation facilities, value of timber or other resources served, relative fire danger, and comparative difficulties of construction. (D., sec. 7.)

Appropriates \$5,000,000 for the year 1921-1922 and \$10,000,000 for the year 1922-1923 for the survey, construction, reconstruction, and maintenance of forest roads. (T., sec. 24.)

Forest roads defined to be "roads wholly or partly within or adjacent to and serving the forest reserves." (T., sec. 2.)

The funds to be apportioned among the States and Alaska according to the area and value of Government-owned lands within national forest reserves. (T., sec. 24.)

Commission may purchase, hire, or lease all necessary supplies, equipment, and facilities it deems necessary to perform the work. (T., sec. 24.)

"That the commission is authorized to enter into contracts with the Sec. of Ag. for the construction, reconstruction, or maintenance of any forest roads." (T., sec. 24.)

"That the cooperative agreement for the survey, construction, and maintenance * * * shall be between the Sec. of Ag. and the proper officials of the State, Territory, or insular possessions." (D., sec. 7.)

COOPERATION IN BUILDING ROADS THROUGH INDIAN RESERVATIONS.

No provision.

"The commission is authorized to cooperate with the State H. D. and with the Department of the Interior in the construction of public highways within Indian reservations, etc." (Sec. 17, T.)

ANNUAL REPORTS.

No provision.

That on or before the first Monday in December of each year the commission shall make a report to Congress, which shall include a detailed statement of the work done, the status of each project undertaken, the allocation of appropriations, the expenditures and receipts during the year, an itemized statement of traveling and other expenses, list of employees, their duties, salaries, and traveling expenses, etc. (Sec. 18, T.)

STATES EXEMPT WHEN.

"Where the constitution of any State prohibits the same from engaging upon internal improvements or from contracting public debts for extraordinary purposes in an amount sufficient to meet the monetary requirements * * * or restricts annual tax levies for the purpose of constructing and improving roads and bridges * * * the funds apportioned to such State shall be set aside and held for future disbursement in that State when it alters its constitution to permit it to raise the money to match the Federal aid extended. (Sec. 6, 1919.)

"Any State desiring to avail itself of the benefits of this act shall, not later than two years from and after the passage of this act, make provisions for State funds required each year of such State by this act for the construction and reconstruction of highways." (T., sec. 22.)

"Provided further, That nothing herein shall be deemed to prevent any State from receiving such portion of said principal sum as is available under its existing constitution and laws." (Sec. 6, 1919.)

"Provided further, That nothing herein shall be deemed to prevent any State from receiving such portion of said principal sum as is available under existing constitution and laws, or to receive their proportionate share of each year's appropriation under existing constitution and laws until 3 years after the adjournment of the next regular session of the legislature from and after approval of this act." (D. sec. 2.)

"Provided further, That in any State where the existing constitution or laws do not provide for such maintenance the Sec. of Ag. shall continue to approve projects for said State until 3 years after the adjournment of the first regular session of the legislature" after the passage of this act,

IF

the civil subdivision of such State provides funds to main-

Dowell bill—Continued.

If more than \$6,000,000 is appropriated for any one year under the provisions of this section the excess shall be added to the 50% applicable to roads forming parts of or extensions of the system of main State roads. (D., sec. 7.)

It has been suggested: That distribution according to area alone was unfair and not an equitable distribution. It should be according to area and value, as near the basis as possible upon which taxes are levied.

That the provision in the Dowell bill applies only to the appropriations made under the act of 1919, which were \$3,000,000 for 1919, \$3,000,000 for 1920, and \$3,000,000 for the fiscal year ending June 30, 1921. Nearly all of this has been expended and does not apply to future appropriations. This should be made to apply to future appropriations.

The provisions in the Townsend bill should be made clear that that part of the money to be used in building roads and trails for the protection and utilization of the lands should be under the supervision of the Sec. of Ag. (Forest Service) and the balance under the Federal highway department.

BRITISH INFLUENCE IN THE SHIPPING BOARD.

Mr. LA FOLLETTE resumed and concluded the speech begun by him on Friday last upon British influence in the Shipping Board. The speech is published entire as follows:

Monday, August 1, 1921.

BRITISH INFLUENCE IN SHIPPING BOARD.

Mr. LA FOLLETTE. Mr. President, on Friday evening before the Senate took a recess I had taken the floor and had submitted some observations upon a resolution which I introduced some time ago and which is upon the table. I discussed the resolution for some 5 or 10 minutes. However, as there were but few Senators present at that time I wish briefly to make a résumé of the matter which I then submitted.

On the 25th of July I submitted some observations to the Senate on one branch of the investigation which the resolution which I have presented contemplated, and that was the attitude of the Shipping Board toward American seamen. On that date I referred back to the differences between the American seamen and the Shipping Board, and I believe I made it clear that the policy of the Shipping Board with respect to American seamen is such that it is impossible for us to build up under that policy an American merchant marine.

The interest of the American people in the American merchant marine is twofold. First, it is that we shall establish a condition with respect to the American ships that fly the American flag that will insure us in time of war an auxiliary to our Navy. Basic to that proposition, of course, is the personnel who man the ships of the American merchant marine. It is vitally essential, as I see it, and I believe the history of shipping the world over sustains the view that, in order that any merchant marine built up by any national government shall be useful to that government in time of war, the men who man the ships must be of the nationality that supports that merchant marine. Applying it to our own case, I hold that it is vital, if we are to have an American merchant marine, that our ships shall be manned by American sailors.

That was the theme of the discussion in the remarks which I submitted to the Senate on the 25th of last month. Then in that connection I said to the Senate that the attitude of the Shipping Board with regard to Great Britain was, I believe, so hostile to the upbuilding of an American merchant marine that if it were once submitted to the Senate and to the American people and understood by them not one dollar of money would be contributed to support the Shipping Board and enable it to carry on its policies unless they were radically changed. I believe that attitude of the Shipping Board is such; I believe that the whole policy upon which we are proceeding is such that if it is once definitely and clearly understood by the American people no Senator and no Member of the House of Representatives will vote one dollar of taxation upon the American people to support that policy.

Mr. President, when I addressed the Senate on the 25th of last month, making what I believed to be a demonstration of the fact that the labor policy of the Shipping Board is such that we can not build up an American merchant marine manned by American sailors, I said in that connection that I would also take up the discussion of the attitude of our organization known as the Shipping Board toward the British interests and British shipping, and that I thought I would be able to show

Townsend bill—Continued.

to the Senate and to the country that that attitude is one which contributes not to the upbuilding of an American merchant marine in any sense of the word, but to the upbuilding of British shipping, and I think I am prepared to make the next installment of my argument in conclusive support of that proposition.

So, Mr. President, I have this to say: It has been announced that we are about to be confronted with a proposition to appropriate \$300,000,000 to the Shipping Board to carry on its present policies, and Members of this body and of the House will be confronted with the responsibility of taxing the farmer, the laborer, the manufacturer, the man engaged in mercantile pursuits, to the extent of a million dollars a day, counting only the working days, to support the policies of the Shipping Board as at present conducted.

However, if it is worth while to tax the people of the country to maintain an organization that shall build up an American merchant marine not only as an auxiliary of the Navy, but to insure us fair treatment in our overseas trade, it must mean that it is important that there shall be in that overseas trade vessels flying the American flag supported by the American people and promoting the transfer of our products across the sea to the markets of the world. How can an organization of that kind minister to the producers of this country, whether they be manufacturers or producers from the soil, unless the shipping organization which is built competes with foreign shippers and the owners of foreign lines? If it shall develop that all of the aid which through taxation we turn into the so-called upbuilding of an American merchant marine contributes to the building up of the greatest rival that we have in overseas commerce, then the American people are betrayed in every dollar of taxes levied to support an organization of that kind.

Mr. MOSES. Mr. President—

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

Mr. LA FOLLETTE. I do.

Mr. MOSES. Is the Senator from Wisconsin referring to policies which are now actually in force by the Shipping Board or which have been in force in the past?

Mr. LA FOLLETTE. I am referring to policies which not only have been in force, but which are being continued in force up to the present moment.

Mr. MOSES. Does the Senator discover any indication in the action of the Shipping Board that those policies are to be continued?

Mr. LA FOLLETTE. Undoubtedly. I have discovered that by the appointment of men taking charge of the assignment of our ships, men in charge of the operation of ships which we are bleeding at every vein and every artery to sustain in these distressing times, who are going to the support of a British merchant marine rather than to an American merchant marine. It is to make something approaching at least a demonstration of that proposition that I have taken the floor and that I appeal to the Senate for its considerate attention and upon which I ask the attention of the country.

There hangs upon the wall of this Chamber [indicating] a map which I have made after a somewhat critical study of the ramifications of the shipping interests; and, Mr. President, I ask Senators to yield me their attention while I discuss this subject. I venture to say it will be worth their while to do so, for they are to be called upon, as stated by the chairman of the Committee on Commerce, the distinguished author of the Jones Act of 1920, to vote in a few days \$300,000,000 additional in order to support the policy of the present Shipping Board.

Mr. President, I am now going to come back to my manuscript. I do so for the sake of saving time, because I find that when I depart from my manuscript I amplify. I beg the attention of Senators.

THE CHARGE OF BRITISH CONTROL.

The charge that British influences are at work to control the policies of our merchant marine has been so frequently and recently made and upon such high authority that it can not longer be ignored. For example, on the 6th of June last the Senator from Iowa [Mr. KENYON] on the floor of the Senate said this:

I think it is a safe statement—I hazard the statement—that of the 300 employees [of the United States Shipping Board] across the sea, 75 per cent are British subjects, and some of the most important positions are filled by British subjects, such, for instance, as that of marine superintendent, Capt. Blake, who is getting a salary of \$6,000 a year, a British subject, and his entire department is composed of British subjects.

The remarks I have just quoted will be found in the CONGRESSIONAL RECORD of June 6, 1921, page 2157.

Before I conclude what I have to say I expect to lay before the Senate information showing that it is not necessary to go across the sea to find men powerful in the affairs of American shipping whose interests and sympathies are far more British than American.

Who is it that is our commercial rival for overseas trade? Great Britain, of course. There is no other country which compares with Great Britain so far as tonnage is concerned. I take it that is what the Senator from Iowa was speaking about when he made the statement before the Senate which I have just quoted. In order to confirm that, I addressed a letter to the Shipping Board and asked them to send me a statement of the employees of the present Shipping Board, their residence, and their allegiance. I have their reply here; I have compared it with the statement of the Senator from Iowa and of the Senator from Missouri, who spoke following the Senator from Iowa, and I find in it, Mr. President and Senators, that which challenges the attention of every Senator who shall be called upon to vote dollars out of the pockets of the American taxpayers and into the coffers of our Shipping Board.

Mr. President, I realize that the Shipping Board has changed in personnel within the last two months. I waited before saying a word upon my resolution in order to see what the trend of the policy of the new Shipping Board might be. If I had seen a radical change, if I had seen that they canceled the cost-plus contracts under which we are being bled at every artery by a cost that is staggering, and under a policy that this Congress has condemned, I should have waited longer before speaking. Moreover, if I had seen that there was any change in the attitude of the present Shipping Board, the new Shipping Board, toward labor, I would have waited; but no; they have not only adopted the policies of the old board with respect to American seamen, but they have pushed them even further, until there is a feeling on the part of the American seamen in this country toward the American merchant marine that is one of open hostility and antagonism. Sir, that is not the policy of our great rival, Great Britain. She has adopted a policy of cooperation with the Seamen's Union of Great Britain. As I said on the 25th day of July in that branch of the discussion which I then engaged in, she has turned over to the British Seamen's Union the employment of the men who shall operate the ships under the British Jack. They are working in harmony. Their sailors accepted the 15 per cent reduction, just as our sailors, as shown in the correspondence which I submitted here on the 25th of July, were ready to accept the 15 per cent reduction; but, no, there is a spirit of hostility here on this side of the Atlantic different from the spirit prevailing over there. Why? Because the men who are benefiting under the taxation which we are imposing upon the American people are more interested in the upbuilding of the British merchant marine than in the upbuilding of an American merchant marine. I have the proof of that statement, and I am prepared to establish that fact.

Men who are masquerading as the sponsors of an American merchant marine are the emissaries of Great Britain. They are to be found in the Commerce Department of this Government; they have had their representatives there for years. I know some of the new members of the Shipping Board, and I have as much confidence in their integrity as I have in my own; but they are so surrounded, just as Congress is, with respect to news, that they can not get the light from the outside.

I called the attention of the Senate on Saturday night to the fact that a man had been appointed to investigate the operations in this country of the British merchant marine and the British Government in confining, undermining, and destroying the effect of all the appropriations that we are making here. That man was Roscoe C. Mitchell, assistant to the special commissioner in Europe, and it was made to Capt. Foley, Director of Operations, United States Shipping Board, under date of March 14. It was a mighty important report. Mr. Mitchell went out of office after having made it, and Foley is out of office to-day.

It was an exposé of what is going on upon the other side. I shall not tax the patience of Members to read from that report now. I shall print it, unless it is called for. It is well worth your reading. It is well worth your consideration before you vote another dollar in support of this enterprise that is reaching into the Treasury day by day up to its armpits.

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

Notwithstanding the natural advantages I have enumerated and the fact that England enjoyed a practical monopoly as the sea carrier for the great part of the world during the half-century period when the American exporter and importer was satisfied to move his merchandise in British bottoms, I am fully convinced that the shipowners of the United Kingdom have adopted other means by which they hope to eliminate the United States as a serious competitor on the high seas.

Propaganda is the new weapon, and to-day they are conducting an active campaign within our own borders. Their object is to discourage the American people from supporting Congress in placing our mercantile marine upon a firm footing. Daily utterances in the news and editorial columns of the English press are of such tenor as to justify this statement, but, as additional proof, I cite the fact that Britishers well versed in all maritime matters have admitted to me that this method of breaking down our peace-time morale already has been employed with considerable success.

"Lack of stability. * * * Failure to adopt and adhere to definite policies. * * * Extravagance in the operation and upkeep of ships. * * * Desire of inexperienced operators to become millionaires overnight. * * * Tendency to form shipping alliances with Germany." These are some of the criticisms directed at the Shipping Board and shipping industry in the United States by our friends across the sea. Unlike America, where interest in the success or failure of our mercantile marine is confined almost entirely to those actively engaged in the industry, every man you meet in England can discuss intelligently all questions having any bearing on the British Empire's maritime policies. Shipping is the very heart of English commerce and industry, and from their school days the youth of the Empire are taught to think in terms of ships. Shares in shipping companies are purchased by the public with a greater degree of confidence than are bonds of the British Empire. I was impressed by a practical demonstration of this fact in January of this year, when, despite the economic conditions in the United Kingdom, the new issue of £4,000,000 7 per cent debenture stock offered to the public by the Cunard Steamship Co. was oversubscribed within a few days. What better proof could be given of the deep-rooted confidence of the British public in the future of the shipping industry?

BRITISH COMPETITION AND PROPAGANDA.

Mr. LA FOLLETTE. In this statement of a trained observer who was abroad for the very purpose of studying the questions upon which he reported, we are brought face to face with the fact that we must not only expect from Great Britain every form of competition which the law permits and which ingenuity can devise, but we must be prepared to combat insidious propaganda calculated to nullify our efforts to secure that portion of the maritime commerce of the world to which we are justly entitled. It behooves us then to see to it that so far as possible every person connected with our merchant marine shall be not only an American but that he shall be loyal to American interests when they are opposed to British interests. This ought to be true of every man on board of every ship from the captain to the humblest seaman; and of every employee in every department from the chairman of the Shipping Board to the least important clerk.

It is perhaps not amiss that we should pause at this point long enough to inquire why we have spent billions of dollars to build up a merchant marine and are pledged to a policy of spending hundreds of millions more in order to maintain it. Those reasons are declared in the very statute which gives life to the Shipping Board and from which it derives its power. The first section of the merchant marine act of 1920 provides:

That it is necessary for the national defense and for the proper growth of its foreign and domestic commerce that the United States shall have a merchant marine of the best equipped and most suitable types of vessels sufficient to carry the greater portion of its commerce and serve as a naval or military auxiliary in time of war or national emergency, ultimately to be owned and operated privately by citizens of the United States; and it is hereby declared to be the policy of the United States to do whatever may be necessary to develop and encourage the maintenance of such a merchant marine, and, in so far as may not be inconsistent with the express provisions of this act, the United States Shipping Board shall, in the disposition of vessels and shipping property as hereinafter provided, in the making of rules and regulations, and in the administration of the shipping laws, keep always in view this purpose and object as the primary end to be attained.

Our declared purpose therefore in building a merchant marine was twofold. One was because of its military or naval value in time of war, the other because national self-interest requires that our overseas commerce in time of peace should be carried on in our own ships. I assert, sir, that the reason, and the sole reason, why we had practically no merchant marine at the outbreak of the late war was because national interests, the real purpose for establishing a merchant marine as laid down in this statute, had never been regarded by American capitalists, and if the present attempt to create and maintain an American merchant marine with all its expense and tax burden and sacrifice on the part of the people shall fail it will be for the same reason.

The masters of American finance have not in the past considered a merchant marine from the point of view of national interest either in peace or war, and the national interest is receiving no consideration at their hands to-day. The one question which has been considered has been the question of profits. How can the greatest profit be made in carrying our products abroad and in bringing to our people what they need or desire from other countries? That has been and still is their sole object. If the greatest profit could be made by conducting our overseas commerce under the British flag, that has been done. If it is thought necessary to camouflage or conceal the British influences in our shipping business, that has been done. But the consideration of national interest, protection in war, fair rates, and good service in peace for all the people is a purpose

which has found no place in the plans of the shipping masters of this country.

And yet, sir, Senators can not find justification for voting a soldiers' readjusted compensation upon a basis that I believe to be sound and righteous; but Senators upon this floor can find reasons for supporting the United States Shipping Board in its enormous drafts upon the Treasury, for supporting the railroads in their enormous drafts upon the Treasury, for supporting the builders of warships in their enormous drafts upon the Treasury, for the support and maintenance of a standing Army greater than we have ever had before at a time when no nation in the world can by any possibility make war upon us. Senators who can find reasons for supporting these enormous and almost unlimited appropriations, and can not find justification for readjusting the pay of the men who were torn away from their homes and sent in contravention of every understanding of the meaning of the Constitution of the United States down to that hour across the seas to fight in a foreign country, will be able, I presume, to find reasons for voting continued appropriations to a shipping board that supports British shipping vastly more than it does an American merchant marine, or at least those Senators are not so imbued with a desire to defend the Treasury against the inroads that have been made by the Shipping Board, that they have raised a question here on this floor as to the enormous appropriations that have already been made under the guise of taking care of deficiencies; and I have heard on this floor up to this hour no protest, sir, against the appropriation of \$300,000,000 that some four to six weeks ago we were warned by the Senator from Washington [Mr. JONES] would be found necessary to continue the operations of the Shipping Board.

Mr. JONES of Washington. Mr. President—

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

Mr. LA FOLLETTE. I yield, with pleasure.

Mr. JONES of Washington. I should just like to correct the Senator in one mistake. I did not say three hundred millions; I said one hundred millions. That was the amount that was estimated at that time. Since then, however, the estimate has been raised to three hundred millions, but I had in mind only one hundred millions.

Mr. LA FOLLETTE. My recollection was that the Senator stated that there was a deficiency of three hundred and eighty millions, and that an appropriation of three hundred millions would be necessary to save the situation.

Mr. JONES of Washington. No; the Senator no doubt saw that in the statement that was given to the press, but it came from the chairman of the Shipping Board, not from me. I did not know that any such statement as that was coming out when I made my statement on the floor.

Mr. LA FOLLETTE. The Senator made his statement on what the chairman of the Shipping Board had already informed him, I presume.

Mr. JONES of Washington. On what he had told me; and when he told me, he estimated only one hundred millions.

Mr. LA FOLLETTE. Yes; but subsequently he found that it should be three hundred millions?

Mr. JONES of Washington. Yes.

Mr. LA FOLLETTE. And had the Senator made his statement after the chairman of the Shipping Board found that it should be three hundred millions, he would have said that it should be three hundred millions?

Mr. JONES of Washington. Oh, yes; certainly.

Mr. LA FOLLETTE. Yes. So we are not very far apart, Mr. Chairman, excepting that I did not state the matter exactly as the chairman of the Committee on Commerce had stated it, but, rather, as he would have stated it if he had waited for the further statement of the chairman of the Shipping Board, I take it from what he says.

Mr. JONES of Washington. Possibly so, although I must say that when I examined the figures of the chairman of the Shipping Board upon which he made his estimates I did not understand just exactly how he reached that total. In the amount that we spent during the last year in the operation of the ships he had receipts of \$200,000,000 from the sale of ships. I am satisfied that that is wrong. I do not think we have received any \$200,000,000 from the sale of ships. We may have sold ships on contracts aggregating \$200,000,000, but I am satisfied that we have not received that much money; so I think probably there was a little mistake in the bookkeeping there, although I may be wrong in that. I think not, however.

Mr. LA FOLLETTE. But, even if there was, it was against the Government and not in its favor. We have not received that money; we may not receive that money.

Mr. JONES of Washington. No; it was really against the estimate of the chairman of the Shipping Board as to what we shall need next year. He based his estimate for next year upon what he claimed we had received and spent during the past year. Now, if we had not received \$200,000,000 from the sale of ships, we had not spent \$200,000,000. He may be right and I may be wrong. There is not any question, however, but that we have a deficit that we will have to meet.

Mr. LA FOLLETTE. Well, Mr. President, I do not think it makes so much difference whether it is \$100,000,000 or \$300,000,000.

Mr. JONES of Washington. No; I do not, either. I agree with the Senator on that.

Mr. LA FOLLETTE. The question is, Is it being spent in the interest of the American public? That is the great question; and if it is not, not a dollar of it should be appropriated.

Mr. JONES of Washington. I agree heartily with the Senator in that statement.

Mr. LA FOLLETTE. I have unlimited confidence in the integrity of the Senator from Washington, the chairman of the Committee on Commerce, and in his capacity to deal with this question; but when it comes to voting this money each Senator is going to be answerable to his constituents, not upon the judgment of the Senator from Washington, but upon his own judgment; and in some respects, when it comes to the determination of the question in whose interest in a large way this money is being expended, I may disagree with the Senator from Washington as to that, as a matter of judgment. Upon my investigation I am prepared to say to Senators where I think the real benefit of the money is going. I put it upon the facts that I have gathered. I lay them before the Senate. I do not say that they are conclusive. If they were, my resolution would not have any place in the Senate, because all that it would be necessary to do would be to lay the facts before the Senate and they could determine the matter; but my resolution is just for an investigation, and all I propose to do and all I am called upon to do is to lay before the Senate facts enough to warrant an investigation, to demand an investigation before a vote is taken on the matter. That is what I take my office to be.

Mr. MOSES. Mr. President—

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

Mr. LA FOLLETTE. I yield to the Senator from New Hampshire.

Mr. MOSES. Has the Senator quite finished with his comparison between the condition of the American seamen and the British seamen to which he referred in the opening portion of his remarks?

Mr. LA FOLLETTE. Mr. President, I want to say to my friend from New Hampshire that I only just touched it. I made a speech of an hour and a half or two hours on that subject here on the 25th day of June, and I beg to refer the Senator to that speech.

Mr. MOSES. Yes; that is the very point. I heard that speech, and there were some things in it which I had vaguely in my mind, and I have since refreshed my memory, and I find things in that speech which lay in my mind nebulously—that is to say, in that speech the Senator enumerated five points of difference between the organized seamen and the Shipping Board—five specific refusals of the Shipping Board to meet the requests of the organized seamen.

Mr. LA FOLLETTE. Yes; I did.

Mr. MOSES. But what I wish to ask the Senator—and I do not find that in his speech—

Mr. LA FOLLETTE. It is there.

Mr. MOSES. Yes; I do find that, but the thing I do not find in his speech, and that I wanted to ask the Senator about, was whether in the settlement in Great Britain those five points were conceded by the British Board of Trade, or whether the British Board of Trade, which still continues its functions, was considering those points, or whether they had been settled.

Mr. LA FOLLETTE. Mr. President, as I stated, if the Senator would do me the great honor to read the speech carefully, he would find the answer to his question. We know how it is. We have now just a handful of Senators present in the Chamber, and unless Senators who are absent shall read what one says here it counts as if it had not been said. I stated in that speech that "British seamen accepted a wage cut of £2 10s. per month, amounting to about 15 per cent of their war-time wage, other conditions remaining unchanged."

Mr. MOSES. I have not been able to find that.

Mr. LA FOLLETTE. It is there, and it is there stated very plainly, and it is the fact, Mr. President; and it illustrates in a very pointed way the difference between the British treatment of their seamen and our treatment of American seamen in

this country, I do not care whether they are organized or unorganized.

The seamen in this country in their controversy with the Shipping Board got to a point where they were prepared to state and did state and specifically requested as the only condition of priority of employment on American ships that they should be American citizens—that is all; not union men as against nonunion men, but American citizens—and the Shipping Board denied that, and the organization known as the owners of steamship lines denied it.

I ask Senators if you can hope in any way to build up an American merchant marine when you will not give preference to American citizens to sail under the American flag? Is it not worth your while to note that the attitude of Great Britain is very different in that respect? I shall read to you, if Senators care to follow me here, the contracts with respect to the British ships which require how they shall be operated, how they shall be run under the British flag, manned by British subjects, and operated under conditions which shall be satisfactory to the British Board of Trade, and in case of differences arising—and I am speaking now of British vessels which are affiliated with so-called American organizations, and getting the benefit of the appropriations which we are making—those differences shall be determined by the Lord Chancellor of Great Britain, and his decision shall be final.

Mr. MOSES. Mr. President, no one can controvert the position which the Senator from Wisconsin has taken, that the American merchant marine must be manned by American citizens if it is to be an effective organization.

Mr. LA FOLLETTE. I am glad to have the Senator agree with me on that.

Mr. MOSES. I did not think, however, that the decision arrived at by the Shipping Board under the fatuous and expensive administration of Admiral Benson, when he was its chairman, was permanently conclusive, and I did not suppose that the men were prohibited from reopening that question with the new personnel of the board.

Mr. LA FOLLETTE. Nor were they, Mr. President. But the attitude of the present board has been just exactly the same as that of Admiral Benson, who has been retained on the board, and the result has been that American sailors have been driven off American ships. Where they have gone on at all, they have gone on with heartburning and with resentment, and with a determination to renew the struggle as soon as they have earned enough money to do it. But, Mr. President, you can not hope to build up an American merchant marine with such a condition as that existing between American sailors and the Government which operates the American merchant marine.

Mr. MOSES. Is the Senator asserting that this question has been laid before the new Shipping Board and that a negative answer has been given to it?

Mr. LA FOLLETTE. I am asserting, and I asserted it on the 25th of last month on this floor, with facts piled upon facts to show that the present Shipping Board has not only assumed all of the positions taken by its predecessors, but has gone even further.

Mr. MOSES. I did not so understand it, Mr. President. My understanding was that that was a matter which the new Shipping Board intended to take up after it had gone through the tangled mess of accounting and everything else it found there and discovered just where it was with reference to all of its problems. I have no official knowledge, but simply that gained from conversation with members of the board.

Mr. LA FOLLETTE. I have not a bit of doubt but that the Senator from New Hampshire, in talking with individual members of the board, may find some of them taking that attitude. But that is not the policy which the board has adopted and is enforcing. That policy has disorganized all of the American seamen, as such, who were manning, to the extent of more than 60 per cent, the American merchant marine at the time the war ceased, and, indeed, down to the time when this controversy arose. It is a deplorable condition. It calls for the honest, sincere investigation of every man in the Senate who believes in building up an American merchant marine and who expects to vote the money of the people to do it.

To establish an American merchant marine, it must be manned by American sailors, American citizens. When we passed the seamen's act in 1915 there were but 5 per cent of the seamen employed upon ships sailing under the American flag who were American citizens. Under the beneficent provisions of the act known as the seamen's act we continued to draw from other occupations back to the sea men who had left it because its employment entailed degradation unspeakable.

Under the beneficent provisions of the seamen's act of 1915 we won back to the sea American sailors; so that when this rigid

was made a few months ago we had over 51 per cent of American citizens on the ships sailing the Atlantic—very much more than that on the Pacific—and we had at least 10 per cent additional who had declared their intention to become American citizens. So that it is fair to say that we had won back to the sea American citizens so that we had 60 per cent in our merchant marine instead of the 5 per cent, which was the number before the seaman's law was passed.

One of the most important propositions the Senate has to solve is the question of this British influence, and in support of that statement I ask the attention of Senators to a speech made by the distinguished chairman of the Committee on Commerce of the Senate [Mr. JONES of Washington] no longer ago than January 22, 1921.

That is pretty recent. That deals with conditions as they now are, unless it shall be shown that the new men on the Shipping Board have radically changed them; and I am going to show that they have confirmed them, as far as British influences are concerned, by the employment of men who have British affiliations—that they have entrenched British interests—and when that is shown the statements made by this man, this colleague of ours, who sits at the head of the table in the Committee on Commerce, and whose integrity and high purposes and loyalty to this Government nobody can question, about those conditions I think are pertinent and worthy the interested attention of Senators. He had more to do with framing the merchant marine act of 1920 than anyone else. His profound study of this subject entitles his every utterance upon it to the greatest consideration.

The speech to which I refer was not delivered in the Senate, but was delivered at the second annual convention of the National Merchant Marine Association here in Washington on the 20th of last January. The speech, however, was very properly put into the RECORD by the Senator from Tennessee [Mr. MCKELLAR], and is found in the RECORD of January 22, 1921, at page 1887.

Mr. President, I know how busy Senators are. I doubt if there are four Senators in this Chamber who have read that speech. I would be glad to have anyone who is present, outside of the Senator from Washington [Mr. JONES] himself, who has read that speech to arise in his place and state that fact.

Mr. MOSES. The Senator has no takers.

Mr. LA FOLLETTE. The Senator from New Hampshire says there were no takers to my proposition to have some Senator arise and say that he had read that important speech. So that justifies me, Mr. President, in reading from it.

The warning words of the able chairman of the Committee on Commerce, the Senator from Washington [Mr. JONES]—I am quoting from page 1887 of the RECORD of January 22, 1921. That is only six months away, in round numbers. Read it, Senators. It is worth your reading. I quote as follows:

Our principal competitor for the world's carrying trade is Great Britain. She will do everything possible to keep us off the sea. Her citizens have vast and far-reaching business connections with our people.

The chart now on the wall shows a little section of that, and there are revelations to follow.

She has been so long dominant in shipping that her citizens control many of the great financial, industrial, and transportation interests in this country.

Every word weighted with thought and indicating a knowledge of conditions to the last detail.

They will use and are using this power to defeat our efforts to build up an American marine. Their attacks will be most insidious where that is the wisest course to follow—bold and daring where that is best—but they will always keep in view the one great thing—success for British trade and shipping.

We fight their battles in many ways—

“Their battles”—the battles of Great Britain.

Every man who discourages American enterprise from going into shipping, every newspaper that uses its columns to discredit our efforts and our laws to build up an American marine, gives aid and encouragement to our competitors. Some act unwittingly; some, I fear, purposely.

That is, some American newspapers.

As the Senator well says, every effort to discredit our laws designed to build up an American merchant marine gives aid and comfort to our competitors. That there is an organized effort abroad to discredit our seaman's law no one doubts who is at all familiar with the facts. Upon the existence and enforcement of that law we must depend for securing American seamen and American officers for our merchant marine. We must also depend upon it to equalize whatever difference there is in wage cost between the United States and our competitors.

That law was imperfectly administered after it was passed in 1915. Mr. Redfield, the then Secretary of Commerce, influenced by a man who has held his position there under all administrations and who, I assert, has served British interests

rather than American interests—I refer to Chamberlain, the Commissioner of Navigation in the Department of Commerce.

Mr. President, I will digress just long enough to say that when the seamen's law was passed and signed by President Wilson on March 4, 1915, we were paying higher wages for seamen upon American ships than were paid by foreign ships which were loading at our ports and sailing out of those ports; but provisions in the seamen's act released an economic law that made it impossible for a foreign ship to leave our ports unless she paid the same wages as American seamen were paid on ships under the American flag. That worked out so that inside of two years all up and down the Atlantic coast and the Pacific coast every vessel that cleared from an Atlantic port or Pacific port paid American rates of wages that equalized the cost of operation on every cargo that left our shores. Under those conditions not only did we win back to the sea from 5 per cent of American sailors, which was the outside limit when the act was passed, to 60 per cent of American citizens on all ships leaving Atlantic seaports, but a very much larger number than that on all ships leaving the Pacific seaports. That was accomplished in four or five years. There are just two ways of equalizing that wage cost. One is by enforcing the provisions of our seaman's law, thus compelling our competitors to approximate at least our standards of wages and working conditions; and the other is to break down and destroy the provisions of the seaman's act so that we can man our ships with the cheapest of foreign labor and bring American seamen to the level of the cheapest foreign labor.

No one knows better than Great Britain how fatal that latter policy would be to our plans for an American merchant marine; hence the insidious propaganda manifesting itself to-day in the newspaper publications and the efforts of some individuals and organizations to weaken or destroy our maritime code. A raid is being planned on the seaman's law. Everybody who has kept up with the facts understands that.

I am permitted to quote from a personal letter of J. Havlock Wilson, president of the Sailors and Firemen's Union of Great Britain and Ireland, and member of the marine board, written to Andrew Furuseth, president of the International Seamen's Union of America, on June 14, 1921, where it is said:

It may be perfectly true that there is some understanding amongst them (the International Shipping Federation) with regard to the shipping legislation of the United States. I am using all my time, and every time all my influence, to get the British shipowner to see that he is fighting a shadow when he is fighting the United States shipping law.

There is an organization in Great Britain—and I am going to submit its articles of incorporation in the course of the discussion which I wish to make upon this subject—to control legislation in the interest of British commerce all over the world. There never has been an hour while we have been pouring the hundreds of millions of dollars in taxes which have been levied upon the people into the upbuilding of a merchant marine when that organization has not been in operation in this country in order to control legislation in the interest of the British mercantile marine.

Of course, the British seamen are for the maintenance and extension of the United States seamen's legislation, because that legislation must ultimately result in raising the standards of living for British seamen, but the British shipowner, as we see from this letter, is engaged in fighting that law, and more than that, has enlisted all of the powerful interests in the International Shipping Federation for the same purpose. That is the federation which is organized under a charter which I propose later on to lay before the Senate. I shall not be able to do it to-day, but in subsequent discussions of this subject I propose to get everything before the Senate, and I will bring that forward. Forewarned against this foreign-born propaganda, no friend of the American merchant marine will be deceived by it.

Turning to the speech of the Senator from Washington [Mr. JONES], from which I have previously quoted, I desire to read a few additional paragraphs. He said:

Great business interests, supposed to be American—

There is one of them in that black frame in the center of the chart that hangs upon the wall of the Senate. It is called the International Mercantile Marine Co., owning 55,000 tons of shipping. I am going to speak of it and its British control before I get through.

The Senator says:

Great business interests, supposed to be American, are subordinating American interests to British interests. British shipping interests and the British Government are pulling strings behind the scenes and Americans are stifling American shipping and thwarting American efforts.

I quote further:

A short time ago a reputable gentleman from Newark, N. J., told me of his experience in attempting to establish a shipping line between Newark and England. He applied to the Shipping Board to buy or

charter Government ships for this purpose. His application was referred to the Shipping Board's representative in New York, and he said he was opposed to it. On being pressed for his reasons, he said that the establishment of such a line would injure the business of British lines sailing out of New York.

In that same speech Senator JONES said that the International Mercantile Marine Co., which is one of the principal shipping concerns of the United States—and I quote now Senator JONES's language—had "entered into an agreement in 1903 whereby it bound itself for a period of 20 years to follow no policy that would injure British shipping or British trade." This International Mercantile Marine Co., with which Morgan is tied up, and the Guaranty Trust Co. of New York, and the National City Bank, as I shall show, surrounded by British affiliations and tied up with British interrelations that control it absolutely, is under a contract that it will follow no policy that would injure British shipping or British trade for a period of 20 years; and I say to you that this International Mercantile Marine Co. is all-powerful, and is represented officially in the organization of the present Shipping Board. In saying that I lodge no charge against any member of that board. I know some of the members. We all know former Senator Chamberlain. I know at least one other member of that board. But, Mr. President, that board is surrounded by and is in the hands of an organization that has prevailed there since its creation.

I shall have to repeat just a few words here to get my connection.

In that same speech Senator JONES said that the International Mercantile Marine Co., which is one of the principal shipping concerns of the United States, had "entered into an agreement in 1903—now just pin that date down—whereby it bound itself for a period of 20 years to follow no policy that would injure British shipping or British trade," and the Senator quoted certain paragraphs from that contract and continued:

In brief the International Mercantile Marine Co., organized under American law and claiming to be an American company, obligates itself to pursue—

To pursue "no policy injurious to the interests of the British mercantile marine or of British trade"—

and in case of any dispute arising out of the agreement, whether of law or of fact, the lord high chancellor of Great Britain is to decide such dispute, and his decision is final.

I will not take time to read further from this notable address, but it should be read in its entirety by every person interested in this subject.

Even more illuminating than the address itself is the series of events which followed its delivery and its insertion in the CONGRESSIONAL RECORD. I want to say that it stirred up something.

Mr. MOSES. Mr. President, the Lord High Chancellor of England seems to be popular in British disputes. He settles this dispute between the companies. He also settles the dispute between the unions and the companies.

Mr. LA FOLLETTE. Yes, sir.

Mr. MOSES. British interests will not lose anything in either case, I take it.

Mr. LA FOLLETTE. No. You can just rest assured that British legislation does not overlook a point in this game of controlling the commerce of the world, and making everybody contribute to tail it up and support it and appropriate money for it.

Even more illuminating than the address itself is the series of events which followed its delivery and its insertion in the CONGRESSIONAL RECORD. The president of the International Mercantile Marine Co., P. A. S. Franklin, at once took issue with some of the statements made by Senator JONES in the address from which I quoted. Thereafter, on January 25, 1921, the Senator from Washington placed in the RECORD three agreements of the International Mercantile Marine Co. with the British Government, dated, respectively, August 1, 1903, October 1, 1910, and September 2, 1919. These agreements will be found in the RECORD of January 25, 1921, pages 2041-2042.

INTERNATIONAL MERCANTILE MARINE CO. AND THE SHIPPING BOARD.

Two days after the above contracts were printed in the CONGRESSIONAL RECORD—that is, on January 27, 1921—the United States Shipping Board held a meeting, at which, by invitation of the board, Mr. P. A. S. Franklin, president of the International Mercantile Marine Co., attended with his attorney, J. Parker Kirlin. And they were invited by the Shipping Board to explain the situation existing between the International Mercantile Marine Co. and foreign Governments. Something like 75 or 80 pages were devoted by Mr. Franklin and his attorney to that explanation. I will have more to say about that testimony a little later.

No action was taken in respect to the matter by the Shipping Board, however, until the 3d day of March following the hearing on the 27th of January, when the board, in response, I believe, to a resolution, sent to the Senate a copy of the testimony and a copy of the contracts to which I have referred. The Shipping Board on the same day that it sent this material to the Senate held a meeting and passed a resolution which declared that Mr. Franklin's explanation was not satisfactory. And a copy of that resolution was transmitted to the Senate with the other papers. Why it was necessary to wait from January 27 to March 3 before taking any action in the matter the Shipping Board has not explained.

The following is the resolution adopted by the United States Shipping Board at its meeting on March 3, 1921, a copy of which was transmitted to the Senate on the date of its passage:

Whereas a hearing was granted the International Mercantile Marine Co. by the United States Shipping Board with reference to a certain agreement dated August 1, 1903, between the Commissioners for Executing the Office of Lord High Admiral of the United Kingdom of Great Britain and Ireland, the Board of Trade (for and on behalf of his Majesty's Government), the International Mercantile Marine Co. and certain British companies, which said agreement provides among other things:

(a) "The term 'the association' hereinafter used means the parties hereto of the second and third parts and also includes any other company, corporate or unincorporate, partnership body, or person, whether British, American, or other foreign, which by any arrangement is admitted to or brought under the control of the association or any of its constituent parts for the time being;"

(b) "PAR. 8. If at any time hereafter during the continuance of this agreement any other company, whether corporate or unincorporate, partnership body, or person, whether British, American, or other foreign, shall be admitted to or brought under the control of the association or any of its constituent parts for the time being the association shall give notice thereof to His Majesty's Government and shall furnish all such particulars with regard to terms, parties, or otherwise as the Government may reasonably require."

(c) PAR. 10. This agreement shall have effect for 20 years from the 27th of September, 1902, and shall continue in force thereafter subject to a notice of five years on either side (which may be given during the continuance of this agreement), provided that His Majesty's Government shall have the right to terminate this agreement at any time if the association pursue a policy injurious to the interests of the British mercantile marine or of British trade;

(d) PAR. 12. In case of any difference as to the intent and meaning of this agreement, or in case of any dispute arising out of this agreement, the same shall be referred to the lord high chancellor of Great Britain for the time being, whose decision, whether on law or fact, shall be final; and

Whereas it was developed at said hearing that although said International Mercantile Marine Co. is owned practically in its entirety by citizens of the United States, yet that certain contract and agreement, dated August 1, 1903, together with certain agreements supplementary thereto between the parties above stated, is regarded by the United States Shipping Board as inimical to and not in harmony with the policy of the United States of America with respect to the development of its trade and commerce and merchant marine and at variance with both the letter and spirit of the merchant marine act, 1920:

Resolved, That the International Mercantile Marine Co. be, and it is hereby, requested and directed by the United States Shipping Board to so amend the said agreement of August 1, 1903, together with agreements supplementary thereto, as to exclude therefrom any and all vessels documented under the laws of the United States, to the end that said agreement and supplements thereto shall not be allowed to affect or apply to the ships operated by said International Mercantile Marine Co. at any time under the flag of the United States of America; and be it further

Resolved, That said International Mercantile Marine Co. advise the United States Shipping Board of its conclusion with respect to this resolution.

They would like to know what they think about it.

Concerning these agreements Mr. Franklin testified, or, rather, stated, at the hearing to which I referred, for he was not under oath, as follows:

In March, 1917, we sent those agreements to Mr. Denman, then chairman of the Shipping Board.

He was defending himself, you see. He was claiming that the Shipping Board had acted all this time with a full knowledge of the fact that the International was a mere tool of the British Government. That is what these agreements make it. He said:

In March, 1917, we sent those agreements to Mr. Denman, then chairman of the Shipping Board, and we have his acknowledgment of the receipt of the agreements. That was shortly after the Shipping Board was established. In January, 1919—first, in November, 1919, the agreements were sent to Judge Payne, then chairman of the Shipping Board—

Keep that date in mind—

In January, 1919, they were sent to Mr. Colby, a member of the Shipping Board, and in 1920 we wrote a letter to Admiral Benson, stating that we had left all of our agreements and discussed them all.

Mr. MOSES. What is the date of that letter?

Mr. LA FOLLETTE. The last letter to Benson is in 1920. I repeat:

In 1920 we wrote a letter to Admiral Benson, stating that we had left all of our agreements and discussed them all.

Following this testimony by Franklin it is my recollection that John Barton Payne declared that the agreement had never been brought to his attention.

I am taking Mr. Franklin's testimony, however.

It appears, therefore, that these agreements had been in the possession of the board since March, 1917; that they had been thoroughly discussed before the members of the board; and it was not until March 3, 1921, that the board reached the conclusion that they were inimical to and not in harmony with the policy of the United States of America with respect to the development of its trade and commerce and merchant marine, and at variance both with the letter and the spirit of the merchant marine act of 1920. Whatever delay may have occurred prior to March 3, 1921, it was to be expected, of course, that the International Mercantile Marine Co. would yield prompt obedience to the resolution of that date, a copy of which was at once furnished to Mr. Franklin by the Shipping Board.

Mark you, the date of that resolution was the 3d of March, 1921. On July 18, 1921, I addressed a letter to the Shipping Board, in which I asked to be advised what action the International Mercantile Marine Co. had taken in response to the directions given by the Shipping Board in its resolution of March 3, 1921. Sufficient time had certainly elapsed for compliance with the resolution if compliance with it was intended. Under date of July 22, 1921, I received a reply from the chairman of the Shipping Board—that was only a few days ago. I quote from that letter, as follows:

Mr. P. A. S. Franklin, president of the company, replied to the resolution of the board, under date of March 9, 1921, to the effect that his company would give the matter their very serious attention with a view to meeting as nearly as possible the wishes of the Shipping Board.

As the Senator from New Hampshire [Mr. MOSES] suggests, "Yours received and contents noted," and let it go at that. I still quote from the letter received from Mr. Lasker:

It is the understanding of the board that negotiations between the International Mercantile Marine and the British Government, resultant from the board's resolution, are practically concluded, and I have communicated with the International Mercantile Marine and have asked it to apprise me of the situation at the moment. I will advise you of their reply.

Yours, very truly,

A. D. LASKER, Chairman.

I have not yet heard. Last March this resolution was passed. March 3 Mr. Franklin was advised. March 9 he acknowledged receipt of the resolution. July 22, no change in the situation, contracts still in existence, and in the meantime the International Mercantile Marine is a big spoke in the wheel of the United States Shipping Board and prominent officials connected with it are in charge of the allocation of our ships and the direction of operations. I shall come to that a little later.

In this connection I call attention to the statement given to the public by Mr. Franklin on March 5, 1921, as found in the New York Times of that date, page 23, column 2, wherein, referring to the March 3 resolution of the Shipping Board, he said:

The decision of the Shipping Board does not in any way conflict with our present organization or method of conducting our business. It has been clearly understood for the last 19 years, since the first agreement was executed between ourselves and the British Board of Trade relating to our British flagships, that the agreements do not apply directly or indirectly to American flagships owned by the company or operated by it.

I am going to show just how near the truth that statement is which was given out to the public by this man Franklin.

Having thus politely informed the board that there was nothing in its decision or resolution which required any change in the structure or methods of his company, Mr. Franklin with a touch of humor adds:

I see no reason now why the company should not comply with the desires of the board, as reported.

The resolution of the Shipping Board referred to does not touch the real iniquity in the relationship between the International Mercantile Marine Co. and the British Government and British shipping interests, and shows but a very limited comprehension of the seriousness of the problem with which they were dealing. Either the Shipping Board purposely set up a man of straw for Mr. Franklin to demolish, or it had not the least conception of the manner in which British influences controlled the International Mercantile Marine Co. The mandate of the board to Mr. Franklin was that he so "amend" his agreements with the British authorities "as to exclude therefrom any and all vessels documented under the laws of the United States." Of course, these agreements do not include by their terms ships documented under the laws of the United States, and therefore to amend these agreements so as to "exclude" such ships leaves the agreements exactly where they were before. As the matter stands, Mr. Franklin has been given the opportunity by the Shipping Board, whether wittingly or unwittingly I do not know, to make a brave showing of complying with its orders without effecting the least change in the organization or method of his company.

A little later in this discussion I will point out exactly how these contracts and the system of interlocking directors gives

complete control of the business resources of the International Mercantile Marine Co. to the British Government and the masters of British shipping.

What I now wish to point out is that the Shipping Board almost from the time of its organization has known of these contracts and has known that the International Mercantile Marine Co., besides operating a few American ships, was merely a holding company for British shipping corporations. On the 27th of last January, when public attention was called to the matter, the so-called investigation was held by the Shipping Board, at which no one was heard but the president of the International Mercantile Marine Co. and his attorney.

A fine method, certainly, to arrive at the truth. Meanwhile that company continued to receive generous allocations of American ships on the theory that it was a real American company. I mean by that company the International Mercantile Marine Co.

A report of the Shipping Board under date of February 7, 1921, shows the International Mercantile Marine Co. in control of 27 Shipping Board ships by allocation; dead-weight tonnage, 247,893 tons; and that these ships included some of the best American vessels controlled by the Shipping Board. In the meantime the Shipping Board allowed the whole matter to slumber until the report to which I referred was made to the Senate at the very close of the last Congress on the 3d day of March, 1921. Is there a Senator here who can believe for a moment that the powerful influences of Great Britain were not at work in our official channels to hold that investigation back and to suppress the truth?

Then the resolution was sent to the Senate which required Mr. Franklin to amend his contracts so as to "exclude" something that was not in them, and there the matter has rested. Whether this is merely a record of incompetence or worse in this matter, I am not prepared to say. I am speaking of a committee of investigation that will determine this, and I am speaking of an investigation which I believe the Senate will feel constrained to demand before I get through. I am simply stating the facts. But if the British Board of Trade had directly controlled the affairs of our Shipping Board during the time, it could not have done worse for the American merchant marine than our Shipping Board has done.

I. M. M. BOUND TO THE BRITISH GOVERNMENT BY CONTRACT.

In order to appreciate the full significance of the part played by Great Britain in the affairs of the International Mercantile Marine Co., and through it the affairs of our merchant marine, it is necessary to examine somewhat critically the contracts already referred to and the organization and holdings of the International Mercantile Marine Co. I am not saying that that company is the only so-called American company dominated by British interests.

Now, mark you that. I have just taken a cross section of a portion of our shipping. I am studying other companies with very great interest, and find much to quicken and keep that interest alive. I am merely using it as an illustration—as a cross section of our merchant marine—to exhibit the manner in which British influence permeates the whole organization. There are other shipping concerns in this country claiming to be 100 per cent American which I believe are just as bad as the International Mercantile Marine Co. in the matter of British influence, or possibly worse.

Before taking up the contracts mentioned I call attention to the testimony and statements of Mr. Franklin, president of the International Mercantile Marine Co., in the hearing before the board on January 27 last.

Referring to the International Mercantile Marine Co., Mr. Franklin says, and I am quoting his testimony verbatim:

This is an American company—

That is, the International Mercantile Marine Co.—

This is an American company, owned by American shareholders, operated in the interests of American shipping and its stockholders, and its policy that it has pursued right straight through has been in advocating the upbuilding of the American merchant marine and conditions which we thought would assist materially in such upbuilding.

On page 2 of this testimony Mr. Franklin says:

During the last three years, or rather during 1916, 1917, 1918, 1919, and 1920, we have distributed to our shareholders in dividends, all American shareholders, as you will see, over \$30,000,000. We have paid off during that period \$31,000,000 of bonds, the great majority of which are held in the United States. Are the people of the United States any better off for owning this British property which earns a very big percentage of this or not? Is it an asset to the American merchant marine or not? We think it is.

That ends the quotation. Now, I want to comment on it a little bit. It is clearly Mr. Franklin's idea that so long as his company makes a handsome profit for the small group of Ameri-

can citizens who own its stocks and bonds it must be reckoned as an asset of the American merchant marine, although its every ship might sail according to the will of British directors and subject to the command of the British Admiralty. That is the fact about every one of its ships, as I shall show.

The International Mercantile Marine Co. owns outright, according to its late reports, the steamers *St. Louis*, *St. Paul*, *New York*, *Philadelphia*, *Finland*, and *Kroonland*. It also owns the stock of the Atlantic Transport Co., with six vessels, incorporated in West Virginia, and of the Belgium Red Star Co., with two vessels. (See Shipping Board Report No. 309, Feb. 7, 1921.) It has other holdings, consisting of stock held by it in the International Navigation Co. (Ltd.), incorporated under the laws of Great Britain. That company is indicated on the map underneath the other company and is inclosed by the red bracket, which in turn is a holding company for a large number of British shipping corporations controlling in the neighborhood of 1,000,000 tons of dead-weight tonnage. It is the ships of these latter subsidiary companies that Mr. Franklin claims are controlled through stock ownership by the International Mercantile Marine Co. and run in the interest of American shipping and constitute an asset of the American merchant marine.

I hope Senators will follow me and get that reasoning. But the fact is, as shown by these contracts, that these ships, nearly 100 in number, traversing every route of maritime commerce open to American ships, and enjoying the most profitable of the carrying trade from the United States, are just as completely British ships and subordinated to British interests as any ship which flies the British flag.

Now listen. The contract of 1903 between the British Government, the International Mercantile Marine Co., and the subsidiary British companies provides in its first paragraph that these ships shall be on an equality with all other British ships "in respect of any services—naval, military, or postal—which His Majesty's Government may desire to have rendered by the British merchant marine."

The second paragraph provides respecting these companies that "a majority at least of their directors shall be British subjects."

The third paragraph forbids the selling of any of these ships to other than British subjects without the consent of the British Board of Trade.

The fourth paragraph provides that the officers shall be British subjects, and such proportion of the crew as the British Government shall prescribe.

The fifth paragraph provides that these ships must be sold or let to the British Admiralty upon the Admiralty's demand.

The sixth paragraph provides for the building of ships for British companies.

The seventh paragraph deals with the manner in which other British subjects or corporations may become associated in the business.

The eighth and ninth paragraphs provide for the contingency of some one other than a British subject or corporation becoming connected with the enterprise, and subjects them to the terms of the agreement.

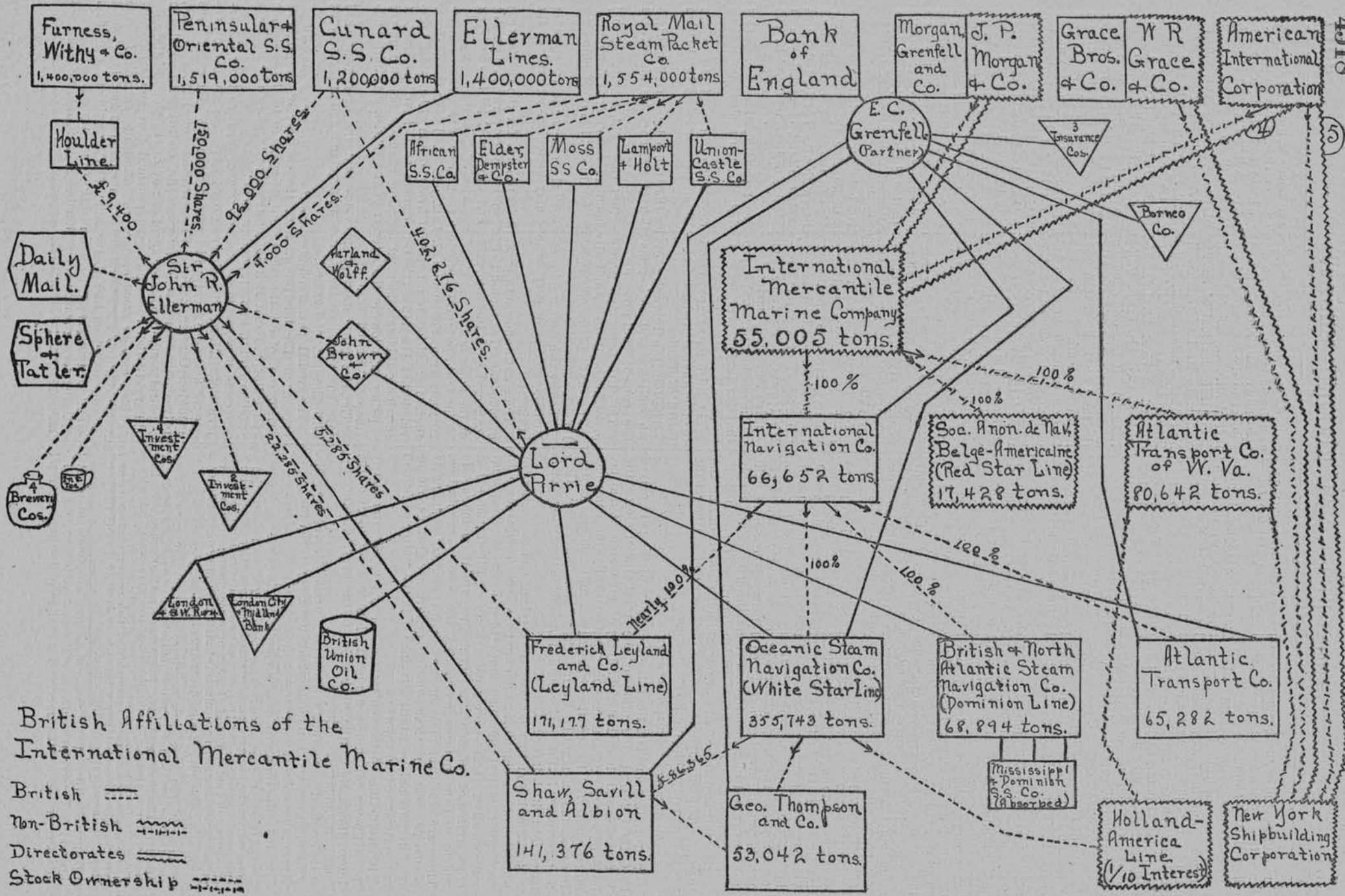
The tenth paragraph provides that the contract shall run for 20 years from September 27, 1902, and shall continue in force thereafter subject to a notice of five years on either side, "provided that His Majesty's Government shall have the right to terminate this agreement at any time if the association pursue a policy injurious to the interest of the British mercantile marine or of British trade."

The eleventh paragraph provides that the agreement shall take effect as a contract made in England and in accordance with the laws of England.

The twelfth paragraph provides that in the case of any difference as to the interpretation of the contract or any dispute arising out of it "the same shall be referred to the lord high chancellor of Great Britain for the time being, whose decision, whether on law or fact, shall be final."

I come now to the second agreement which controls the International Mercantile Marine Co. I have just given the Senate the first agreement, which was made in 1903; the second was made on October 1, 1910. The agreement of October 1, 1910, between the same parties increased the facility with which the Admiralty might obtain control of any of the ships of the subsidiary British companies, and provided that any such ships "which may be considered by the Admiralty suitable for the employment as armed cruisers or commissioned auxiliaries shall be sold or let on hire to the Admiralty" as therein provided. Great Britain saw something in 1910 from afar off.

A further agreement of September 2, 1919, is even more significant than the other two.



Paragraph 1 thereof provided respecting these subsidiary companies that—

No person shall henceforth be a director, managing director, managing agent, manager, or person to carry on or manage the business of any such companies unless his appointment shall be acceptable to the board of trade.

That means, of course, to the British Government.

Paragraph 2 places the entire management of the subsidiary companies under its English board of directors, and even assumes to extend the power and authority of such directors beyond that provided in their articles or by-laws.

Paragraph 4 provides that these subsidiary companies shall not be regarded "as a foreign-controlled company" as to the building, purchasing, and operating of vessels, and the acquisition of shares in other British steamship companies.

The succeeding paragraph provides that these subsidiary companies shall be on the same footing as all other British steamship companies which are free from foreign control as to any facilities or advantages for the development of the business, but if the British companies shall give notice for the termination of the principal agreement these advantages shall cease.

I. M. M. CONTROLLED BY ITS BRITISH SUBSIDIARIES.

It is evident from these contracts that the International Mercantile Marine Co. so far from controlling its so-called British subsidiaries is completely controlled by them. Think of that for a moment, if you want to know how completely the International Mercantile Marine Co. is controlled by Great Britain. It must vote the stock it holds for British directors, and, moreover, for British directors satisfactory to the British Government. The British directors in turn absolutely control the management of their companies. They route the ships, they fix the rates, they man and officer the ships with British subjects, and hold the ships at all times subject to the orders of the British Navy. They must pay to the British Government annually many millions of dollars, probably hundreds of millions, for taxes and excess-profits taxes. These British directors control their own program for new construction and for the purchase of additional ships. In short, they are British companies in every sense of the word. The only function left under these contracts to the International Mercantile Marine is to receive on its stock holdings such dividends as may be declared for its benefit by a British board of directors which is satisfactory to the British Government, and they can not receive a farthing more.

Now, since, as Mr. Franklin says, a very big percentage of all the income of the International Mercantile Marine comes from the British companies, its subsidiaries, it is inevitable that he and his associates should play the British game, and swell the profits of the British companies in every possible way. That they must do this is made doubly certain from the fact that by these contracts they are at all times at the mercy of the British Government and shipowners. At any time their ships may be taken over, their contracts terminated, and their profits stopped by the British authorities. They are really pensioners upon British bounty, and their income—speaking now of the American Mercantile Marine and its stockholders—may be decreased or stopped, or increased according to British will. No man could devise a more perfect scheme to subject to British wishes and purposes every resource of the International Mercantile Marine, whether British or American, than is provided in their contracts.

Nor is this all. Through a system of interlocking directorates these British subsidiaries of the International Mercantile Marine Co. are absolutely dominated by a few masters of British shipping and finance, and are thus fitted into the whole scheme of British imperialism. Just two or three great, powerful, outstanding figures in British finance dominate this whole thing. This is graphically shown on the map or chart to which I invite your attention.

I now ask Senators, if they care to follow me, to give their attention to the chart while I submit as careful an analysis and description of the operation of the forces which it represents as it is possible for me to do.

THE BRITISH OPERATING COMPANIES OF THE I. M. M.

This chart is intended to show in its right half the nationality and interrelations of the International Mercantile Marine Co. and its subsidiary companies, and in its left half the relation, through Lord Pirrie and Sir John R. Ellerman, with the five great British shipping combinations and other important British industrial enterprises. Red blocks indicate British companies and individuals. All solid red lines indicate British directors. Broken red lines indicate stock ownership, and the arrow on those lines points from the owner of the stock and toward the concern in which the stock is owned. The figures on the broken red lines indicate the amount of stock ownership.

I will say to Senators that a reduced copy of this diagram will be printed in the CONGRESSIONAL RECORD in connection with

my remarks. I have the permission of the Joint Committee on Printing for that to be done.

The diagram is shown on page 4518 (facing page.)

Mr. LA FOLLETTE. The International Mercantile Marine Co., incorporated in New Jersey, and shown in the black-bordered outline in the right-hand upper central portion of the chart, (1) owns outright five freight and passenger steamers—*New York, Philadelphia, St. Paul, Finland, and Kroonland*—of 55,005 tons, plying between New York and the United Kingdom. Aside from these steamers, its holdings consist entirely of shareholdings in other countries; (2) it owns the entire capital stock, £700,000, of the International Navigation Co. (Ltd.), shown in the red-bordered diagram immediately below it, which owns four freight and passenger steamers of 66,652 tons plying between Philadelphia and Liverpool; (3) it owns 13,845,000 francs, being the entire capital stock of the Red Star Line, a Belgian corporation, with two steamers, of 17,428 tons, plying between New York and Antwerp; and (4) it owns \$5,000,000, being the entire capital stock of the Atlantic Transport Co. of West Virginia, shown on the extreme right, about the middle of the chart. The Atlantic Transport Co. owns four freight and passenger steamers and two freight steamers of a total tonnage of 80,642, plying between New York and London.

The International Navigation Co., in turn, owns the entire capital stock of the Atlantic Transport Co., the British & North Atlantic Steam Navigation Co., the Oceanic Steam Navigation Co., and practically the entire common stock of Frederick Leyland & Co., together with more than a third of its preferred stock.

The Atlantic Transport Co., shown near the right-hand corner of the chart, owns 1 freight and passenger steamer and 10 freight steamers, and carries on a passenger and cargo service between New York, Philadelphia, and Baltimore and London.

The British & North Atlantic Steam Navigation Co.—the Dominion Line—having three freight and passenger steamers and three freight steamers, carries on mail, passenger, and cargo service between Quebec, Montreal, and Portland, and Bristol and Liverpool. During the winter season its boats run to Portland.

The Oceanic Steam Navigation Co., the White Star Line, with a fleet of 19 freight and passenger vessels and 7 freight vessels, is the largest single company controlled by the International Mercantile Marine Co. Its services run from the principal Atlantic ports, including Boston, New York, Philadelphia, Portland, and Halifax, to Liverpool, London, Southampton, Cherbourg, and the Mediterranean, in addition to services from Liverpool to Australia and New Zealand.

Frederick Leyland & Co.—the Leyland Line—have 2 freight and passenger steamers and 26 freight steamers, a total tonnage of 171,177. They carry on a mail, passenger, cattle, and cargo service from Boston, New Orleans, Galveston, Savannah, Mobile, Brunswick, the West Indies, and the Spanish Main to Liverpool, London, and Manchester.

It will be noted that the International Mercantile Marine Co. owns all the stock of the International Navigation Co., and through that company the entire stock of the Atlantic Transport Co., the British & North Atlantic Steam Navigation Co., the Oceanic Steam Navigation Co., and the controlling interest in the Leyland Co.

The Oceanic Steam Navigation Co. owns £500 of the £195,375 preferred stock of Shaw, Savill & Albion, and £86,365 of the £195,375 ordinary stock. Another large block of stock is held by the Ellerman Lines, which, together with the Oceanic Steam Navigation Co., thus controls Shaw, Savill & Albion. The Oceanic Steam Navigation Co. and Shaw, Savill & Albion in turn jointly own £148,829 of the £150,000 preference stock of George Thompson & Co., all of the £50,000 ordinary stock, and all of the £50,000 management stock.

The Oceanic Steam Navigation Co. and the Atlantic Transport Co. of West Virginia jointly own 2,080,000 of the 20,000,000 guilders capital stock of the Holland-American Line. The Atlantic Transport Co. of West Virginia owns 32,971 shares of 200,000 shares of the New York Shipbuilding Corporation, and, together with the American International Corporation and W. R. Grace & Co., control that important shipbuilding concern.

In summary, out of a total of 113 vessels, of 1,077,728 gross tons of shipping controlled by the International Mercantile Marine Co., 5 vessels of 55,005 tons are controlled directly by the International Mercantile Marine Co. and 6 vessels of 86,642 tons by the Atlantic Transport Co. of West Virginia, making a total of 11 vessels of 135,647 tons under the American flag; 2 vessels of 17,428 tons under the Belgian flag; 99 vessels of

922,166 tons under the British flag; and 1 vessel of 2,487 tons of unknown flag.

Beneath the British and North Atlantic Steam Navigation Co. on the chart appears the Mississippi and Dominion Steamship Co. This company was included in the contract of 1903, but it has been liquidated and its assets have been taken over by the British and North Atlantic Steam Navigation Co.

Of the operating companies of the International Mercantile Marine Co., only the Atlantic Transport of West Virginia is an American company. The Red Star is organized under Belgian law and the International Navigation Co., the Atlantic Transport, the British and North Atlantic, the Oceanic Steam Navigation, Frederick Leyland & Co., Shaw, Savill & Albion, and George Thompson & Co. are wholly British. An examination of the routes and services given in connection with the different lines shows that practically all the important trade routes from the Atlantic coast to Great Britain are covered by these British subsidiaries of the International Mercantile Marine.

In addition to its own vessels, the International Mercantile Marine on January 1, 1921, was operating 27 Shipping Board vessels of a gross tonnage of 166,010 tons. Of these vessels 11 of 65,292 tons were allocated directly to the International Mercantile Marine, 6 vessels of 39,384 tons to the Atlantic Transport Co. of West Virginia, and 10 vessels of 61,334 tons to the Red Star Line. It is apparent that the International Mercantile Marine would seek cargoes for these vessels only in so far as there were surplus cargoes above what could be taken care of by its own ships, inasmuch as losses on the Shipping Board vessels are met by the Shipping Board itself.

The lines of stock ownership show holdings by J. P. Morgan & Co. and the American International Corporation in the International Mercantile Marine Co., and the lines of directorships indicate three members of the Morgan firm as directors of the International Mercantile Marine Co. and four members of the International Corporation. The block marked "Morgan, Grenfell & Co." in the upper right-hand corner, inclosed in red bars, and "J. P. Morgan & Co." in black, the dividing line between the two circles being one-half in black and one-half in red, indicates the International Banking House of Morgan, whose British company is Morgan, Grenfell & Co., and whose American company is J. P. Morgan & Co. The five lines running from Morgan, Grenfell & Co. to the Atlantic Transport Co., the Oceanic Steam Navigation Co., the International Navigation Co., George Thompson & Co., and Shaw, Savill & Albion represent E. C. Grenfell, one of the partners in the London Morgan firm, who is a director of the five companies named.

Mr. RANSDALL. Has the Senator outlined the ownership of this International Mercantile Marine Co.? Has he named the persons who own the stock? Is it American capital or British capital?

Mr. LA FOLLETTE. It is American capital; but what the American capital can receive, as I have already stated, which the Senator will see if he will do me the honor of reading what I have said on that point, is entirely controlled by contract with the British Board of Trade.

Mr. RANSDALL. Then, it is American money which is operating this company under the British flag?

Mr. LA FOLLETTE. That is all it means, and it is important to this British organization, as I shall show a little later on, because of the great power of Morgan in delivering freight through the railroads which he controls, transcontinental lines, directly and indirectly. I will show what that railroad control is. That is not only Morgan, but back of this International Mercantile Marine Co., as you will recall, as already stated, and as it will be set forth in detail, is the National City Bank, the Guaranty Trust Co., and the house of Morgan. When you combine those three great financial organizations behind any railroad scheme you have covered practically all the railroads of the country in the directorates which the various members of those banks control.

Mr. RANSDALL. Can the Senator explain why it is that this vast sum of American capital continues to operate vessels under the British flag rather than under the flag of our own country?

Mr. LA FOLLETTE. Mr. President, it is quite apparent that there is a partnership here, a deal, between the masters of the shipping of Great Britain and the masters of the railroads and finance of this country, and that that combination is drawing on the purse of this Government to build up what we in our blindness call an American merchant marine, but an investigation will show that that is fostering further the control of the shipping and transportation in the financial powers of this country and Great Britain, in combination, and you can not have any distinctly American merchant marine in partner-

ship with the British merchant marine, through these interlocking combinations of great finance.

Mr. RANSDALL. Does the Senator contend that this arrangement is continued because it enables the owners of that stock to make more money than if they put the ships under the American flag? Or is it because of some ancient combinations or arrangements which are still in existence; for instance, the 20-year arrangement the Senator spoke of, which has about two years to run?

Mr. LA FOLLETTE. Yes; that could be terminated by a notice by either of the parties.

Mr. RANSDALL. I would like to have the Senator enlighten me—and I am intensely interested in his speech, I want him to know—as to why this great combination of American capital continues to operate under the British flag, instead of putting more of their vessels under our flag, or some of them under our flag.

Mr. LA FOLLETTE. It is quite apparent to me. I had hoped I had built up my argument so as to make it apparent to everybody. You have to recognize one thing to start with, that Great Britain has been master of the commerce of the world upon the seas for many years. I can see pretty plainly how, many years ago, it was easy to enlist the financial masters of our railroad transportation into an overseas combination with Great Britain, which would put money into the pockets of both of them more rapidly than the great financiers of this country could get returns upon their investments by building up some new shipping organization in this country to compete with Great Britain for this foreign trade.

In other words, you had a combination made here, going back nearly 20 years, which was discussed on this floor. I have been reading the old debates, which are very interesting. You had a combination made between the great railroads of this country and British overseas shipping, and the International Mercantile Marine Co. was a sort of medium, or link, through which this organization was built up.

I undertake to say that the great financial powers of this country consider first their financial interests, rather than any question of national advantage, in the building up of an American merchant marine.

I conceive that there can be but two objects in building up an American merchant marine. To the farmer in Wisconsin, or in Idaho, or in Oregon, or to the manufacturer in New England, what difference does it make who transports his products across the ocean in the carrying trade of the world? His financial interest is in having good rates and reasonably quick transportation.

Grant him a national interest as an American citizen. What is it? What is the second interest in having an American merchant marine? It is to build up an organization such that if we needed help in time of trouble with other nations we could call on them to man an auxiliary for our Navy.

The business man can have only those two ideas and those two motives for supporting an American merchant marine—one securing the best transportation facilities possible for his overseas commerce; the other, loyalty to his Government in time of need.

With regard to the first proposition, it can mean nothing to him to have his overseas products on their way to market transported by Mr. Morgan more than by Lord Pirrie, and it can be no advantage to him, surely, unless in building up an American merchant marine he can have some competition with Lord Pirrie or the British organization. So that that is a step we have been considering much in building up our American merchant marine.

There has been no suggestion anywhere, so far as I have heard, that we should exercise control of transportation charges. I prepared an address for delivery in the Senate a few years ago, when we had the first bill for the building up of shipping, along about 1914 or 1915. That bill was defeated by a filibuster, Senators will remember, and I never got an opportunity to deliver that speech. But I remember distinctly that my overhauling of all the testimony at that time showed that there were conventions, as they call them, or agreements, between all of the great shipping lines engaged in overseas traffic and all of the great shipping lines in our coastwise traffic and in our lake traffic by which they fixed absolutely what the American people must pay in the way of freight charges.

I just say this, that these financial interests in this country have gone into this thing years ago to make money; that they have not any regard and have never shown any regard in any field of that sort for national pride or national interest.

Mr. RANSDALL. If the Senator will permit a suggestion right there, I can understand how originally these combinations were entered into, years ago, before the seamen's bill was

passed, for instance, in the passage of which the Senator had such an active part, because in those days it always appeared that British shipping had a very decided advantage in many respects over American shipping. There was a chance to make more money in the British shipping business than in the American shipping business.

But since the passage of that law and since so much of the British capital which was formerly invested in this country has gone back, they have not the control—at least, I do not think they have the control—over our financial institutions and over our railroads that they formerly had.

Mr. LA FOLLETTE. They had no control over our railroads. Their interest in our railroads was in the bonds, not in stock. They never bought stock in the railroads.

Mr. RANDELL. I understand that.

Mr. LA FOLLETTE. They bought bonds.

Mr. RANDELL. But they were very much interested; and I can not understand, for the life of me, now that the situation is so materially changed—

Mr. LA FOLLETTE. If the Senator will pardon me, the situation with respect to the mastery of the sea is not changed. Great Britain controls the great commerce of the world.

Mr. RANDELL. She certainly does.

Mr. LA FOLLETTE. Beyond any question. We have but a pittance of it. A partnership with that great organization offers opportunities to American capital. The fact is there is the evidence of it. It is indisputable.

Mr. RANDELL. I am trying to get through my head why, when American capital owns all that stock, they do not put it under the American flag. We have passed laws which certainly give our American shipping just as much protection as Great Britain gives to her shipping. There is just as much chance to make money under the American flag in the shipping business as there is under the British flag.

Here the Senator has shown there is over 1,000,000 tons of shipping owned by Americans and operated by Americans, but it is under the British flag. That is the part that is so difficult for me to understand. If the Senator can make it clearer to me, I wish he would do so.

Mr. LA FOLLETTE. The Senator is confused because he has not followed me. The International Mercantile Marine is absolutely controlled by these British subsidiaries, through the contracts made between the International Mercantile Marine and the British subsidiaries, in 1902, 1910, and 1919. The International Mercantile Marine Co. found it more profitable to employ its capital under these contracts in conjunction with Great Britain with her control of world commerce than to attempt to establish an American merchant marine, and they made these contracts accordingly and are still operating under them. I think that answers the Senator's question.

[At this point Mr. LA FOLLETTE yielded the floor for the day.]

Tuesday, August 2, 1921.

Mr. LA FOLLETTE. Mr. President, when I concluded last evening I was directing the attention of Senators to the left-hand portion of the chart which hangs on the wall of the Senate. I had not quite completed my explanation of the chart. I, therefore, begin at the point where I yielded the floor, and bring to the attention of Senators the control exercised by the great masters of shipping and transportation in Great Britain over the subsidiaries of the International Mercantile Marine Co. To Senators who may not have been in the Chamber during the time when I was speaking yesterday afternoon I will say briefly that there are certain existing contracts between the International Mercantile Marine Co. and this group [indicating on the chart] of British shipping companies which subordinate all the ships and all the interests controlled by the International Mercantile Marine Co. through the terms of those contracts to British interests. No one can understand the power which Great Britain may exercise in American shipping and in our efforts to build up an American merchant marine without studying the terms of those three contracts, one of them made in 1902 for a term of 20 years; another made in 1910, and the last one made in 1919.

By the terms of those contracts the International Mercantile Marine Co., although it owns controlling interests in many of these British shipping companies, is bound so to conduct its business as not to interfere with British commerce or with the interests of the British Government. It is tied hand and foot with British interests, and whenever any question is raised as to the interpretation of the terms of those three contracts by the terms of the contracts themselves any such question is to be settled and determined by the Lord High Chancellor of Great

Britain under British law both as to questions of fact and as to questions of law, and there is no appeal from his decision.

Mr. MOSES. Mr. President—

Mr. LA FOLLETTE. I yield to the Senator from New Hampshire.

Mr. MOSES. I wish to call the Senator's attention to the fact that in a speech on another phase of this same subject, which he delivered on the 25th of July, he inserted in the Record certain tables showing the earnings of shipping companies, and in Table 3, which appears on page 4243 of the Record, I find on their capital the percentage of income earned by the International Mercantile Marine Co. in 1920 to be 73.8 per cent. I assume that the Senator procured those figures from some official report of the company.

Mr. LA FOLLETTE. I did, Mr. President.

Mr. MOSES. I wish to ask the Senator in that connection if in making the investigations which gave him this result of 73.8 per cent profit he was able to separate the profits accruing to the various subsidiary and compository lines which make up the International Mercantile Marine Co. so as to show the percentage of profit earned by the ships which fly the American flag?

Mr. LA FOLLETTE. I did not make that computation.

Mr. MOSES. Would that be possible from the data which the Senator has?

Mr. LA FOLLETTE. I think that can be worked out from the data, because, taking the table as given there and the interests shown on the chart and the explanation of the chart which I have made and am making, I think it is possible to figure out the relative interest and the profits to which the Senator directs attention.

Mr. MOSES. I suggest to the Senator, Mr. President, that from a study of his chart it appears that the tonnage controlled directly by the International Mercantile Marine Co., namely, 55,000 tons, is not very different from the tonnage of certain of the other subsidiary companies which enter into that mass of lines, and if it should appear upon further investigation of the earnings that the earnings of 55,000 tons flying the American flag were grossly disproportionate to the earnings of the 66,000 tons, for example, owned by the International Navigation Co. or the 68,000 tons owned by the British North Atlantic Steam Navigation Co., it would greatly fortify the argument which the Senator is now setting forth.

Mr. LA FOLLETTE. Yes, Mr. President, I understand that, and I believe that it is possible to work out that detail of computation from the facts which I am submitting to the Senate; but, Mr. President, I do not want to be understood as being prepared here to state, on my feet, all of the facts, or a complete answer to the data which I am attempting in a very imperfect way to get before the Senate. The most I am hoping as a result—and I am hoping that, Mr. President—of the discussion which I am taking the time of the Senate to make is that we may have an investigation of this matter; that is all. That is all I am arguing for; and I am trying to get before the Senate of the United States facts enough to show that the vast expenditure of money being made through the appropriation voted here by the Senate is of such doubtful benefit to American shipping and of such certain benefit to British shipping, our great rival, that it behooves the Senate of the United States to go into this matter to the very taproot of the organization before another dollar of money is voted to the Shipping Board or is expended in this enterprise of attempting to build up an American merchant marine.

I will say again to Senators what I said yesterday, that they will find a transcript of this chart in the CONGRESSIONAL RECORD in connection with what I am trying to say in explanation of it. As soon as the matter that I am now delivering to the Senate is printed in the Record, which I trust will be in a day or so, they will find an opportunity to study this chart, but they will get no understanding of this matter excepting they interpret the chart by the contracts; and I have taken up each of these three contracts and analyzed them. I submitted that analysis to the Senate yesterday. The contracts themselves were printed in the CONGRESSIONAL RECORD by the Senator from Washington [Mr. JONES], the distinguished chairman of the Committee on Commerce. When he discovered that those contracts were in existence some months ago, he had them printed in the Record. I assume that no Senator has seen those contracts, or has taken the time to read them, in the drive of business to which we are all subject; but we can not afford to vote another dollar to this enterprise without going to the very bottom of this whole business and knowing whether we are expending money in the interest of Great Britain, our principal rival, or whether we are actually fostering an American merchant marine.

Mr. WATSON of Georgia. Mr. President—

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

Mr. LA FOLLETTE. I do.

Mr. WATSON of Georgia. Yesterday I listened with deep interest while the Senator from Louisiana [Mr. RANDELL] was asking the Senator from Wisconsin why this shipping trust—for it virtually amounts to that—flies the British flag.

Mr. LA FOLLETTE. Instead of the American flag.

Mr. WATSON of Georgia. Instead of the American flag. Of course, it would occur to all of us that the navigation laws would have much to do with it; but I wondered at the time if it occurred to the Senator that the Morgan house established in London is as old as the Morgan house established in New York, and that it has perhaps as many interests under the British flag as it has under the American flag, and therefore it is a matter of utter indifference to the Morgan house which flag it uses.

Mr. LA FOLLETTE. That is the answer exactly; and this may be accepted as certain, I think: Although I was so much wearied after speaking two or three hours yesterday that I could hardly make a clear answer to the interrogatories of the Senator from Louisiana, I can understand, Mr. President, and I think Senators ought to be able to understand the answer to the question which the Senator from Louisiana asked, namely, Why does American capital invest its money in British shipping when it could just as well invest its money in the shipping of our own country under the American flag?

Mr. President, I submit to the Senate the fact that they do that thing; and if Morgan and the National City Bank, which is in this business, and the Guaranty Trust Co., of New York, three of the principal financial institutions of this country, do enter into these arrangements and do make those contracts, I think it is fair to assume that they find it to their interest to do so; and, while we may not here in the brief time of a short discussion of this matter be able to figure out just exactly what those interests are, it is fair to assume that those men who have built up their financial power in this country know what their interests are, and it is enough for us to know that they have their capital invested in these great British shipping lines, and that under the guise of calling this International Mercantile Marine a 100 per cent American company they make their arrangements with our Shipping Board and get the allocation of ships from our Shipping Board to this so-called 100 per cent American company and parcel out those ships in a way not to interfere with the upbuilding of the British lines in which they have their money invested and from which they get their profits.

Mr. ASHURST and Mr. REED addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Wisconsin yield; and if so, to whom?

Mr. LA FOLLETTE. I yield to the Senator from New Hampshire [Mr. MOSES], who first rose, if the other Senators will pardon me for a second.

Mr. MOSES. I wish to ask the Senator, with reference to his declaration a few minutes ago in connection with the appropriations which are to be asked of Congress, whether he differentiates between appropriations which may be asked for future operations of the Shipping Board and appropriations which are being asked to care for deficits that have already arisen? My understanding is that the great sums of which the Senator has spoken and which seem to all of us so enormous are the result of operations which have already taken place; that they are obligations of the Government under contracts the validity of which I assume is not questioned, although the wisdom of them may properly be, but obligations which the Government should meet. Does the Senator differentiate between the two classes of appropriations?

Mr. LA FOLLETTE. Mr. President, I think that is a matter that should be investigated before we appropriate a dollar upon that branch of the claims. I understand that there have been in the hands of one of the assistants of the Department of Justice data showing violation of law in a multitude of cases—I do not know how many—which are involved in the amounts that Congress will be asked to appropriate for in order to liquidate, and that no steps have been taken to prosecute upon those claims for some mysterious reason. I am going to bring them to the attention of the Senate more in detail a little later, not in connection with what I am saying to-day, but, sir, I do not believe in accepting the statement that any of these expenditures bind us to make appropriations until we make investigations with regard to them.

I think the time has come to put on the brakes. The time has come to halt this awful outflow from the Treasury of

the United States, which has to be met by taxation. In these days when we are borrowing money at five and a fraction per cent, whenever we are imposing tax burdens upon the people of this country, it is high time for those who are responsible under the Constitution for the appropriation and the expenditure of every dollar that this Government makes to look into, to scan with critical eye, the demands of executive officers and department officials.

Mr. President, Congress has condemned the contracts that are known as the cost-plus contracts, and yet we are to-day having expenditures made—now, this hour—by the Shipping Board under a system of contracts that Congress has repudiated. I do not want to hold to too strict accountability the men who have lately come into the control of the Shipping Board, but since they are surrounded by men who are going on with the same practices that were so reprehensible, admittedly so, before these new men came in, and since there is evidence, to which I shall call attention before I conclude, that they have called into their new organization some of the men who are potential in their connections and associations with British interests, I think it behooves Congress to scan with a good deal of care these requests for appropriations, and to arouse, if possible, upon this floor, by discussions and criticism, the interest of our new Shipping Board to look into all these affairs.

I am not ascribing, Mr. President—and I beg to be so understood—to the new Shipping Board any ulterior motives; but I am saying that they have taken steps, since they have had charge of this matter, which are directly in line with the actions of their predecessors, and I am willing to assume that what they are doing is a yielding to influences in the organization which they were obliged to take over.

Mr. MOSES. Mr. President, there is another form of contract in connection with the operation of these ships, with which I assume the Senator from Wisconsin is familiar—the form of contract known as the M. O. 4 contract.

Mr. LA FOLLETTE. That is the form to which I referred, which I say Congress has condemned and put the stamp of its disapproval upon. That is the cost-plus contract.

Mr. MOSES. It is even worse than that, Mr. President. It is a contract under which a ship is allocated to a shipping company, and every expense of operation is borne by the Government, and the operator gets 5 per cent of the gross receipts, regardless of whether the ship loses or makes money.

Mr. LA FOLLETTE. I know of no better way of describing it than "cost plus." I shall refer to it somewhat in detail, and I am going to call attention to it morning after morning here on this floor and to show how much we are losing by the day and by the hour and to show that we are still pursuing the making of contracts under what is known as the M. O. 4 form.

Mr. MOSES. I had understood that the M. O. 4 contract was no longer being made and that steps were being taken by the new members of the Shipping Board to abrogate contracts in that form which were already existent.

Mr. LA FOLLETTE. That is not my information, but the Senator may be better informed than I am. I am not setting myself up here as infallible by any means. I am just trying to bring to the attention of the Senate matters that I believe call for the most thoroughgoing and searching investigation that the Senate has ever made. You never have been confronted with such an expenditure of money. I do not believe even the railroads under the Esch-Cummins law bleed the Public Treasury more than does the organization known as the Shipping Board.

Mr. SMOOT. Mr. President, will the Senator yield?

Mr. LA FOLLETTE. In just a moment. If I do not make it clear to-day, I hope I will be able to impress Senators with it hereafter, that the responsibility for every dollar of money that goes out to the Shipping Board henceforth lies with the Appropriations Committee, lies with the Committee on Commerce, then with the Senators here, perhaps, in the order in which named. But I say to you, sir, that there will come a time, if we do not heed the warning now, when every appropriation will be examined by the people.

Now I yield to the Senator from Utah.

Mr. SMOOT. I understand that that M. O. 4 contract has been abandoned, but if it has not been abandoned I think the Congress ought to take steps immediately, by a joint resolution, to make it unlawful for any department of the Government to continue contracts of that character. I thought we had had experience enough during the war with cost-plus contracts never to have them put in force again as long as we, who know what they resulted in, are Members of the Senate and House of Representatives.

Mr. JONES of Washington. Mr. President—

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

Mr. LA FOLLETTE. In just a moment. I think, Mr. President, an effort has been made on the part of the gentleman in charge, Commander Gatewood—

Mr. JONES of Washington. He is one of the subordinates.

Mr. LA FOLLETTE. I understand he is, but he is especially charged with the execution of contracts, and I understand that he is putting forth efforts to end this system, and has been since the disclosures made by the Walsh committee, some of which he himself made as late as January, only six months ago, which are just astounding.

If they read the testimony of Commander Gatewood, I think Senators would regard it almost as unbelievable that we have been doing the things we have been doing through this Shipping Board, and voting the money of the taxpayers of this country to meet the charges. I do not get this information directly from Commander Gatewood, though I hope to be able to have an opportunity to talk with him face to face about it, but I have been advised that he has made a few curtailments of the gross evils which were carried out under the M. O. 4 contract system. But I am also advised by what I believe to be competent authority that the evil of the M. O. 4 contract, aside from the few curtailments mentioned made by Commander Gatewood, is going on at this hour just as it has gone on heretofore.

Mr. JONES of Washington. Mr. President—

Mr. LA FOLLETTE. I yield to the Senator.

Mr. JONES of Washington. In connection with this particular matter which the Senator is discussing, I desire to say that Mr. Lasker, the chairman of the Shipping Board, appeared before the Appropriations Committee of the House a few days ago, and I had an opportunity to hear part of his testimony. I do not believe that the Senator from Wisconsin, with all of his ability, could denounce the M. O. 4 contract in any more vigorous terms than Mr. Lasker used to denounce it. I have not found all of his denunciation of it in the print of the testimony before me, but here is the first statement he made with reference to it. After referring to the operations, and so forth, when ships were making a great deal of money, he said:

The Shipping Board devised a plan of leasing the boats known in the Shipping Board and throughout the shipping world in America as the M. O. 4 contract.

Now, I do not know. Maybe if I had been on the board at that time, or if any of you gentlemen had been on the board at that time, you would have voted for that contract in the light of things as they were then. Maybe you would not have voted for it; maybe I would not have voted for it. Without comment, because I am not expert enough on whether at that time that contract should have been voted for or not, it has turned out to have been as vicious and incompetent a basis of doing business as the human mind could devise, and it was all that was needed to make this sick business infinitely sicker.

I remember in another place or two he denounced it in even more vigorous language than that, if possible; but I have not the time to find the testimony now. Then the committee asked him what he was doing to end it. He said that only about a week ago had he been able to get the men he desired to take charge of the operations of the ships, and that just as soon as they can possibly devise another method to operate the ships, it will be done.

My recollection is that he stated that this was such an enormous business that, even though these ships were being operated under such a vicious contract, to just uproot it and overturn it all at once, without anything to take its place, would be worse even than to operate under this contract which he denounced so vigorously. But he assured the committee that just as soon as they could possibly devise a proper contract they proposed to do it and to get rid of this contract, which, as I have said, he denounced even more vigorously at other places than in the language I have just quoted.

Mr. LA FOLLETTE. I am very glad, Mr. President, to have had interpolated into this debate at this point this statement from the chairman of the Shipping Board. I certainly do not wish to be understood as bringing the members of the present Shipping Board under any strictures of criticism that shall question their loyalty to the public; but I conceive that I am rendering some small service in bringing to their attention and to the public attention evils which possibly the members of the Shipping Board may not have had the time to uncover, and the disclosure of which may result in greater expedition upon their part.

But, Mr. President, I shall have spoken to no satisfaction to myself if I do not impress the Shipping Board and the country with the fact that the British control and the British enjoyment

of all of our appropriations here, outside of those which common grafters in this country get the benefit of, are being insured and continued by policies adopted by the new Shipping Board; that they have called into managerial control members of the International Mercantile Marine Co., which is as British in its interests as anything which can possibly be conceived of, and that, as I shall show before I conclude, they have been put in charge of the operation and direction of the ships of the United States Shipping Board, which we are building at such enormous expenditure under this "M. O. 4" and other reprehensible systems of contracts.

Mr. STANLEY. Right at that point, though I do not wish to interrupt the Senator, as I am very much interested in the proposition, and attempted to follow the Senator as closely as I could yesterday in his very elaborate argument, may I ask this question? It appeared that the International Mercantile Marine is a holding company. Is that correct?

Mr. LA FOLLETTE. It is an owning company.

Mr. STANLEY. It holds stock?

Mr. LA FOLLETTE. It holds and owns the stock or portions of the stock, and is affiliated by interlocking directorates and by stockholdings with the companies I have named.

Mr. STANLEY. Millions of the stock?

Mr. LA FOLLETTE. Yes. I do not think the position of the International Mercantile Marine would be so glaringly bad for our interests, although I do not think we ought to permit any connection in any way with our rivals, our greatest rival on the seas, if we are going to try to build up an American merchant marine, but we must not lose sight for a minute, regardless of stockholdings and the position of this company with respect to directors and all that, of the contracts that have been entered into, because the contracts bind the International Mercantile Marine to the interests, first, of the British Government, and, second, to British commerce and British trade, and any issue that may be raised between the makers of the contracts the whole business has to be settled by the lord high chancellor of Great Britain.

Mr. STANLEY. What puzzles me is the fact that if it is a holding company and has control of this vast array of English shipping, it could just as well have used its tremendous powers to have fostered the American merchant marine, being an American company, as to have thwarted and throttled it.

Mr. LA FOLLETTE. That is exactly the same question that was suggested last evening by the Senator from Louisiana [Mr. RANSELL].

Mr. STANLEY. I am not suggesting that.

Mr. LA FOLLETTE. My answer to that is this: I lay before you the contracts. They have done this thing.

Mr. STANLEY. Admittedly.

Mr. LA FOLLETTE. They are not fools. They are the wisest business men we have in this country. They must find it profitable to make this close alliance with British commerce in their own interests. I go a step further and I say that it comports with all they have been doing in this country with respect to the upbuilding of great trusts and combinations for their own advantage, in defiance of the interests of this country and in defiance of the statutes upon the statute books of the United States. I say that it comports with their whole history that wherever their interests lead them, without regard to loyalty to American institutions and the American flag, there they go.

Mr. STANLEY. As I started to add, it appears from what the Senator has said that while the citizenship of the incorporators of the International Mercantile Marine may be American their interests are English and their alliances are British. Is that correct?

Mr. LA FOLLETTE. Certainly.

Mr. STANLEY. Then the Shipping Board could hardly have entered into the allocating of ships with a strictly British concern or with these subsidiary corporations without causing criticism. Is it the Senator's idea or does it appear probable from his investigation that the International Mercantile Marine is sort of an American dummy?

Mr. LA FOLLETTE. I think it is an American dummy so far as American interests are concerned. I think it is a mighty active institution so far as profits are concerned. I think that it is hostile. I think it betrays the interests of this country. I think that it defies the purpose of the American Congress in making the appropriations. I think that they are snickering in their sleeves at the gullibility of Senators who will vote vast sums to the upbuilding of a so-called American merchant marine which in the end simply puts money into their pockets.

Mr. STANLEY. May I ask another question right at that point?

Mr. LA FOLLETTE. Certainly.

Mr. STANLEY. Has the Senator looked into the matter which I am about to suggest? I do not see how it is possible for a majority of the stockholders of this concern to be American citizens if they are the holders—and I assume they are—of the stock of all these subsidiary concerns.

Mr. LA FOLLETTE. Why not? I have stated exactly what their holding is as shown by their report.

Mr. STANLEY. That the majority of stock of the International Mercantile Marine is held by American citizens?

Mr. LA FOLLETTE. I am ready to assume that it is.

Mr. STANLEY. I should think, from what the Senator has said, that it must be an American directorate with English stockholders; otherwise we would have Americans holding the stock of these large subsidiary concerns through this parent company.

Mr. LA FOLLETTE. I think as I go forward in my argument and as I get into the Record and before the Senate the statement of Lord Pirrie, made at the time this arrangement was entered into, the Senator will find some explanation for that which I have not perhaps put into the Record already.

Mr. STANLEY. I merely wish to get the matter clear in my own mind.

Mr. LA FOLLETTE. I am not undertaking, Mr. President, to answer as to the motives of anybody connected with this organization, but I am undertaking to place before the Senate facts with respect to it; that is, the facts in so far as I have been able to discover them, which, I think, call for the sort of an investigation that I have provided for in the resolution which is now before the Senate and to which I am addressing myself in this time which the Senate has assigned to another bill.

I should like to make a résumé of what I said yesterday with respect to this chart, but I am not going to tax the patience of Senators to do that. I have described the holdings and connections upon the left half of the chart, and I have reached the point of stating the power and the authority that Lord Pirrie exercises in this combination, and when I shall have delineated that as best I may I am going to give reasons which he submitted away back in 1902 to the stockholders of all these British companies as to why they might put into the hands of the International Merchant Marine all their stock, always under the agreement that they have. It is very interesting. It was stated on the floor of the Senate, and his language was quoted in 1902. So I begin where I left off on yesterday in the notes that I have made.

THE INTERNATIONAL MERCANTILE MARINE AND THE BRITISH SHIPPING COMBINATIONS.

Turning to the left half of the chart, it will be noted that Lord Pirrie is a director of the Atlantic Transportation Co., the British North American Co., the Oceanic Steam Navigation Co., and the Frederick Leyland Co. He is thus one of the handful of men under the peculiar provisions of the contract, which must never be lost sight of, of the International Mercantile Marine able absolutely to direct the affairs of these subsidiaries, practically no rights whatever being reserved to the parent company, the International Mercantile Marine Co., except the right to reap the profits. Mark you that. While they have these great holdings, they entered into contracts that gave them no power over the control of these companies and no rights except to accept profits. They must have been assured of such profits to have been willing to put their money in on a contract of that size, because the contracts are here in the CONGRESSIONAL RECORD. I cited them. I quoted them.

Mr. STANLEY. In that case they can not vote the stock they hold?

Mr. LA FOLLETTE. I think their voting capacity is utterly managed and restricted.

Mr. STANLEY. That would explain it.

Mr. LA FOLLETTE. In order to show the relations of the International Mercantile Marine with the great British shipping companies, the holdings and directorships of Lord Pirrie and Sir John Ellerman are indicated on the chart. The five blocks at the top of the chart give the names and tonnage of the five great combinations which make them control the bulk of British tonnage engaged in liner traffic. The tonnage figures are taken from the Shipping Board report of 1919, and their accuracy in all respects can not be vouched for, but they are stated on the chart, which will be found in the CONGRESSIONAL RECORD in connection with my remarks.

Lord Pirrie, it will be noted, is a director of the African Steamship Co., the Elder Dempster Co., the Moss Co., the Laporte & Holt Co., and the Union Castle Steamship Co., being five immediate subsidiaries of the Royal Mail Steam Packet Co., doing business largely with Africa and South America. The Royal Mail, however, has just inaugurated a fortnightly serv-

ice between New York and Great Britain and a service from New York to Pacific ports.

According to a report submitted by Mr. Bevin and printed in volume 2 of the report inquiring into the wages of transport workers, published by the British Government in 1920, Lord Pirrie held, individually or jointly, 402,276 shares of the Cunard Steamship Co. As active director of the four great subsidiaries of the International Mercantile Marine, he may therefore reasonably be supposed to exercise influence to bring their policy and that of the two great British combinations in harmony.

Lord Pirrie is also vice president of the great shipbuilding firm of Harland & Wolff and of the coal, iron, and shipbuilding firm of John Brown & Co. He is a director of the London & Southwestern Railway Co., the London City and Midland Bank, and the British Union Oil Co.

It may be, Mr. President, that as this thing unfolds itself and Senators see into what a large field of profitable shipping the International Mercantile Marine Co. was permitted to enter by making these financial arrangements and these contract arrangements regardless of the interest of American shipping, Senators may find their answer to the question as to why they entered into these agreements. Dollars! That is all. That is the answer. No consideration of the interests of this country of ours. No future for an American merchant marine. Dollars! There was a time when these great financiers were content to violate the statutes of this country against the formation of trusts and combinations and go ahead and build up their control of trade and of the markets of this country. They have grown bolder since that time and they are more daring now. They ask Congress to contribute through its taxing power to building up these organizations in their interest, and we, fools that we are, vote the money of the people of the United States to pay for our own undoing.

No less interesting are the connections of Sir John R. Ellerman. The Ellerman lines, together with the White Star, hold the controlling interest in Shaw, Savill & Albion, and Sir John Ellerman is a director in that company. That is shown by the unbroken red line [indicating] which includes it. He also holds a block of the outstanding stock in the Leyland Line, of which he was at one time chief owner and which he disposed of when the International Mercantile Marine was formed. He has 5,285 £10 shares. Sir John Ellerman is head of the Ellerman Lines, and they constitute one of the five great British shipping combinations controlling the bulk of English shipping. He owns 4,000 shares in the Royal Mail Steam Packet Co., 92,000 shares in the Cunard Steamship Co., 150,000 shares in the Peninsular & Oriental Steamship Co., and £9,400 in the Holder Line, a Furness Withy interest, as shown here on the chart. [Indicating.]

I shall show Senators presently our present Shipping Board, through one of its officials, lately put into a very important position in directing operations there a man of long service in that company. I am not saying that they did so consciously to betray our interests, but the fact is when they are looking about for men of splendid equipment to take charge of matters in connection with the American merchant marine, when all the shipping of the world, speaking not too definitely, has been in the hands of Great Britain, if they do not know what is under the cover here and have not had their attention called to it, they are liable to make some contracts with these very British representatives and put them in positions where those representatives will be able to trip us up and break our necks in the great big object which we are seeking to execute.

I am rather hoping that, by getting the Senators and the country interested, if I can, in this subject, and getting an investigation started here, we shall make more progress in reorganizing upon a right basis. We had better take men who have not had the experience but who are sound at heart, just as I think we had better take men of moderate ability in official positions, as Members of the Senate, than to take the ablest men in the country who are committed to and affiliated with interests that are hostile to the public interest. So with the Shipping Board, we want men who are 100 per cent right; who are imbued with no other idea than to bring about this great desideratum, the building up of an American merchant marine that shall be useful to the American public, not only in the hour of trouble but in all hours, so far as the commerce of this country and transporting the products of this country are concerned. They can not be in the service of the American public unless they are at heart thoroughly American; they can not be in the service of the American public if they are bound up in any way with British interests or if they enter into any agreement that destroys competition.

The primary object of our building up, so far as commercial enterprises are concerned, an American merchant marine is to

get our hauling done for our overseas service at reasonable rates. We can not get that service at reasonable rates unless there may be competition between the American merchant marine and the other ocean overseas carriers. If we can not get it by the open and free play of the laws of competition, then the next step will be to try to get it by regulation of ocean-going freight rates. In that we shall probably fare no better than every State in the Union and the National Government have fared in trying to regulate interstate commerce rates on the railroads. We shall find that our State commissions and our Federal commissions will fall under the influence of the carriers. Then, we shall be thrown back to the only other thing that there is, and that is Government operation or Government ownership.

I know there has been built up in this country in the last three or four years a tremendous sentiment against that, because conditions have favored the making of sentiment against it. We shall fight that out later. However, step by step and year by year, the American people are being pressed back or led forward inevitably by the development of circumstances to that as the final solution.

Mr. President, I try to hold myself in restraint in making criticisms upon the new Shipping Board, and I think we have all got to realize that they have a tremendously big problem on their hands and we have got to be reasonably patient in giving them time to work it out. They have been in office about two months. When it comes to a matter of making particular rates I think that is probably or comparatively of so little importance that it might easily miss their attention. It is in the big things, it is in the management and the allocation of our ships, it is in the directing of the operation of those ships that I think they ought to get a right understanding of the relation of the American merchant marine, if we are ever to have one, to the interest of our great rival, Great Britain.

Now, I must hasten, Mr. President, because I feel that in a way I am trespassing upon the rights of those who desire to speak on the bill that is immediately before the Senate. I wish to say in justification, however, that I made the best canvass that I could of the Senators on both sides to ascertain whether any Senator was ready to take the floor this morning, and expressed myself, as I truly was, desirous of standing aside and allowing the debate to proceed upon the bill immediately before the Senate rather than upon the resolution which I ultimately hope to bring to a vote before the Senate; but I found no one who was not entirely willing that I should go ahead. I did say that I hoped to get through in an hour. I am not going to be able to do that unless I make greater speed. So I will hurry along as best I may. I want to get before the Senate this other [indicating] big center of British control represented by Sir John Ellerman, conclude what I have to say about the chart, and then make my deductions and yield the floor.

I think I have shown that Sir John Ellerman owns 4,000 shares of the Royal Mail Steam Packet Co. stock; 92,000 shares of the Cunard Steamship Co.; 150,000 shares of the Peninsular & Oriental Steamship Co.; and £9,400 in the Holder Line, a Furness Withy Co. interest. He is thus interested in every one of the big companies that control the great bulk of British shipping. Other of his important interests are indicated by the figures on the left of the chart. He has important stock holdings in two investment companies and is a director of four other such companies. He is a large stockholder in the International Tea Co. and four brewery companies. He is a stockholder in newspapers that have a wide and influential control of British thought, including the Sphere and Tatler and the Daily Mail.

Through Lord Pirrie and Sir John R. Ellerman, therefore, the International Mercantile Marine is tied not only with all the big British shipping combinations but with the most important British shipbuilding concerns, and with British banks, investment companies, with British railways, and other British enterprises.

To briefly sum up, it is apparent that the International Mercantile Marine draws its profits from the earnings of 99 British vessels of 922,166 dead-weight tonnage, as against 11 American vessels of 135,647 tons.

So far as I am aware, there is no report available showing separately the earnings of the British companies. They are not required to report to any department or authority in this country. They are not required to pay any taxes to our Government, but do pay many millions of dollars every year to the British Government out of the profits made in transporting our products. But by far the larger part of the income of the International Mercantile Marine is represented by the dividends which the British boards of directors permit under the contracts to be

declared by these companies upon their stock. It is fair to assume, other things being equal, that this, the larger and more profitable part of the business of the International Mercantile Marine, will be built up and extended wherever possible. These British vessels, the stock of which is held largely by the International Mercantile Marine, come into direct competition with the American vessels of the International Mercantile Marine, as well as with those of its two American subsidiaries. Which class of vessels in this situation will be favored in this struggle for business? Where lies the greater profit for the International Mercantile Marine? Suppose that Lord Pirrie, who dominates the Atlantic Transport Co., as he does the other British subsidiaries, decides that his company must have some of the business done by the Atlantic Transport Co. of West Virginia. He decides to cut rates to put additional ships on the routes of the Atlantic Transport of West Virginia, and by other means seeks to drive this competitor from the field. Then, suppose that the International Mercantile Marine was in earnest about protecting American shipping interests, and through its stockholdings in the International Navigation Co. was successful in getting that British company, through its stockholdings in the Atlantic Transport Co., to interfere with Lord Pirrie's game, and to assist the American company in resisting the attack upon its business thus made by British interests. Now the contracts come into play. Immediately it would be claimed that a policy injurious to the British mercantile marine or "to British trade," to use the language of the contracts, was being pursued and the contract between the International Mercantile Marine was therefore being violated. And why is it for the interest of the International Mercantile Marine to submit, and not to call the contract at an end, as they can, by giving a certain notice? It is for their interest because they have more interest in the tail than they have in the dog itself. The tail is the big end of the business. It wags the dog.

If there were any doubt about it, or if any question arose as to the rights of these companies under this contract, remember that the contract must be interpreted according to the English law, and that it must be left to the lord high chancellor of Great Britain to decide not only the meaning of the contract but every question of law or fact that may arise under it.

Mr. WATSON of Georgia. Mr. President—

Mr. LA FOLLETTE. I yield.

Mr. WATSON of Georgia. I am very much interested to learn from the Senator, if he can give us the information, whether or not the independent steamship lines have been entirely eliminated. For instance, there used to be a great many of what they called tramp steamers that were apparently going from port to port at their own pleasure, picking up cargoes, buying, and selling, and not controlled by any trust. Have they been closed out?

Mr. LA FOLLETTE. Mr. President, I do not think that they have entirely. I think they are still in existence. I do think that under the Machiavellian management of men who have been put in office by the present Shipping Board, one or more of whom were potential with the previous Shipping Board, in the interest of foreign shipping, action has been taken to throttle independently owned American vessels. Senators, I am going to bring to your attention in a little while the proceedings started to dispossess the United States Mail Steamship Co. of certain vessels. Your attention must have been called to it in the press reports—an action started by the Shipping Board—and when I reach that point it will help to make an answer, I think, to the Senator's question.

I say that any differences that arise as to the interpretation of contracts are not to be settled in American courts. Perhaps before the debate upon this resolution is concluded you will hear the changes rung on the fact that we have a "100 per cent American company" here, and that upon that you ought to rely. My answer to that is that you have an arrangement here with the shipping interests that represent the major part of Great Britain's commerce to let the International Mercantile Marine for profits into that business, and for those profits they surrender their loyalty to the upbuilding of an American merchant marine.

I say that if there were any doubt about a question of competition between the Atlantic Transport Co. of West Virginia, for instance, and the desire of Lord Pirrie to cut away from it its tonnage, or if any question arose as to the rights of the British companies under this contract, remember that the contract must be interpreted according to English law and that it must be left to the lord high chancellor of Great Britain to decide not only the meaning of the contract but every question of law or fact that may arise under it. Always there hangs over the International Mercantile Marine the possibility that the

contract may be terminated at any time by the British Government for any cause that the lord high chancellor of Great Britain may assign. It is, moreover, ever faced with the possibility that the profits of its subsidiaries may be decreased or entirely absorbed by construction and other expenses authorized by the British board of directors. The result is that it would be folly for the International Mercantile Marine to protest against or attempt to retaliate any use made of the British ships to the detriment of American shipping, even if it had the desire—which it never would have, because its profits would not lead it in that direction—or the power to do so.

In this situation it is ludicrous to expect the American ships to compete with the British ships. If by any possibility the American ships could by competitive methods obtain any portion of the business theretofore done by the British ships, this would forthwith be declared by the lord high chancellor of England to be a policy "injurious to the interest of the British mercantile marine or of British trade," and an end put to it at once.

MAKING THE I. M. M. 100 PER CENT AMERICAN.

Look for a moment at the board of directors of the International Mercantile Marine Co.

According to the 1917 report of the International Mercantile Marine Co., which is the last report I was able to get from the Congressional Library, the directors of that company were as follows:

Directors.

| | |
|---|------------------------|
| Harold A. Sanderson, chairman (British). | Lord Pirrie (British). |
| Otto T. Bannard. | John W. Platten. |
| Harry Bronner. | Albert Rathbone. |
| George W. Davison. | Charles H. Sabin. |
| P. A. S. Franklin. | Frederic W. Scott. |
| Donald G. Geddes. | Charles Steele. |
| Edward C. Grenfell (British). | Charles A. Stone. |
| J. P. Morgan. | Frank A. Vanderlip. |

According to the Shipping Board report of 1919, the directors were the same at that time, except that John W. Perry was substituted for Albert Rathbone. I understand that since the recent criticism of this company—I refer to the attacks made by the Senator from Washington [Mr. JONES] upon the British arrangement—the English directors have retired from the board but keep their places of real power on the subsidiaries.

The Shipping Board report does not give the finance committee or the British committee, but, according to the report of the International Mercantile Marine Co., from which I have quoted, the finance and the British committees, with the officers, were as follows:

Finance committee.

| | |
|------------------------------|----------------------------------|
| P. A. S. Franklin, chairman. | Harold A. Sanderson, ex officio. |
| J. P. Morgan. | Edward C. Grenfell, ex officio. |
| Charles Steele. | John W. Platten. |
| Charles A. Stone. | Harry Bronner. |
| Frederic W. Scott. | Frank A. Vanderlip. |

British committee.

| | |
|-------------------------------|--------------------------------|
| Edward C. Grenfell, chairman. | P. A. S. Franklin, ex officio. |
| Lord Pirrie. | Harold A. Sanderson. |

Officers.

PRESIDENT.

P. A. S. Franklin.

VICE PRESIDENTS.

| | |
|---------------------|-------------------|
| Edward C. Grenfell. | Frederick Toppin. |
| John H. Thomas. | |

TREASURER.

Horace G. Phillips.

SECRETARY.

Emerson E. Parvin.

COMPTROLLER.

Monroe W. Tingley.

ASSISTANT TO THE PRESIDENT.

John J. McGlone.

ASSISTANT TREASURERS.

| | |
|------------------|-------------------|
| E. Edgar Heston. | Alfred P. Palmer. |
|------------------|-------------------|

ASSISTANT SECRETARIES.

| | |
|------------------|--------------------|
| John J. McGlone. | Charles R. Jeeves. |
|------------------|--------------------|

TRANSFER AGENTS.

J. P. Morgan & Co., 23 Wall Street, New York.

Of the three English directors, Lord Pirrie, Harold A. Sanderson, and Edward C. Grenfell, I have spoken briefly and of some of the connections of Lord Pirrie, though I have not by any means exhausted them.

Harold A. Sanderson was the second president of the International Mercantile Marine Co. He is a British subject, and a director of the Liverpool & London Steamship Protective Association, as well as of the subsidiaries of the International Mercantile Marine and various other British companies. Edward C. Grenfell is the partner of J. P. Morgan, and a British subject, and up at least to 1919 was vice president of the Inter-

national Mercantile Marine, and while I believe, owing to criticism, has recently retired from that position, he remains, like his English associates, a director of the International Navigation Co., the Atlantic Transport Co., the Oceanic Steam Navigation Co., George Thompson & Co., Shaw, Savill & Albion.

It is significant to note, Senators, in this connection that through Savill and Torrey, directors of these subsidiary companies, they are brought into the "Shipping Federation (Ltd.)," and Senators will notice that I am using the title of a new corporation now. They are brought into the "Shipping Federation (Ltd.)," I hope at another time to make the Senate and the country acquainted with the "Shipping Federation (Ltd.)," organized in London, with powers to influence legislation in the Capital of this Nation and in every other country of any shipping pretensions, having unlimited power to expend the money to attain its objects. It is a most interesting organization for men devoted to the interests of this country to study. You may see before long in legislation presented to the Senate the influence of this great power, with its home office in Great Britain, moving in the direction of the purposes for which it is chartered to control legislation here, if in any way we are legislating for our own interests and those interests conflict with British interests.

INTERLOCKING DIRECTORATES OF THE INTERNATIONAL MERCANTILE MARINE AND AMERICAN RAILROADS.

Turn to the American members on the board of the International Mercantile Marine Corporation and note for a moment the significance of their railroad connections.

The J. P. Morgan interests, which have always been dominant in the affairs of the International Mercantile Marine and are now represented on the board by J. P. Morgan and Charles Steele, hold directorates in the following railroads. I give only those in which Mr. Morgan is a director.

You will see the significance of these railroad connections and how Morgan's railroad connections induced Lord Pirrie to enter into this scheme back in 1902, for I will quote to you the language of Lord Pirrie, used on the floor of the Senate 19 years ago in debates here, when information as to this organization came before the Senate. Here are Mr. Morgan's connections with railroads. He is on the board of directors of the Central Railroad of New Jersey; Lehigh Valley; Lehigh & Hudson; Erie; Northern Pacific; Atchison, Topeka & Santa Fe Railway; Southern; Chicago Great Northern; New York, Susquehanna & Western; Pere Marquette; Philadelphia & Reading, 11 in all.

The Guaranty Trust, represented on the directorate of the International Mercantile Marine by Charles H. Sabin, president of that company, holds directorates in the following roads:

Michigan Central; Pittsburgh & Lake Erie; Lake Erie & Western; Toledo & Ohio Central; Kanawha & Michigan Railway; Cincinnati & Northern; Monongahela Railway; Rutland Railroad; New York Central; Wabash; Southern Pacific; Illinois Central; Texas & Pacific; St. Louis Southwestern; Missouri Pacific; New York, Susquehanna & Western; Gulf, Colorado & Santa Fe; Santa Fe, Prescott & Phoenix; Toledo, St. Louis & Western; Atchison, Topeka & Santa Fe; Erie; St. Louis & San Francisco; Seaboard Air Line; Union Pacific; St. Joseph & Grand Island; Oregon-Washington Railroad & Navigation Co.; Baltimore & Ohio; Illinois Central; Alabama Great Southern; Nevada Northern; Copper River & Northwestern; Chicago Great Western; Pennsylvania; Long Island; New York, New Haven & Hartford; New York, Ontario & Western; Pittsburgh, Cincinnati, Chicago & St. Louis; New York, Westchester & Boston; Western Maryland; Delaware & Hudson; Illinois Central; Yazoo & Mississippi Valley; Central of Georgia, 43 in all.

Mr. F. A. Vanderlip, until recently president of the National City Bank, is on the board of the International Mercantile Marine, and Mr. Franklin, the president of the International Mercantile Marine, is on the board of the National City Bank. Directors of the National City Bank are to be found on the boards of the following roads:

El Paso & Southwestern; Southern; Chicago, Indiana & St. Louis; Mobile & Ohio; Chicago, Milwaukee & St. Paul; Oregon Short Line; Oregon-Washington Railroad & Navigation Co.; Rutland; New York Central; Union Pacific; Delaware, Lackawanna & Western; Michigan Central; Cleveland, Cincinnati, Chicago & St. Louis; Pittsburgh & Lake Erie; Lake Erie & Western; St. Joseph & Grand Island; Chicago & Alton; Yazoo & Mississippi Valley; Illinois Central; Central of Georgia; Los Angeles & Salt Lake; Galveston, Harrisburg & San Antonio; Houston & Texas Central; Morgan's Louisiana & Texas R. R.; Texas & New Orleans; Arizona Eastern; Southern Pacific; Louisiana Western; Houston East & West Texas Co.; Chicago & North Western; Cincinnati, New Orleans & Texas Pacific, 31 in all.

The roads that bring the products of the country to the coast for shipment, of course, largely control those shipments overseas. Here you see how skillfully the masters of transportation by land and water of Great Britain and the United States are combined in interest and associated together to control our maritime commerce in the interest of British shipping corporations and the British Government, so that a few financiers may be enabled to reap the profits of the business. And the profits of the business, mind you, arise from transporting our goods

abroad, and arise almost solely from transporting our goods abroad.

When the project of selling the stock of these British companies to Americans was broached by the elder Morgan to Lord Ellerman some years ago, the latter, who was the president of the Leyland Co., addressed his stockholders and advised them to make the sale. He said:

But we must look at this matter all around, and I am bound to tell you that there are two factors in regard to the shipping trade which, while on the one hand it would be quite possible to exaggerate their importance and take too serious a view of their importance, it would, on the other hand, be exceedingly foolish to ignore and not give due consideration to. You may accept that offer or you may decline it, as seems best to you in your wisdom, but of one thing be sure, American capital is coming into the Atlantic trade, and is coming into the Atlantic trade to stay. The Atlantic trade is a peculiar trade in this respect, that it is almost entirely an eastbound trade. Your vessels going out to the United States take practically nothing. They do not pay their way, or anything like it. The profit is wholly made upon the return cargo.

Now, an eastbound trade means the carriage of produce from the United States to Great Britain and the Continent. Well, the relations of Messrs. Morgan to the great railway systems of the United States are known to everybody, and you can judge for yourselves, without my enlarging upon the matter, whether Messrs. Morgan and their friends coming into the Atlantic trade would or would not come into that trade under very favorable conditions so far as they were concerned and very unfavorable conditions as far as many of their competitors were concerned. (See CONGRESSIONAL RECORD, Mar. 15, 1902, p. 2847.)

Why, how simple it all was. If you would study the great lines of railroad that traverse your country, and see how they center in New York, and then study the directorates of those railroads and the directorates of the great financial institutions of New York, you would see how completely it is possible for the masters of those transportation systems to deliver the products of this country to any shipping concerns in which they are interested, so far as overseas trade is concerned. Lord Pirrie saw that. His long experience in the transportation service, his mastery of the large portion of it which Great Britain dominates made him at once open-minded to this proposition of an alliance with these American financiers who control the railroads of this country, whose affiliations with British shipping interests would be of tremendous mutual benefit and profit if any proper arrangement could be effected. So this arrangement was effected and these contracts were entered into.

But the British Government, ever with an eye single to British interests, saw to it that those affiliations were dominated by contract provisions that would protect British interests ever. Ever in the forefront of British international relations sits the great purpose of protecting British interests and British commerce, which is the basis of British wealth. So these contracts were made.

Mr. Ellerman saw that American capital coming into this business, owning or controlling the terminal facilities here and the railroads which carry the products to the ships, could build and operate their own ships to the exclusion of British competitors. Then, apparently, was devised the scheme I have but imperfectly outlined to you, whereby a few rulers of railroads and financial magnates combined to ship our goods in British ships under the British flag for the upbuilding of the British merchant marine and the destruction of our own for the dollars they could get out of it.

I have said a number of times that I would bring to the attention of Senators the recent appointments made by the present Shipping Board, which I think, Mr. President, call for some comment, and I believe that here is perhaps the best place to introduce that information.

Of course, I take it that Senators know that when the Shipping Control Committee was established in 1918, English domination was very pronounced. Indeed all of the earlier operations were largely under British control. When the Shipping Control Committee was established in 1918 Sir Guthrie was made a member of it, representing British interests. The other two members were P. A. S. Franklin, president of the International Mercantile Marine, the associations and business connections of which I have spent much time upon, and H. H. Raymond, president of the Clyde Line and now president of the American Steamship Owners' Association, an intimate of Franklin.

W. J. Love, American manager for Francis Withy & Co., shown in the upper left-hand corner of the chart which hangs upon the wall, with its British connections, served as a director at that time of trades and allocations. I ask Senators to keep that name in mind.

The chartering committee of the Shipping Board at the same time consisted of three members, the first of whom was J. Barstow Smull. He is now at the head of the division of operations. He was in an important position under the old Shipping Board. He is in a very important position under the

present Shipping Board as the director of the division of operations.

The other members were A. J. Fetterlock, vice president of the International Mercantile Marine, and Welding Ring, of the United States and Australian Steamship Co., which I believe operated only British lines, although I am not absolutely certain that there may not have been some other lines within their control.

The manner in which this indirect British control continues at the present time is suggested by the personnel of the three new directors of operations in the present Shipping Board—Smull, Love, and Frey—comment upon whose appointment taken from the New York Journal of Commerce of July 14, just last month, I now place before Senators showing how entirely satisfactory to foreign interests is the appointment of these three men by the present Shipping Board. Mark you, J. Barstow Smull and William J. Love were in important positions under the old Shipping Board in connection with the direction of operations and the chartering of vessels.

The Journal of Commerce said on July 14, 1921:

There was genuine delight in shipping circles yesterday over the appointment of William J. Love, J. Barstow Smull, and A. J. Frey as members of the new operating committee for the Shipping Board. Not only were American interests pleased by the action taken, but the directors of foreign lines expressed great satisfaction.

And so forth.

Mr. President, I know that many Senators upon this floor have received letters of severest complaint and stricture upon those appointments, from owners of independent lines who have suffered the destruction of their business and the discrimination of the Shipping Board through these same men when they were in official positions before, and who know their connection and their affiliation with British shipping organizations.

Mr. STANLEY. Mr. President—

The PRESIDING OFFICER (Mr. KING in the chair). Does the Senator from Wisconsin yield to the Senator from Kentucky?

Mr. LA FOLLETTE. I yield.

Mr. STANLEY. In that connection has the Senator from Wisconsin looked into the question of rates, say, on coal from Cardiff and from American ports to South American ports? For instance, the points consuming coal on the eastern coast of Brazil and Argentina are practically the same distance from American ports, from Savannah and New York, as from Cardiff. We produce coal at a much less cost on account of superior productiveness of the American mine and on account of the greater economies in production, because our coal is taken out of mines nearer the surface, while they have to go down two or three thousand feet. Notwithstanding the fact that their costs of production are very much greater, until very recently we have not been able to deliver coal to South American ports because the cost of transporting the coal the same distance from American ports as from Cardiff was more than sufficient to absorb all the economies in production.

Mr. LA FOLLETTE. I have had my attention called to that matter.

Mr. STANLEY. It is an immense question.

Mr. LA FOLLETTE. Yes; it is a question of tremendous importance. It goes to the very heart of the problem of our getting our products from this country into foreign markets.

Mr. STANLEY. I do not wish to interrupt the Senator, but I wish to get this idea in at this time, because it will be interesting to the country generally. I took the matter up with the Shipping Board and with the Geological Survey. The best coals of this country, Pocahontas coal and coal from West Virginia and eastern Kentucky fields, are superior, if anything, measured by the British thermal unit, to the Cardiff coal. They are not any more liable to spontaneous combustion or any of the defects that affect so many coals, the black coals of the Saar Valley and a good many of the coals of our section and the Central and Middle West.

I have never been able to understand just why, if the British shipping is maintaining the same rate for eastbound and westbound traffic, it seems to have been impossible until very recently to compete with British coals. As an instance, we consumed during the war over 500,000,000 tons of Chilean nitrate, and yet we were unable to furnish coal on the return trips of those ships sufficient to transport that nitrate from the mines to the seacoast. Our entire shipment of coal to South American ports is negligible at this time.

Mr. LA FOLLETTE. I am obliged to the Senator for contributing to the discussion the observations which he has just made. As we proceed with consideration of the subject we shall be constantly developing facts of tremendous national interest which require immediate attention. I have not gone

into the matter of rates. I simply took this survey of national and international interests so far as affected by corporate relations and interrelations and contracts, and have not taken up the extent or touched the way in which the commercial interests of the United States are suffering through this sort of arrangement. That will all come as a part of our further consideration of this great subject. I am glad, however, to have had the Senator from Kentucky touch upon it.

Mr. STANLEY. I should like to observe, although I do not wish to take further time of the Senator, that a differential in the rates of ocean carriers against American commerce at this time would entail a greater hardship and a greater loss upon American producers than the enormous losses afforded by the shipowners in an effort to obtain the American merchant marine in the face of the handicap that the Senator has mentioned.

Mr. LA FOLLETTE. I have little doubt of that, although as I said, I have not up to the present time undertaken an investigation of that great subject. I have had my attention called to it by various industrial organizations of the country and independent shipping companies suffering from this situation.

Mr. President, in connection with the appointment of these three men by the new Shipping Board to these positions of great power, really the directors of operations, the men who were in charge of all the movements of the shipping facilities that we have been expending these vast amounts of money to create, I wish to say this: The connection of Mr. Smull with the firm of J. H. Winchester & Co., steamship agents and ship brokers, established in 1856, which has direct connection and affiliation with British interests, the connection of Mr. Love with the International Mercantile Marine, which has the tie-ups to which I have directed the attention of the Senate through the contracts, and the connection for many years of Mr. A. J. Frey, who has received appointment by the new Shipping Board, with the Pacific Mail Steamship Co., which is one of the large British shipping companies, are all important, and I mention them now in connection with a proceeding that was started about a week or 10 days ago by the Shipping Board, evidently with these very men behind it and pushing it forward, to dispossess of its Shipping Board vessels what appears from newspaper statements to be a purely American shipping company, the United States Mail Steamship Co., a company that had taken over from the old Shipping Board a number of vessels under contracts which provided that they should be overhauled and that certain allowances were to be made for them.

Senators may have noticed that the United States Shipping Board just a few days ago, under court proceedings through the United States marshal, took possession of those vessels that were under the contracts made between the old Shipping Board and the United States Mail Steamship Co., and gave out that they had violated their contract; that they were behind in their rentals; and that the Shipping Board was starting in to make a clean-up for the new order of things.

What happened? The shipping company made a public statement that every dollar of the money which was invested in their business was the money of American citizens; that they were trying to build up a truly American line; that they owned some ships of their own; that they had taken those ships of the American Shipping Board under the contract made with the old Shipping Board; that they were proceeding as best they could under the circumstances to recondition those ships for overseas service; that during the time that they were engaged in reconditioning them the shipping conditions underwent a great depression; that, however, they were within their contract rights, because it was provided that if any occasion arose for differences with respect to contract rights there should be arbitration; and that they were not going to surrender to this movement on the part of the new Shipping Board. Their charges are openly made in the press reports.

Mr. President, it is charged openly in the press of this country and other countries that this movement on the part of the Shipping Board was instigated by foreign interests, represented through their officials, who had the old-time affiliations with British shipping; that they were reaching out, through the power of the Federal Government, to throttle a real American organization, which wanted to put the American flag on the high seas, and that was doing it very successfully; that had its lines operating and breaking in for the first time in history on the great ocean-carrying trade of foreign Governments in the passenger service, as was shown by the figures which they gave.

Mr. President, I repeat, they stated that they were within their contract rights, and that they would fight the Shipping Board to the last ditch to hold on to those vessels. I observe that an injunction, which was temporarily granted to restrain

the United States Mail Steamship Co. from operating those ships, was dissolved and that they are in possession of the ships.

If the Shipping Board does not back down completely, as it has been backed off the boards in their first attempt to secure out of hand control of those vessels, the matter will have to be fought out at length. I trust that some of the facts which are stated in the newspaper accounts will be developed in court, in order that we may have that aid in ascertaining just how much our new Shipping Board is being imposed upon by British and other foreign interests.

THE PROBLEM THAT CONFRONTS US.

The question which is confronting the country to-day respecting our merchant marine is much larger than any question of graft or incompetence on the part of any officials who have been connected with the Shipping Board. British influence and British power could not keep us from our rightful place upon the seas if she had not cleverly made it for the interest of our own shipping concerns and financial institutions to continue British supremacy upon the seas. British propaganda and British intrigue can do no harm when we know it and recognize it for what it is. But when it comes to us from our own people, through our own press, and even through our own public officials, then, indeed, it does harm.

You may ask, What are we going to do about it? My answer is that the first thing we should do about it is to find out the facts. I believe that the conditions existing in the International Mercantile Marine Co. are typical of those existing mainly in all our great shipping companies, upon the patriotism and loyalty of which we are counting to build up an American merchant marine. The first thing to do is to conduct a searching investigation into the whole subject and see what the relations are between the shipping and transportation interests of this country and Great Britain. If the conditions are such as I have shown to exist in the case of this one company, then we should do what we ought to do in the case of this company—we should compel it to divorce itself absolutely from British shipping interests if it wishes to continue in business as an American shipping company. It can not serve two masters. It can not be bound by contracts or by self-interest to serve and promote British shipping and at the same time serve and promote our own shipping, which is in direct competition with that of Great Britain. You may say the remedy is drastic. I answer that the disease calls for a drastic remedy. If we are to build up an American merchant marine, we must have the absolute loyalty of every person engaged in that enterprise from seaman to shipowner. There must be no divided allegiance. The crews must be American seamen, the officers must be American officers, and the ships must be American owned and free to meet the competition of Great Britain and all other countries in a legitimate struggle for our portion of the maritime commerce of the world.

CALL OF THE ROLL.

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

The PRESIDING OFFICER (Mr. McNARY in the chair). The Secretary will call the roll.

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

| | | | |
|-----------|--------------|-----------|--------------|
| Ashurst | Harrell | McKellar | Stanfield |
| Borah | Harris | McKinley | Stanley |
| Brandege | Harrison | McNary | Sterling |
| Broussard | Heflin | Moses | Sutherland |
| Bursum | Hitchcock | Nelson | Swanson |
| Capper | Johnson | Nicholson | Townsend |
| Caraway | Jones, Wash. | Norbeck | Trammell |
| Curtis | Kellogg | Oddie | Wadsworth |
| Dial | Kenyon | Overman | Walsh, Mass. |
| Edge | Keyes | Pittman | Walsh, Mont. |
| Ernst | King | Ransdell | Warren |
| Fernald | Ladd | Sheppard | Watson, Ga. |
| Fletcher | La Follette | Smith | Williams |
| Gooding | McCormick | Spencer | Willis |

The PRESIDING OFFICER. Fifty-six Senators having answered to their names, there is a quorum present.

PETITIONS AND MEMORIALS.

Mr. JONES of Washington presented four memorials of sundry citizens of Anacortes and Skagit Counties, Wash., remonstrating against the enactment of legislation making stringent regulations for the observance of Sunday in the District of Columbia, which were referred to the Committee on the District of Columbia.

Mr. HARRIS presented a resolution adopted by Bunting-McWilliams Post, No. 658, Veterans of Foreign Wars of the United States, of Macon, Ga., favoring the amendment of the so-called soldiers' bonus bill so as to include all soldiers who have served their country in any war upon foreign soil, which was referred to the Committee on Finance.

Mr. WILLIS presented a petition of sundry members of Uncle Sam Council, American Association for the Recognition of the Irish Republic, of Cleveland, Ohio, praying for the passage of the so-called La Follette and Norris resolutions relative to Ireland, which was referred to the Committee on Foreign Relations.

Mr. ROBINSON presented a petition of sundry citizens of Siloam Springs, Ark., praying for the repeal of the 10 per cent sales tax on manufactures of carbonated beverages in closed containers imposed by section 628-A of the revenue act of 1918, which was referred to the Committee on Finance.

PORT OF NEW YORK AUTHORITY.

Mr. NELSON, from the Committee on the Judiciary, to which was referred the joint resolution (S. J. Res. 88) granting consent of Congress to an agreement or compact entered into between the State of New York and the State of New Jersey for the creation of the port of New York district and the establishment of the port of New York authority for the comprehensive development of the port of New York, reported it with an amendment.

CONTRACTS FOR THE FUTURE DELIVERY OF GRAIN.

Mr. CAPPER, on behalf of the Committee on Agriculture and Forestry, submitted an amendment intended to be proposed to the bill (H. R. 5676) taxing contracts for the sale of grain for future delivery, and options for such contracts, and providing for the regulation of boards of trade, and for other purposes, which was ordered to lie on the table and to be printed.

BILLS INTRODUCED.

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

By Mr. WADSWORTH:

A bill (S. 2338) to carry out the findings of the Court of Claims in the case of Samuel F. Hazzard; to the Committee on Claims.

By Mr. MCKINLEY:

A bill (S. 2339) granting a pension to Leota M. Jones; to the Committee on Pensions.

By Mr. HARRIS:

A bill (S. 2340) to authorize the construction of a toll bridge across the St. Marys River, at or near St. Marys, Ga., and Roses Bluff, Fla.; to the Committee on Commerce.

REPORT ON INTERNATIONAL BOUNDARY.

Mr. WADSWORTH submitted the following resolution (S. Res. 119), which was referred to the Committee on Printing:

Resolved, That the report of the International Waterways Commission upon the International Boundary between the Dominion of Canada and the United States through the St. Lawrence River and Great Lakes, together with the accompanying maps and illustrations, be printed as a public document.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by Mr. Overhue, its enrolling clerk, announced that the House had passed without amendment the following Senate bills:

S. 252. An act to amend an act approved February 22, 1889, entitled "An act to provide for the division of Dakota into two States and to enable the people of North Dakota, South Dakota, Montana, and Washington to form constitutions and State governments, and to be admitted into the Union on an equal footing with the original States, and to make donations of public lands to such States"; and

S. 732. An act to extend the provisions of section 2455, Revised Statutes, to the lands within the abandoned Fort Buford Military Reservation in the States of North Dakota and Montana.

The message also announced that the House had passed the following Senate bill and joint resolution, each with amendments, in which it requested the concurrence of the Senate:

S. 1934. An act granting the consent of Congress to the Huntington & Ohio Bridge Co. to construct, maintain, and operate a highway and street railway toll bridge across the Ohio River, between the city of Huntington, W. Va., and a point opposite in the State of Ohio; and

S. J. Res. 36. Joint resolution authorizing the appointment of a commission to confer with the Dominion Government or the provincial governments of Quebec, Ontario, and New Brunswick as to certain restrictive orders in council of the said Provinces relative to the exportation of pulp wood therefrom to the United States.

The message further announced that the House had passed bills of the following titles, in which it requested the concurrence of the Senate:

H. R. 77. An act for the consolidation of forest lands within the Clearwater, St. Joe, and Selway National Forests;

H. R. 244. An act to provide for the disposition of abandoned portions of rights of way granted to railroad companies;

H. R. 2205. An act to add certain lands on the North Fork of the Shoshone River to the Shoshone National Forest;

H. R. 4813. An act changing the period for doing annual assessment work on unpatented mineral claims from the calendar year to the fiscal year beginning July 1 each year;

H. R. 6259. An act for the consolidation of forest lands in the Colorado National Forest, Colo., and for other purposes;

H. R. 6262. An act to add certain lands to Mount McKinley National Park, Alaska;

H. R. 6514. An act granting Parramore Post No. 57, American Legion, permission to construct a memorial building on the Federal site at Abilene, Tex.; and

H. R. 7328. An act to authorize the construction of a bridge across the Pend d'Oreille River, Bonner County, Idaho, at the Newport-Priest River road crossing, Idaho.

The message also announced that the House had passed a concurrent resolution (H. Con. Res. 26) extending the time for completion of the investigation and filing of report of the Joint Commission of Agricultural Inquiry to not later than the first Monday in January, 1922, in which it requested the concurrence of the Senate.

THE MEAT-PACKING INDUSTRY—CONFERENCE REPORT (S. DOC. NO. 59).

Mr. KENYON. Mr. President, I present the conference report on what is known as the packer bill, and ask that it be printed in the RECORD and lie on the table. I give notice that I shall call it up at the first opportunity.

The PRESIDING OFFICER. The report will be printed, printed in the RECORD, and lie on the table.

The report is as follows:

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 6320) to regulate interstate and foreign commerce in live stock, live-stock products, dairy products, poultry, poultry products, and eggs, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses, as follows:

That the Senate recede from its amendments numbered 1, 2, 3, 4, 5, 7, 8, 12, 13, 14, 18, 19, and 20.

That the House recede from its disagreement to the amendments of the Senate numbered 15, 16, and 17, and agree to the same.

Amendment numbered 6: That the House recede from its disagreement to the amendment of the Senate numbered 6, and agree to the same with an amendment, as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert: "buying or selling on a commission basis or otherwise" and a comma; and the Senate agree to the same.

Amendment numbered 9: That the House recede from its disagreement to the amendment of the Senate numbered 9, and agree to the same with an amendment, as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "90 days"; and the Senate agree to the same.

Amendment numbered 10: That the House recede from its disagreement to the amendment of the Senate numbered 10, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "buying or selling on a commission basis or otherwise" and a comma; and the Senate agree to the same.

Amendment numbered 11: That the House recede from its disagreement to the amendment of the Senate numbered 11, and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert "buying or selling on a commission basis or otherwise" and a comma; and the Senate agree to the same.

WM. S. KENYON,

JOHN B. KENDRICK,

Managers on the part of the Senate.

G. N. HAUGEN,

J. C. McLAUGHLIN,

CHARLES B. WARD,

H. M. JACOWAY,

JOHN W. RAINEY,

Managers on the part of the House.

EXPORTATION OF FARM PRODUCTS.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 1915) to provide for the purchase of farm products in the United States, to sell the same in foreign countries, and for other purposes.

Mr. SMITH. Mr. President, I do not think any measure has been proposed to this body which is of more importance than the present proposed legislation. Of course it is practically impossible for Members of this body to know intimately the real condition that exists in the agricultural districts. Most of us come from the urban communities, and what we hear we hear indirectly, and what we see does not give us a good basis of judgment. It is only those who are intimately associated with those who have to bear the burden that is now placed upon agriculture who know the distressful conditions under which the agricultural districts are laboring. I congratulate this body and those who were instrumental in formulating the present substitute for the so-called Norris bill upon providing, in my judgment, the best solution that has been presented to this Congress for the immediate distressing conditions that confront agriculture.

I wish I had the time to go into some of the causes that have brought about this condition, but it would take too long, and I am therefore going to devote myself to the substitute offered by the Senator from Minnesota [Mr. KELLOGG] as amended by the subcommittee that was appointed to take that matter in charge.

As I said a moment ago, the present amended form of the finance corporation act promises more for the immediate relief of the farmers of this country than any other measure or suggestion that has been presented to Congress. The deflation of currency and restriction of credits that became so rampant during the last year or more of course fell upon the farmer with more terrible effect than upon any other class, the reason being that as a class he has practically no reserve capital to fall back upon in times like these, and must therefore secure aid in financing his crop until market conditions improve or become bankrupt and penniless. It was hoped that with the revival of the War Finance Corporation it would be able to open a way to foreign markets that would bring tolerable relief. Its original functions being restricted entirely to export, it has become apparent that the volume of exports and the prices are wholly inadequate to meet the situation. It is therefore necessary to provide a means by which the farm products can be financed during the time of market stagnation.

The financial institutions in the agricultural districts find it impossible to finance the crops as is now required and meet their other obligations without additional substantial aid. To meet this situation the present amendment to the War Finance Corporation act is offered.

In a word, Mr. President, when the War Finance Corporation was rehabilitated by Congress and put into operation it was done in the belief that this organization could find a way to open the foreign markets to such an extent as to relieve the pressure at home and bring the relief desired. Upon investigation, however, it was found that the conditions in the foreign markets were such, or were alleged to be such, that the surplus accumulations in this country could not find a market there. Therefore it became necessary for us to find a means to enable the producers of our staple crops so to finance them as not to bankrupt them and ruin them while the process of rehabilitation was going on abroad and at home. Therefore it became necessary to amend the War Finance Corporation act and give them powers in addition to those that they now have. Therefore I invite the attention of Senators to the first amended section—22—which provides as follows:

Whenever the board of directors of the corporation shall be of the opinion that conditions arising out of the war or out of the disruption of foreign trade created by the war have resulted in or may result in an abnormal surplus accumulation of any staple agricultural product of the United States, and that the ordinary banking facilities are inadequate to enable producers of or dealers in such products to carry them until they can be exported or sold for export in an orderly manner the corporation shall thereupon be empowered to make advances for periods not exceeding one year from the respective dates of such advances upon such terms not inconsistent with this act, as it may determine: (a) To any person engaged in the United States in producing, dealing in, or marketing any such products for the purpose of assisting such person to carry such products until they can be exported or sold for export in an orderly manner. Any such advance shall bear interest—

And so forth. Now, we are amending it so that those who are producing stuff for export can hold it until such time as the export market would justify the shipment and sale of these articles.

I have read only a part of section 22, but it is evident, all of us know, that the export price of any farm product is reflected in the domestic price. Therefore if the export price is so low as to spell bankruptcy the domestic price is the same. Therefore it became imperative to provide means to take care of this feature of the case.

Section 24 therefore provides that—

Whenever in the opinion of the board of directors of the corporation the public interest may require it, the corporation shall be authorized and empowered to make advances upon such terms not inconsistent with this act as it may determine to any bank, banker, or trust company in the United States which may have made advances for agricultural purposes, including the breeding, raising, fattening, and marketing of live stock. Such advance or advances may be made upon the promissory note or notes or other instrument or instruments in such form as to impose on the borrowing bank, banker, or trust company a primary and unconditional obligation to repay the advance at maturity with interest as stipulated therein, and shall be fully and adequately secured in each instance by indorsement, guaranty, pledge, or otherwise. Such advances may be made for a period not exceeding one year, and the corporation may from time to time extend the time of payment of any such advance through renewals, substitution of new obligations, or otherwise, but the time for the payment of any such advance shall not be extended beyond two years from the date upon which such advance was originally made.

The corporation may, in exceptional cases, upon such terms not inconsistent with this act as it may determine, purchase from domestic banks, bankers, or trust companies notes, drafts, bills of exchange, or other instruments of indebtedness secured by chattel mortgages, warehouse receipts, bills of lading, or other instruments in writing conveying or securing marketable title to staple agricultural products, including live stock. The corporation may from time to time, upon like security, extend the time of payment of any note, draft, bill of exchange, or other instrument acquired under this section, but the time for the payment of any such note, draft, bill of exchange, or other instrument shall not be extended beyond two years from the date upon which such note, draft, bill of exchange, or other instrument was acquired by the corporation. The corporation is further authorized, upon such terms as it may prescribe, to purchase, sell, or otherwise deal in debentures, promissory notes, or other obligations, adequately secured, issued by banking corporations organized under section 25(a) of the Federal reserve act. No such promissory notes, debentures, or other obligations shall be purchased which have a maturity at the time of such purchase of more than five years.

Advances or purchases may be made under this section at any time prior to July 1, 1922.

Therefore it renders aid not only for the purpose of holding export articles, but also for the purpose of helping finance those who would be bankrupt under the present domestic market conditions, to enable them to carry their products until such time as they may find a market for them.

The second paragraph of section 24 provides for aid to State banks where the laws of the State limit the lending power of such banks to a per cent of their capital and surplus. It authorizes the Finance Corporation in such cases to buy the farm securities held by such banks, thus enabling such banks to use the purchase money thus obtained to extend further aid to their customers. The power to do the things above set forth is extended to 1927—five years.

To sum up the purpose and intent of the bill, it is to extend immediate credit, financial aid, to farmers through local banking institutions, farm organizations, export companies, and banking associations organized under the Edge Act to enable them to meet the stagnated condition of the markets.

Section 6 amends paragraph 1, section 13, of the War Finance Corporation act so that notes as well as bonds of the corporation may be taken by member banks and be discounted by Federal reserve banks. In this connection it is important to note the financial condition of the Federal reserve system. I invite the particular attention of Senators who are doing me the honor to listen to what I have to say in reference to this bill to this particular feature:

On last Saturday, July 30, I asked the Comptroller of the Currency to give me an official statement of the reserve of the Federal reserve banks, and I received the following:

Referring to your request to be advised as to the reserves of Federal reserve banks, I beg to advise you as follows:

Actual reserves—

I asked him in this communication to give me the actual reserves of each reserve bank in the 12 reserve districts of this country, and these are the facts as set forth—

Boston, 77.6 per cent—

Senators will bear in mind that the legal requirement against outstanding circulation—all the regional banks have the circulating privilege—is 40 per cent of gold, while 35 per cent is required against deposits.

The letter reads:

| Actual reserves: | |
|------------------|------|
| Boston | 77.6 |
| New York | 72.3 |
| Philadelphia | 63.7 |
| Cleveland | 66.4 |
| Richmond | 43.8 |
| Atlanta | 40.9 |
| Chicago | 59.9 |
| St. Louis | 53.9 |
| Minneapolis | 39.2 |
| Kansas City | 51.8 |
| Dallas | 42.4 |
| San Francisco | 62.1 |
| Total average | 63.5 |

Your attention is called to the fact that Richmond, Minneapolis, Atlanta, and Dallas are borrowing \$61,427,000 from Boston, New York, and Cleveland.

The adjusted percentage for Atlanta is 39 per cent; for Minneapolis, 25.6 per cent; and for Dallas, 16.6 per cent. You will note, therefore, Dallas, without borrowing to keep up its reserve, only has 16.6 per cent.

There is attached a memorandum giving figures as to the gold reserves.

Senators will bear in mind that when we passed the Federal reserve act, we passed it creating 12 regions, and making each reserve bank in these regions a central bank, to accommodate the member banks in that district, and we had hoped that the whole system would operate automatically; that is, if there was a plethora of funds in a given district, and a lack of funds in another, that there would be almost an automatic flow from the high to the low to bring the average. It has not so operated.

Mr. WARREN. Mr. President—

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

Mr. SMITH. I yield.

Mr. WARREN. When we provided for this distribution of 12 regional banks, instead of having one general Federal bank, the argument was exactly as the Senator has stated what its purpose should be; that is, that the member banks should be branches of one whole, and that the whole should operate for the whole of the United States, or wherever its territory extended, and it was expected that one would perhaps borrow from the other, or make some arrangements whereby the flow would be as if it were from one single bank.

Mr. SMITH. I recall, as the Senator has suggested, that under the so-called Aldrich plan the proposition was that we have one great central bank, and all the others subsidiary, and that the needs of any one would be met by the great parent institution, in accordance with the reserves and capital which the central bank held. But the other system prevailed, and now consists of 12 regional banks with a governing board here. The members of that board are bankers.

We have a condition in which four of the banks of the system are borrowers, three of them below the reserve, but borrowing from the balance of the system, while the whole system has what? This memorandum says:

There is attached a memorandum giving figures as to the gold reserve, as follows:

Figures as of Wednesday, July 27, 1921.

| | | |
|---------------------------------------|-----------------|-----------------|
| Federal reserve notes in circulation— | \$2,537,617,000 | |
| Reserve required, 40 per cent— | | \$1,015,047,000 |
| Total deposits— | 1,695,274,000 | |
| Reserve required, 35 per cent— | | 593,346,000 |
| Total required reserves— | | 1,608,393,000 |
| Reserves held: | | |
| Gold— | 2,531,231,000 | |
| Legal tender— | 154,065,000 | |
| Total— | | 2,685,296,000 |
| Excess reserves (free gold)— | | 1,076,903,000 |

The amount of gold held by the 12 regional banks against which there are no outstanding reserve notes and no circulation, against which there is no kind of obligation, gold held in the vaults of these banks, is \$1,076,000,000. Taking the 40 per cent that is required to secure outstanding circulation, there could be issued in the form of currency \$2,300,000,000, in addition to what is already in circulation.

By this bill we are providing the machinery by which this enormous credit held in the entire system may be made available for the agricultural interests of the entire country, regardless of the condition of the regional bank of any particular district. We have provided in this legislation that the Federal reserve banks are authorized to accept the notes and bonds of this corporation as collateral and discount their paper, and they in turn can extend the necessary credit to the farmers of the different districts.

Richmond, Dallas, Minneapolis, and Atlanta, and the different banks which are now borrowers and which have exhausted their reserves, need not necessarily go to any of the Federal reserve banks. This corporation is authorized to take their paper and to finance them for a period of two years, with the privilege of renewal.

Mr. KING. Mr. President, will the Senator permit an inquiry?

Mr. SMITH. I will.

Mr. KING. The fact that there is so large a gold reserve, just adverted to by the Senator, does not have any particular relation, however, to the power to loan which is given by this bill to the War Finance Corporation, does it?

Mr. SMITH. Not at all.

Mr. KING. In other words, the gold supply controlled by the reserve is not essential to enable the War Finance Corporation

to function, and function to the full extent contemplated by the bill?

Mr. SMITH. Not at all. But I was citing this to show that we have sufficient gold to increase our present circulation, within safety, to an amount in excess of \$2,000,000,000, and still possess the legal requirement of 40 per cent. That is the point I was making.

Mr. President, I said a moment ago, in starting my remarks on this bill, that when this question of deflation and contraction of credit first arose the natural law asserted itself; that everything moves along the line of least resistance, and the man who was hit first and hit most disastrously was the man who could offer no resistance, the farmer of this country. I am not going to stand here and deal in generalities. I sent to the Department of Commerce and had them send me their monthly summary of foreign commerce in the United States for the month of June in order to get the official information in reference to what effect this disastrous condition had had upon commodities in the raw state and in the manufactured state. I want Senators to hear what has occurred.

From the monthly summary of foreign commerce for June may be gained an idea of the effect of the present condition on farm products as compared with articles manufactured from these products. On page 36 of this document is found the number of pounds of hides exported and the amount received for the fiscal years 1920 and 1921, and the number of boots and shoes exported for the same time; the prices received in 1920 for hides and the prices received in 1921 for hides, the prices for boots and shoes in 1920, and the prices for boots and shoes in 1921. These are the figures:

In 1921 we exported 24,000,000 pounds of hides, valued at \$10,500,000, equal to 43 cents per pound.

In 1921 we exported 15,300,000 pounds, with a value of \$2,800,000, equal to 20 cents per pound, a little less than half, a shrinkage on the part of hides of about one-half.

On page 45 of the same document it is stated that the total number of boots and shoes, expressed in pairs, in 1920 were 20,000,000, with a value of \$78,000,000, equal to \$3.90 per pair.

In 1921 there were 12,000,000 pair, valued at \$44,000,000, equal to \$3.60 per pair, the reduction in value being 30 cents per pair, \$3.90 in the one case, \$3.60 in the other, while raw hides had shrunk a little more than half.

On page 32 of the same document it is stated that the total amount of cotton exported in 1920 was 6,378,000 bales, valued at \$1,378,000,000, equal to 20 cents per pound.

In 1921 we exported 5,357,000 bales of cotton, valued at \$599,000,000, equal to 11 cents per pound, just a little more than half the value of the previous year.

Now, I will give the prices on the manufactured cloth: In 1920 we exported 867,000,000 yards of cloth, and I am quoting these figures from the same source, with a total value of \$212,000,000, equal to 24 cents a yard, all cotton cloth.

In 1921 we exported 556,000,000 yards of cloth of the same kind, at a value of \$141,000,000, or 24 cents per yard; so that in 1921 the price of our exported cloth was exactly the same as in 1920, according to the figures of the Department of Commerce, while the raw cotton had shrunk about 50 per cent.

I use hides and cotton, as they seem to be the most prominent, to show that those who were organized and had the reserves could protect themselves in the midst of this cataclysm, while men who were producing raw material and who did not have the reserves suffered to the full extent of the contraction and the deflation.

As I said, these commodities in their raw and manufactured form and the prices obtained give an idea of the condition in which the farmer finds himself. Other staple manufactured articles in this summary show that the prices have not materially declined during this period of depression, though there is evidence of some decline in the volume of exports. In reference to the amount of cotton exported this year and the probable amount to be carried into the next fiscal year, I asked the Department of Commerce, through the Bureau of the Census, to give me the official figures.

We are attempting by this legislation to relieve the situation in which the producers find themselves. What I have to say about cotton is because perhaps I am more intimately associated with and have a better knowledge of that product than I have of other farm products and the methods of their marketing. There has been a widespread discussion as to the probable supply of cotton. We are trying to open the markets. I asked the Department of Commerce to give me the probable supply of ordinary staple cotton, and the reply was as follows:

MY DEAR SENATOR: In compliance with your telephonic request, I take pleasure in furnishing the attached statement on the supply of cotton in the United States, exclusive of linters and foreign cotton,

for the 11 months ending June 30, 1921; also statement showing the export of cotton, by countries to which exported, for the 11 months ending June 30, 1921.

Trusting that you may find these statements of service, I am,
Very truly, yours,

W. M. STEWART.

I wish now to give some figures as to the supply and distribution of cotton in the United States, exclusive of linters and foreign cotton for the 11 months ending June 30, 1921, in running bales:

| | |
|---|-------------------|
| Stocks held Aug. 1, 1920 | 3,280,000 |
| Gained from crop of 1920 | 13,271,000 |
| Total supply | 16,551,000 |
| Consumed during 11 months ending June 30 | 4,283,000 |
| Exported during 11 months ending June 30 | 5,149,000 |
| Total consumption and exports | 9,432,000 |
| Indicated stocks June 30, 1921 | 7,119,000 |
| Estimated consumption and exports July (same as June) | 930,000 |
| Indicated stocks July 31 | 6,189,000 |

I pause here long enough to call attention to this very important fact in our efforts to help the farmer. In conjunction with our efforts to relieve him he is entitled to accurate statistics as to the condition of the supply and demand. All sorts of rumors have gone abroad as to the probable supply of American cotton for the fiscal year for cotton beginning August 1, 1921. Here is an official statement to the effect that if the consumption for July, which has already taken place and we need but to investigate the figures, shall be equal to that for June, there will be carried into the incoming crop not to exceed 6,000,000 bales. In that 6,000,000 bales are such grades of cotton as can not be used in ordinary commerce, ginned cotton, water-pack, and cotton that can not be used in commerce.

Mr. DIAL. Mr. President—

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

Mr. SMITH. I yield.

Mr. DIAL. May I ask my colleague if he has any information as to how much of that is tenderable cotton under contracts?

Mr. SMITH. I can state to my colleague that efforts are being made now to ascertain just how much of the present stock of American cotton is of a grade which can be used by the spindle, and it is an almost insuperable task to get the data for reasons that are very convincing when understood.

Mr. DIAL. Is it not true that by reason of the war certain countries could not import cotton from this country as they formerly did, and is it not a fact that a great deal of that cotton not exported is supposed to be off-grade cotton?

Mr. SMITH. That is true. There were certain countries that used this low-grade cotton and on account of the war they were unable to import it from this country, resulting in an alleged oversupply of an undesirable grade of cotton here; but there is not, according to these figures, in excess of 6,000,000 bales of available merchantable, spinable cotton in America to be carried into the next crop.

Only yesterday the Department of Agriculture sent out its report as to the growing crop condition, and gave it as 64.4, the lowest condition reported in the last 25 years, and with that is coupled a reduction of 28 per cent in acreage, and with the advent of the boll weevil over almost now the entire cotton belt, having covered my State this year for the first time in its history, and North Carolina being the only remaining State not affected. They estimate that the incoming cotton will not exceed 8,300,000 bales, so that the world supply of American cotton for 1921-22 will not exceed in its entirety 14,000,000 bales of cotton, when the normal consumption is between 13,500,000 and 14,000,000 bales.

Mr. DIAL. And the worst month has not yet come to pass.

Mr. SMITH. That is true.

Mr. FERNALD. Mr. President—

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

Mr. SMITH. Certainly.

Mr. FERNALD. I wish to ask the Senator if he has observed the trend of the market to-day in cotton on the strength of the census report?

Mr. SMITH. I have not.

Mr. FERNALD. I am sure the Senator would be very much interested in that.

Mr. SMITH. They reported yesterday and the market responded, but it is doubtful whether there is more than the world can absorb within a reasonable time. It holds out the hope of a reviving market and we encourage them by the financial support we are giving them. What I am attempting to show is

that the market is now far below the cost of production, while manufactured articles have remained about where they were during war times and the two or three years subsequent. I am trying to show that the condition of the law of supply and demand justifies the cotton producer in availing himself of all the opportunities we are extending through the War Finance Corporation to hold it himself until the law of supply and demand, governed by such help as we are giving now, will enable him to recoup some of the disasters that have been confronting him.

In connection with the exportation of only 5,000,000 bales as compared with 6,000,000 bales a year ago, though we are short a million bales, in round numbers, in the exports of this year, it is extremely interesting to note the countries to which we have exported and the volume they have taken. For instance, in 1920 we exported to Germany only 417,000 bales of cotton, while in 1921 we exported 1,084,000 bales of cotton. But that gain to Germany was lost in our exportation to the United Kingdom. We shipped to Great Britain or to the United Kingdom in 1920 3,000,000 bales, while in 1921 we shipped only 1,500,000 bales. But there is every reason to believe that the crisis in the world's condition has been reached and passed and that from now on the conditions will be more or less normal, and that those who are seeking the solution may from now on confidently expect a return to a normal condition.

Mr. RANSDELL. Mr. President—

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

Mr. SMITH. I yield.

Mr. RANSDELL. I should like to have the Senator tell us whether he knows anything about the report published in the papers a few weeks ago to the effect that the carry over of cotton would be something like 10,500,000 bales instead of a fraction over 6,000,000 bales, as indicated in the actual figures furnished him by the Census Bureau.

Mr. SMITH. I made inquiry to know from what source emanated the report that there would be probably 10,000,000 bales of American cotton carried over, yesterday being the beginning of the cotton fiscal year, and they were unable to give me any information whatever. The papers had it, as the Senator from Louisiana will recall, that it emanated from one of the bureaus of the Government. This is the only bureau of the Government charged with the duty of giving out statistics as to the supply and distribution of cotton, and the figures which I have given are the official figures over the signature of the Director of the Census.

Mr. RANSDELL. Has the Senator made any effort to ascertain whether any other Government bureaus have given out any such figures as 10,500,000 bales, the giving out of which information I believe affected the market and brought the price down?

Mr. SMITH. I do not recall any other bureau. It was alleged that one bureau earlier in the year, or perhaps some time last year, had made an estimate of the probable carry over, but these are the official figures and are the only ones that have any right to go out from the Government.

Mr. RANSDELL. The figures which the Senator presents are the actual stocks up to the 30th of June of this year—June 30, 1921?

Mr. SMITH. Yes.

Mr. RANSDELL. The only estimate whatsoever is for the month of July past, and for that month they made it just the same as for June?

Mr. SMITH. Yes.

Mr. RANSDELL. So this must be very nearly correct?

Mr. SMITH. On the 14th of August the actual figures will be given out, and I was informed that this was not very far out of line.

Mr. President, I have certain amendments to the bill that I intend to offer when we come to the question of considering amendments to the bill. I have studied the bill in all its different sections. I look upon it as being the best aid that has been offered to the farmers of the country since we have been in session and since this crisis has been upon us. The only question that remains is, Will the War Finance Corporation meet faithfully the obligations imposed by the pending bill?

We give them first the power to open up foreign markets, and if an amendment that is now pending shall be incorporated in the bill, we give them the power to deal directly with foreign corporations. We do not think it wise under the present political condition existing in Europe to authorize and empower them to deal with governments and subdivisions of governments because there might arise complications that might embarrass us, and certainly would lead to no good if by the elim-

ination of them and the substitution of corporations we can avoid that difficulty and serve the same purpose.

Mr. KELLOGG. Mr. President—

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

Mr. SMITH. Certainly.

Mr. KELLOGG. The Senator knows, I believe, that even at the present time if any foreign Government desires to guarantee the purchase of cotton or any products, that guaranty is accepted by the War Finance Corporation, and can be so accepted.

Mr. SMITH. It can be accepted on the indorsement of private corporations. It was the judgment of the committee that we need not have the intervention under certain conditions of a domestic corporation to indorse this paper. We thought that the War Finance Corporation would have sufficient judgment to deal directly with the proper foreign corporation or individual, who might put up collateral sufficient to guarantee the repayment of whatever might be purchased. We not only have clothed them with the power to finance products for export and to deal directly with foreign corporations but we have empowered them to lend assistance to every legitimate organization in the country that is now assisting in solving the agricultural problem that confronts us.

Mr. HITCHCOCK. Mr. President—

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

Mr. SMITH. Certainly.

Mr. HITCHCOCK. Did it not have that power under the amendment adopted in March, 1919, and reenacted about six months ago when we passed a joint resolution reviving the War Finance Corporation?

Mr. SMITH. It has all the powers that it then had, save one, as to export. Under the law, not as it is proposed to be amended in the substitute, it had no power whatever to help finance the holding of purely domestic products, but they will have under the proposed amendment.

Mr. KELLOGG. Will the Senator yield to me?

Mr. SMITH. I yield.

Mr. KELLOGG. Under the original War Finance Corporation law aid could only be given in the case of exports, but this permits the corporation to aid in carrying products until they can be exported, which, of course, is just as necessary. That is why the bill was enlarged.

Mr. SMITH. Mr. President, I desire to go on with the enumeration of the powers which we propose to confer upon the corporation. It may not only extend aid to all organizations in this country which are engaged in exporting, but it may also extend aid to those which are financing agricultural products in this country under the present stagnant condition of the market. We—and when I say “we” I mean the members of the subcommittee to whom were submitted the so-called Norris bill and the Kellogg substitute—did not think it wise, after going carefully over the matter, to authorize the War Finance Corporation to deal directly with persons, for the reason that anyone at a glance will see that the organization, composed of five or seven members, which is proposed to be invested with the power to meet a financial situation which is acute and distressing, would be required to have an army of employees to examine and pass on applications for individual credit from all the farmers of the country. Therefore, we thought we would best serve the farmers if we should restrict the power to those institutions which the farmers are already using, and which, under the present order of deflation and contraction, have been paralyzed in their efforts to help the farmer. So we propose to offer to amend the original committee amendment by substituting for persons or individual producers farm organizations, in addition to aiding exports assisting farmers to carry their products until the export trade may be rehabilitated.

Mr. HITCHCOCK. For what length of time is that permitted?

Mr. SMITH. For from two to five years.

Mr. HITCHCOCK. I find a limitation of one year in section 22.

Mr. KELLOGG. That is as to the original credit, but the credit may be extended, I will say to the Senator from Nebraska.

Mr. SMITH. Yes.

Mr. HITCHCOCK. The credit is for one year.

Mr. KELLOGG. I repeat, that is the original credit.

Mr. HITCHCOCK. In the original War Finance Corporation act, or at least in the amended act of last March credit may be extended for five years.

Mr. KELLOGG. That relates to issues of bonds.

Mr. HITCHCOCK. No.

Mr. SMITH. The Senator has reference to the issue of notes and bonds.

Mr. HITCHCOCK. I think not. It is provided in the act to which I have referred:

That the corporation shall be empowered and authorized, in order to promote commerce with foreign nations through the extension of credits, to make advances upon such terms, not inconsistent with the provisions of this section, as it may prescribe for periods not exceeding five years from the respective dates of such advances.

Mr. KELLOGG. That has not been changed at all, I will say to the Senator from Nebraska.

Mr. HITCHCOCK. Therefore this provision is less liberal than was the law as amended in 1919. I call the Senator's attention to the fact that cotton has been already carried for a year in this country and is almost at its lowest market price at this time, and here provision is made for carrying it only one year. I myself think it is a delusion and a snare. We have given the War Finance Corporation power and extended its power on several occasions, and yet nothing has happened.

Mr. SMITH. We now propose to give it the power to renew these obligations at its discretion.

Mr. HITCHCOCK. I think they have that power now. I think, furthermore, that the section to which the Senator referred a few moments ago, by which the corporation could use the agencies of the Federal reserve banks to extend credit, is another delusion and a snare.

Mr. SMITH. I call the attention of the Senator to page 4, section 23, of the committee substitute, which reads:

SEC. 23. Notwithstanding the limitation of section 1, the advances provided for by section 21 and section 22 of this act may be made until July 1, 1922. The corporation may from time to time extend the time of payment of any such advance or advances through renewals, substitution of new obligations, or otherwise, but the time for the payment of any advance made under authority of section 21 shall not be extended beyond five years from the date upon which such advance was originally made, and the time for the payment of any advance made under authority of section 22 shall not be extended beyond two years from the date upon which such advance was originally made.

So that ample provision is there made. We have given the authority to the War Finance Corporation to do the things which I have up to the present time enumerated. It remains to be seen whether or not they will discharge their duty as we have empowered them to do. We may rest assured that the farmers of the country—East, West, North, and South—will test this proposed law to the fullest, and we shall then know whether or not the War Finance Corporation has met the obligations which we have imposed upon them in this bill.

In addition to what I have called attention to we have empowered the corporation not only to aid through the member banks of the Federal reserve system, but we have authorized and empowered them to purchase paper from State banks where the State itself restricts the bank in its loaning power to a certain per cent of its capital and surplus. It is very evident that a State institution which is aiding farmers and has accepted farm paper up to the limitation that the law allows must stop, for even if the War Finance Corporation shall be willing to lend it still further money under the limitation of the State law it can not avail itself of a dollar; but if the War Finance Corporation will step in and purchase the paper outright it is then not a loan to the bank holding it, and the State bank can take the money that is derived from the sale of the paper for the purpose of further helping its customers.

Mr. WATSON of Georgia. Mr. President—

Mr. SMITH. I yield.

Mr. WATSON of Georgia. The Senator from South Carolina has stated that Congress is about to impose certain duties upon the War Finance Corporation. I call his attention to that part of the bill which seems to leave everything discretionary with the War Finance Corporation. There is nothing mandatory or compulsory about it so far as I can see. I shall be glad to hear from the Senator on that point.

Mr. SMITH. I am very glad to answer that question. The nature and kind of paper that might be offered, the condition of those offering it, the source from which it may come involve such considerations that it would be almost impossible for the Senate to be dogmatic about it. It is imperative that we should indicate what we want the War Finance Corporation to do and that they should do it as we want them to do it, but it is also essential that they should use their proper discretion as to the kind of security that may be offered. That is the reason why the measure has been framed as it appears in printed form.

Mr. KELLOGG. Mr. President, will the Senator from South Carolina yield to me for a moment?

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

Mr. SMITH. I yield.

Mr. KELLOGG. If the Senator from Georgia will permit me, the Norris bill simply authorized the corporation to take certain action. I think on close examination the Senator from Georgia

will come to the conclusion that it would be an impossibility for Congress to designate exactly what advances shall be made and make it obligatory upon the corporation to make such advances. Somebody must decide the various questions involved, and about all that can be done is to empower the corporation to carry out the objects of the act. The Senator from South Carolina knows the personnel and the history of the War Finance Corporation, I think, perhaps as well as any Senator on this floor, and he knows what they have succeeded in doing. It seemed to me that Congress must simply authorize the corporation to act along the lines indicated, writing an authorization into the law, but could not possibly direct what they must do.

Mr. SMITH. Mr. President, I appreciate fully what the Senator from Georgia feels and has reason to feel. We gave certain discretionary power to another source of relief; but, not intending to be harsh, in my opinion they did not use that discretionary power wisely. So far as my knowledge of the War Finance Corporation is concerned, I believe that, with the power reposed in them, they have already done more for the relief of the distressed condition of the agriculture interests of the country than any other organization we have had.

Mr. WATSON of Georgia. Mr. President—

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

Mr. SMITH. I yield.

Mr. WATSON of Georgia. If the Senator will allow me to be a little more explicit, I think perhaps he did not quite get my idea. Of course, the selection of the securities would necessarily be left to whoever advanced the money upon those securities; but the point I had in mind was this: The War Finance Corporation must decide, first, whether abnormal conditions exist that grow out of the war; and, second, whether or not the present banking facilities are sufficient to cope with the difficulties of that situation. Therefore there is one discretion heaped upon another. They would have to decide both of these questions in favor of those who desire loans, and there is not one word in the act that is compelling, so far as I can see.

Mr. SMITH. I recognize, Mr. President, that there is possibly some ground for criticism where we leave it discretionary with them to determine the conditions prevailing in the country, whether or not the assistance of the corporation is justified and whether or not the condition of the banks is such that relief should be afforded; but—

Mr. McKELLAR. Mr. President—

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

Mr. SMITH. I yield.

Mr. McKELLAR. While on that subject will the Senator give me his views about the first sentence in section 24 as it occurs both in the Kellogg substitute and the McNary substitute? It reads as follows:

Whenever in the opinion of the board of directors of the corporation the public interest may require it, the corporation shall be authorized and empowered to make advances upon such terms not inconsistent with this act as it may determine to any bank, banker, or trust company in the United States which may have made advances for agricultural purposes, including the breeding, raising, fattening, and marketing of live stock.

Why limit that to banks which may have already made advances? Why should not banks that otherwise would not be able to make such advances and would make them in the future be included? What was the purpose of the author or of the committee in limiting that provision to banks which may have made advances already?

Mr. SMITH. Section 23, I think, covers that.

Mr. McKELLAR. I am not making a statement about the matter. I am just asking for information.

Mr. SMITH. I think it is very obvious that a bank that has not made any advances for agricultural purposes up until the present time either is not located in a district where they are required or is a bank that will not under any circumstances make advances. I think, and, in fact, I know, that the purpose and object of this is to aid those banks that are already loaded up with farm paper not for export, for you may notice that that section is not for export. It refers to things that are being held on account of the stagnated condition of the domestic market—that is, if they have made advances, and the market does not justify a sale, they can aid those banks—and I should like to say in this connection that I think that section might properly be amended by adding the words that we have added to the other section, "such associations."

Mr. KELLOGG rose.

Mr. McKELLAR. Mr. President, I notice that the Senator from Minnesota is on his feet. Would the Senator object to his stating what was in his mind when this provision was drawn? I believe he was the author of it.

Mr. KELLOGG. If the Senator will yield—

Mr. SMITH. I shall be delighted.

Mr. KELLOGG. The original object of the War Finance Corporation act was to make new advances to people who wished to export. Then that was enlarged by a section providing for the making of new advances to people who were carrying products before they were exported; but it was represented to the committee, as I understand—and certainly the officers of the War Finance Corporation represented to me—that there was another condition in the country that was very burdensome. In many parts of the country the country banks are loaded up with paper, advances already made, on which they are unable to realize, and it restricts the business of that community; and it was thought wise that this corporation might aid in some cases in relieving those local banks of a situation of that kind, so that they would have what is called liquid capital or cash to make further advances and to carry on business in the ordinary way. In order to add to these powers, we thought it was wise to give them the added power of relieving banking institutions in the country which are now loaning to farmers and give them more credit or more money to use for that very purpose. That was the object.

Mr. McKELLAR. It seems to me that was excellent; but I was wondering why, in the discretion of the board, this credit might not be extended to other banks that had not made such advances, but that might well make them with this credit extended to them.

Mr. SMITH. I think it is obvious to the Senator that the purpose as set forth by the Senator from Minnesota covers the ground and the necessities of the case.

I want to state, Mr. President, that the subcommittee has certain amendments, which I am going to state now, so that they may be clearly understood.

On page 3, line 2, of the committee print, strike out the word "producing;" and on the same line, after the word "products," insert "or to any association composed of persons engaged in producing such products."

So that we substitute, for the accommodation of the individual, farm organizations. We do not believe it is practicable, and I do not think Senators believe it is practicable, for the War Finance Corporation to finance the individual. He can utilize all of the already organized institutions of finance throughout his country and his organizations and have the situation relieved in that way.

Mr. RANSELL. Mr. President, may I ask the Senator if the words "to any person * * * dealing in or marketing any such products" would not include commission merchants, the people to whom the farmers usually send their cotton to be sold?

Mr. SMITH. Oh, to be sure.

Mr. RANSELL. They would be included in that term?

Mr. SMITH. They would be included in that term. This will include those who are now engaged in dealing in and marketing in any form these products.

The PRESIDING OFFICER (Mr. Moses in the chair). Does the Chair understand that the Senator from South Carolina formally offers that as an amendment?

Mr. SMITH. No; I am just stating the amendments that I propose to offer when we come to consider the bill for amendment.

On page 3, line 3, after the word "person," insert "or association."

On page 3, line 6, after the words "not exceeding," insert the words "1½ per cent in excess of."

It becomes necessary, as a matter of course, without any further explanation, when we attempt to encourage bankers to take this paper to allow them a margin of profit in the rate of interest in order to induce them to take it.

The last amendment that I propose to offer when this bill shall come up for amendment is the one to which I have already adverted. On page 3, lines 10 and 11, after the words "any person," strike out the comma and the words "Government, or subdivision of Government," so that we will restrict it to the organizations.

Mr. RANSELL. Mr. President, will the Senator yield?

Mr. SMITH. I yield.

Mr. RANSELL. The Senator seems to have explained this bill pretty fully and very clearly, I must say. I wish to ask him now if the committee amendment proposed by the Senator from Oregon [Mr. McNary], together with the suggested changes which he has just described to us, does not embody all the really essential features of the original Norris bill, and also the essential features of the Kellogg substitute, with some additions prepared by the committee?

Mr. SMITH. In answer to that question, of course, I can speak only for myself. I can let other members of the subcommittee speak for themselves. I think a careful study of the provisions of this proposed substitute, which is fundamentally the Kellogg substitute for the Norris bill, will show that it not only does the thing that the Norris bill attempted to do, but it infinitely widens the scope of what it was proposed to do in that bill, and provides more efficient machinery with which to do it. A critical study of the Norris bill will show that it was entirely too restricted and contracted to relieve the distressed condition in which agriculture found itself. This substitute proposes to meet the situation with an already going concern by enlarging its powers, and I believe with due modesty I may say that the subcommittee to which these two measures were referred has added some additional desirable features; so that this proposed substitute as now amended represents the very best in the Kellogg substitute and all and more than was asked in the Norris bill, with the splendid finishing touches of the subcommittee.

Mr. RANDELL. May I ask the Senator if the essential feature of the Norris bill was not to provide for the direct export of agricultural products to foreign countries, and if that is not in substance fully provided for by paragraph (b) of section 22 of the McNary amendment?

Mr. SMITH. We took from the Norris bill subdivision (b), which was the heart of the Norris bill, and we have modified that so that in its present form it contains all the excellences without the dangers of the Norris bill.

Mr. RANDELL. May I ask the Senator, further, if the weakness of the Norris bill—which, I want to say, I supported vigorously, with all the power there was in me—was not that it did not provide for any loans to those in this country who felt it absolutely necessary to hold their products until they could be marketed in a more orderly manner? It did provide for exporting the goods, but in case you could not export them there was no provision made for lending money on them; and that is the heart, and a mighty good heart, I will say, of the Kellogg substitute.

Mr. SMITH. As I have said—and it is necessary to repeat it to answer the Senator's question—this not only takes care of exports but it enables those who are producing stuff for export to market it in an orderly manner and to hold it until such an orderly manner can prevail and to render assistance to those who do not even export, namely, those who are engaged in live-stock production. That is an essential feature of our production and commerce, and it is suffering as acutely as, or perhaps more acutely than, any other form of our agricultural production in this country. Those who have taken the time to investigate the matter will find that the live-stock people have suffered as acutely as any other class. Their condition is more precarious than even the condition of the producers of certain staple agricultural products. Live stock is a perishable commodity, and those that are ready for market must be marketed or a loss is entailed at once. They can not be stored indefinitely or kept indefinitely, so that the relief to the live-stock producers must come at once, like the relief to the producers of certain perishable field products.

Mr. STANLEY. Mr. President—

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

Mr. SMITH. I do.

Mr. STANLEY. I note that the Senator from South Carolina says that he proposes to strike out, after the word "person," in line 10, page 3, the words "Government, or subdivision of Government." I am hopeful that that provision as written is sufficiently safeguarded by the further proviso that "in no case shall any of the money so advanced be expended without the United States," so as to render unnecessary the striking out of those words on account of this condition of affairs.

Certain products in this country are purchased only by Governments. There are 500,000,000 pounds of tobacco that can be purchased only by Governments. No individual purchases tobacco for Japan, or Spain, or Portugal, or Italy, or France; and if the Governments that are in the business of buying farm products under those regie contracts will give the proper collateral in this country, just as an individual would put up the proper collateral and insure the payment in this country so that you will not have to look to the Government but will look to the collateral, I see no reason why an advance should not be made to a government under those circumstances as well as to an individual or a bank.

Mr. SMITH. There is no reason to doubt that in the case of the regie contracts to which the Senator refers, where certain foreign Governments have assumed a monopoly of the purchase and distribution of tobacco, they, through their proper

agents, can avail themselves of this clause just the same as they have heretofore.

Mr. STANLEY. They have not availed themselves of it heretofore.

Mr. McKELLAR and Mr. KELLOGG addressed the Chair.

The PRESIDING OFFICER. Does the Senator from South Carolina yield; and if so, to whom?

Mr. SMITH. I yield to the Senator from Tennessee.

Mr. McKELLAR. Mr. President, the trouble is that those nations which the Senator from Kentucky has mentioned deal with tobacco only through their Governments. It is a government-controlled article, and the government makes money out of it. Unless some such provision is put in the bill, the greatest market we have for tobacco in Europe will be taken away from us to a large extent. If those Governments will put up the security necessary to repay the loan, what earthly objection can there be? I can understand why we would not want to look to the Government itself for the payment of claims, because we have a great many claims against those Governments now. But if those Governments put up the collateral to repay the debt, and all that is to be expended in this country, it seems to me that this could well be done without any danger of loss.

Mr. SMITH. Mr. President, there is nothing to prohibit a government from dealing with an American corporation if it desires to purchase the product and gets the O. K. of this corporation. It can deal just as they have been doing in the years past.

Mr. STANLEY. What I am driving at is this: I see no reason or force in this Government making a fictitious contract, a John Doe arrangement, where a government is the consignee, the purchaser, where the government is a tobacco merchant. No individual in those countries can buy or sell tobacco, and in some of them they can not raise it. The Government itself is the high contracting party. It acts as broker.

Mr. SMITH. There is nothing in this bill, even in the section under consideration, which prohibits that.

Mr. STANLEY. But the Senator from South Carolina said that they propose to strike out the words "Government or subdivision thereof."

Mr. SMITH. Yes.

Mr. STANLEY. I see no necessity for striking that language out.

Mr. SMITH. The reason why it was thought wise to do it was because it was brought to our attention that there are certain political conditions in Europe that make it essential for us to take those words out, because there are certain Governments we can not deal with, and if they come as Governments and offer certain securities, and we turn them down because we have reason to believe that it is not a safe loan, we will discriminate against one in favor of another, and we will have complications right away.

Mr. KELLOGG. Mr. President, if the Senator will permit me, I would like to answer the Senator from Kentucky. There is nothing in the proposed law which prohibits any person or corporation in this country from dealing with any foreign Government and selling it anything, and taking any credit from any foreign Government it sees fit to take. I realize that in certain foreign countries tobacco is a Government monopoly, notably, in France; but there is nothing that will prohibit a tobacco dealer, whoever he may be, from selling to France, and if he wishes to take French bonds, or French credits, he can do it, as he always has done.

This simply provides that this Government corporation shall not, any more than the United States directly would, without the authority of Congress, extend further credit to foreign Governments. I do not believe we ought to extend credit to foreign Governments without the approval of Congress. It is a fact that with the exception of where foreign Governments have a monopoly, like the tobacco monopoly, as in France, where all the tobacco is bought by the Government, they do buy from our sellers, but, so far as anybody knows, the Government of France has never, and no Government has ever, asked American institutions to take Government bonds or Government credits. They pay cash, and, so far as we know, there is no necessity for them asking credit now. As I stated the other day, if the Senator will permit me—I do not want to take too much of his time—

Mr. SMITH. I am glad to have the Senator interrupt me.

Mr. KELLOGG. Outside of Poland, Austria, Hungary, and Germany, there is not a Government in the world to-day that is buying anything on credit as a Government, or has asked credit during the last year, and there is no probability that they will ask credit in buying anything. In fact, the Government buying in most of these countries has now been dispensed with, and Government restriction upon individual buy-

ing has been removed. Eighty-five per cent of our products go to countries other than the four I have named.

The question is whether the Congress—and it is for the Senate to decide—is to give a corporation of the Government a blanket power to extend credit to any Government in the world. Personally I am not in favor of it. I may be wrong. I do not believe we ought to do it. We have extended between ten and eleven billion dollars of credit now, and I have heard many Senators on this floor insisting that we should collect at once and collect our past-due interest. Why extend further credit?

It is also my opinion, from all I have been able to find out from the experts of the War Finance Corporation and the Treasury, that that provision authorizing the President, or, rather, this corporation—and I assume the corporation would not attempt to deal with foreign countries without the authority of the President—is unnecessary, and will add nothing whatever to our sales of American products. That is the opinion of the men I have talked with, and I value their judgment a good deal more than my own.

Another thing: It is a question whether we ought to authorize the President to extend credit to foreign Governments in view of the enormous credits owing us now from those same Governments. If it would accomplish anything I would be willing to waive my view on that subject; but personally I do not think it would amount to anything.

Mr. SMITH. I would just like to state to the Senator from Kentucky that this is one case in which there happens to be a government monopoly, but even that section, with the language "the government or subdivision thereof" stricken out, does not restrict them from using the ordinary methods now employed by the War Finance Corporation to finance exporters.

Mr. STANLEY. Mr. President, I thoroughly understand that. I thoroughly understand that there is no disposition on the part of the Senator from South Carolina or the Senator from Minnesota to deprive tobacco growers of the right and of the opportunity, without reference to this bill, to sell their tobacco. In fact, they could not do it, because they could not pass a law impairing the obligation of contracts.

Mr. SMITH. I meant that the Governments themselves, of France, for instance, and those other Governments which have what are known as Government monopolies, can avail themselves of the credit of this corporation now, with those words stricken out, because the corporation now is taking Government securities as collateral, when indorsed by an American company.

Mr. STANLEY. The Government, through some agent, might go out and secure some sort of collateral in the form of merchantable paper that would do instead of its own obligations.

Mr. SMITH. They are authorized to take the Government obligations if they are indorsed by an American concern. They do it now. But that is if an American concern indorses them. They are still accepting the obligations of foreign Governments where they come through and are safeguarded by an American corporation which indorses them. In order to avoid this Government authorizing blanket trading with foreign Governments, we restrict the corporation itself to dealing with the individuals of foreign Governments, but we allow American individuals here, who will indorse foreign paper, to accept it, and we in turn accept that paper.

Mr. KELLOGG. I want to say another thing, if the Senator will permit me—

Mr. SMITH. Certainly.

Mr. KELLOGG. I wish to say to the Senator from Kentucky that this purchasing of food products and cotton and other products solely by foreign Governments, which quite likely was necessary during the war—we never questioned it, probably could not, but did not—which was extended for a long period after the war, is one of the worst things for the American producer and the American seller that has happened, because the purchasing power was placed in the Governments, and the Governments had one buyer, one interest, that came over here, where we had thousands of sellers, and those purchasing committees of foreign Governments have done more to hammer down the prices of wheat and cotton and other things than any other one thing, and I am glad the foreign Governments have at last abandoned that system.

Mr. McKELLAR. Mr. President, we received higher prices for cotton and wheat at that time than we are getting now.

Mr. KELLOGG. We received them, of course, during the war, when the demand was unlimited, and when we could get almost any price. But after the war, and within the last two years, and especially during the last year, there is not any question, from the information I have received, but that the

purchases by foreign Governments have not been in the interests of the American producer.

Mr. STANLEY. Mr. President, I am entirely inclined to agree with the Senator from Minnesota in this, that the purchase of American produce by a Government rather than by competing individuals is, under ordinary conditions, prejudicial to the American producer, for the reason that competition is practically eliminated by simple understandings between these Governments. But it does not matter, as far as this proposition is concerned, whether these Governments abstain from purchasing the coal or cotton or foodstuffs, or anything of that sort. Those things were handled during the war on account of war conditions. This product is handled at all times, on account of the enormous profit that the Government can make out of the use of a luxury like tobacco. It is just as if this Government, instead of prohibiting the manufacture and sale of alcoholic liquor, had provided that the Government should manufacture and sell all such alcoholic liquor—

Mr. SMITH. As South Carolina tried to do.

Mr. STANLEY. As South Carolina tried to do, and as some people hope she is still doing; and you could take 40 cents worth of grain and make 5 gallons of alcohol, and sell it for \$10 a gallon.

At present you could take a dollar's worth of grain and make 5 gallons of alcohol, and if you had a tax of \$10 a gallon you would get \$50 worth of taxes to \$1 expended.

I have not investigated this question lately, but at one time one-fifth of the French Government's revenue was derived from a tobacco monopoly, and they bought tobacco through combinations with the American Tobacco Co., the Imperial Tobacco Co., of Great Britain, and other contractors, for about 3 cents, and they were making about \$3 a pound off the ultimate consumers. These Governments are bound to have this tobacco if they can raise the money, and they can give every character of security. A simple lien upon the tobacco, or an agreement to pay when the tobacco is turned into revenue, would insure the payment.

I have understood that the purchases of tobacco within the last year by the Italian Government have been limited on account of the necessities of that Government. I would not have tobacco turned over to the Italian Government or the French Government or any other Government upon inadequate security, but a Government can give just as good security as anyone else. There are none of the Balkan States that have a tobacco monopoly or that are going to be considered. Germany is an open market; all the Scandinavian States are open markets; the new Government of Czechoslovakia and other similar States are open markets.

We are not going to have trouble with reference to the tobacco situation, and I hope that upon mature consideration the Senator will leave the door wide open to the most distressed people in this country, with the possible exception of the cotton growers. Until very recently they have had that tobacco left for a year. In a colloquy with the Senator from North Carolina some months ago I found that three-fourths of this export tobacco had not been sold, and four-fifths of all the tobacco raised in western Tennessee and western Kentucky is export tobacco. I have been looking into the matter somewhat, and I believe it will be possible, by offering some encouragement to those Governments, to get them to increase their purchases now of a commodity that they can immediately turn into money.

Mr. KELLOGG. Mr. President, I should like to ask the Senator from Kentucky, if I may be permitted, whether he thinks that with the amount of money Italy owes the United States this Government should extend her additional credit and take her bonds in order to sell them anything?

Mr. STANLEY. Certainly not.

Mr. KELLOGG. That is all they can do. The Government of Italy has bonds and that is all, and we hold those now to the extent of several hundred million dollars.

Mr. STANLEY. I expect the Italian Government through its agents to put into the hands of the proper representatives of this Government adequate security.

Mr. KELLOGG. They can do that now.

Mr. SMITH. The very point I wish to call to the attention of the Senator from Kentucky is that the War Finance Corporation can now, through an American organization, accept the obligation of France if in their judgment it is good collateral. They can do it now.

Mr. STANLEY. They can get some bank to underwrite it.

Mr. SMITH. We have stricken out the word "Government." There might be an exception where the Governments have a monopoly, but they are unquestionably Governments whose

security we do not care to authorize anyone to take just ad libitum to extend their credits. So we provided that in lieu of Governments and subdivisions of Governments, this corporation might treat directly with organizations within those Governments if the collateral in their judgment was good. There is nothing in it that prohibits them from continuing to do as they are now doing, accepting as collateral the obligations of foreign Governments.

Mr. STANLEY. May I put this proposition to the Senator? I talked with the head of the War Finance Corporation, who was in doubt whether it could be done. Suppose the Italian Government needs so many million pounds of tobacco. Three-fourths of that tobacco might be left in this country and one-fourth of it sold now, the rest of it to go out at a certain time, with the understanding that as the tobacco was sold the proceeds should be used in paying the rest of the obligation. There are many ways in which this could be done without advancing money to the foreign Government.

I believe we can secure liens upon the tobacco itself, and upon the obligations based upon the sale of the property that will render us amply secure. I would certainly leave the hands of the War Finance Corporation free in that respect. Nobody expects that the War Finance Corporation, organized as it is, with its predisposition in favor of doing business through the banks, is going to take Government bonds or other securities of that kind as the sole security for a debt, or that it is going to make any advance to that Government for the purpose of facilitating the sale.

Mr. WADSWORTH. Mr. President, will the Senator yield to me just a moment?

Mr. SMITH. Certainly.

Mr. WADSWORTH. My attention was attracted by a suggestion made by the Senator from Kentucky. I believe he suggested that in the event we authorized the War Finance Corporation to deal with foreign Governments and subdivisions of Governments and to make advances to them, we might take as security a lien on the tobacco which they purchased. I wonder if it has occurred to the Senator that that tobacco will have left the United States and will be distributed in Italy, for example, and sold to consumers there. How are we going to collect on a lien against that Government?

Mr. STANLEY. That is exactly what I was speaking about. I called attention to the fact that we could not follow the tobacco into the Italian Government; but those Governments make these purchases, say, of 25,000, 30,000, or 40,000 hogsheads at a time of a certain kind of tobacco. At one time the Italian Government was so anxious to get the tobacco that it gave a bond to purchase it at not less than 12 cents a pound, and the man who made the deal here purchased the tobacco for 3½ cents a pound. If a purchase of 30,000 hogsheads of tobacco were made by the Italian Government and three-fourths of it or four-fifths of it were kept within the jurisdiction of this Government until the greater part or a good part of the money was paid, and we could give them time to pay it, the tobacco in the course of a year could be converted as it was used, and they would not sell more than one-third of the tobacco before we would have our money back.

Mr. WADSWORTH. If they could not sell more than one-third of the tobacco and two-thirds of it were left in this country, where are they going to get the money to pay for all of it?

Mr. STANLEY. Because one-tenth of the tobacco when sold would bring under the Government monopoly enough to pay for the entire raw material. One dollar's worth of tobacco after it is manufactured and sold by a Government monopoly brings ten times or twenty times as much as tobacco does here.

Mr. WADSWORTH. Gross?

Mr. STANLEY. Yes.

Mr. SMITH. I am quite sure that the—

Mr. STANLEY. Right at that point let me interrupt again. What I mean is that they would not risk the loss of the tobacco in the warehouses here, and they would welcome any opportunity for any character of time in the purchase of it whatsoever, so I understand.

Mr. SMITH. Mr. President, I am sure the Senator from Kentucky when he studies the provision thoroughly will see that the proposed amendment is an aid rather than a hindrance to the very object he has in view. But in passing, without comment, I wish to call the Senator's attention to a report of this summary of foreign exports which surprised me very greatly in reference to tobacco.

I happen to be in the very midst of the bright-leaf producing section of the Carolinas, where the market opened on the 19th of July. What are popularly known as sand lugs, the first leaves taken from the stalk and cured in the flue barn, which brought from 8 to 15 or 20 cents a pound a year ago, this year were

thrown away. The producers were informed by the tobacco purchasers that they need not bring that quality of tobacco to market. Seconds brought such a price as to not pay for what they called the stringing, where the tobacco is tied to a little stick and hung up in the barns for curing under artificial heat.

I was informed that one producer right in the heart of this section, who produced perhaps the finest crop that he has ever produced, both in quality of the tobacco and in the matter of the curing, had something like 2,500 pounds which the year previous and the year before that had brought something in the neighborhood of 75 cents to \$1 a pound, but this year he got \$125 for the 2,500 pounds. My home papers are full of protests about the present price of tobacco and the indifference of the purchasers. I have in my desk in my office telegrams now from certain warehouses and auction houses, where the farmers bring their tobacco to have it sold, asking if I can not induce certain great tobacco dealers, such as Liggett & Myers and the Imperial Co., to send their buyers down to help out the distressing situation. I was informed upon investigation that the world has perhaps a two years' stock of tobacco on hand, and that therefore what was purchased would be purchased with that knowledge, and with the further knowledge that it must be carried over, and that the price therefore did not justify them in going into the market.

I picked up this summary of exports to see just to what disastrous depths leaf tobacco or unmanufactured tobacco had fallen by virtue of this alleged surplus on the market. That leaf tobacco is bought by exporters in the warehouses and auction houses in Kentucky just as it is in the Carolinas, I have no doubt. I desire to read these figures.

Unmanufactured tobacco in the leaf, in 1920, a year ago, was exported to the extent of 632,000,000 pounds, in round numbers, for which we received \$271,000,000. Last year we exported 496,000,000 pounds and received \$237,000,000. We got more per pound for the leaf tobacco which we exported up to June 1 of this year than we got for that which was exported in 1920.

Mr. STANLEY. Mr. President, there is a confusion of ideas about tobacco. People generally have the impression that tobacco is like corn or wheat or wool; that leaf tobacco is leaf tobacco.

There is no more relation between the market conditions that control and prevail in the sale of Sumatra leaf and cigar wrapper, in the sale of the light Carolina tobacco that is used for cigarettes and for plug tobacco and white Burley, and the sale of the dark export tobacco than there is between the sale of rye or corn or wheat. One may be high and the other may be low. They are purchased in different markets; they serve a different purpose; and they are governed by entirely different industrial and financial conditions.

The price of Sumatra leaf will depend on the conditions that prevail in Connecticut, where the leaf is grown under cover, and upon conditions in Cuba and Sumatra. The light cigarette tobaccos and the Carolina tobaccos and the Burley tobaccos depend for their price upon the demands of the American Tobacco Co. and upon the local trade. For instance, take the dark, thick, porous leaf that is produced in western Tennessee and western Kentucky, and it is comparatively worthless as a cover for plug tobacco. The minute it is put under pressure it turns perfectly black. It is necessary to use a light Burley or Carolina tobacco for covers.

On the other hand, the same Burley tobacco, which usually brings a much higher price than the Pryor or green wrapper or English strip, would find no market abroad, for the reason that there is an initial duty, or there formerly was, of about 65 cents a pound on all tobacco that went into the King's warehouse, and the tobacco has to go in there with about 12 per cent of moisture. The tobacco which we raise will absorb 50 or 60 per cent of moisture. It is a porous tobacco and will absorb great quantities of licorice and water. The purchasers of such tobacco, after they purchase it, allow it to absorb, in many instances, the maximum of moisture where that matter is not regulated by law. The same power, to absorb moisture affects the value of the regie tobaccos.

The tobacco which the Italian uses, the tobacco which the Austrian uses, the tobacco which the Frenchman uses, and the snuff tobacco are produced in certain sections, and can not be produced in other sections. As articles of commerce they are just as different from the Carolina tobacco as silk is different from wool. The conditions which prevail in one market are not indicative of the conditions that prevail in another market. The price of export tobacco is dependent absolutely upon the foreign market. I have known such tobaccos to sell for 3½ cents a pound when the Burley tobaccos were selling for 8 cents a pound and the Carolina tobacco was selling for 10 or 12 cents.

It may easily happen if the foreign demand should increase that the Pryor, the dark export tobaccos, might bring a handsome price, while the light tobaccos might be a drug on the market, in the event the American Tobacco Co. had more than it needed or pretended that it had more than it needed, for it is the buyer in this country.

Mr. SMITH. Mr. President, I have occupied the floor for a longer time than I had expected. I do not think there is a Member of the Senate but believes there is a possibility of relief to the distressed condition of agriculture in the provisions of the pending bill. I wish to say in closing—and with this I am going to leave the subject and have no more to say until we come to the question of the passage of the measure—that I do not believe that the enlargement of the powers of the War Finance Corporation would have been necessary had it not been for the very unfortunate attitude of those in charge of our Federal reserve system. I believe had they met the situation as the law intended it should be met, had they fully realized the disaster that would come from their unfortunate attitude toward contraction and deflation, had they realized that being on the peak, we had to come down gradually rather than to be precipitated to the foot of the peak, this condition would not have existed. In my opinion, the responsibility originally lies there; but the responsibility also lies with us to remedy the situation as effectually and as soon as we may. I believe that a study of the bulletin which I hold in my hand will convince every Senator of the contention that I have heretofore made, that the manufacturers are in a position where, in any event, they can more or less take care of themselves when there comes a disaster so sweeping and terrible as that which at present confronts the Nation; but as to the farmers, who are practically without resources—with a greater percentage of our population now being urban, not producing, and unfortunately not seeming to care as to the condition of the producer—it is more than ever our duty to see to it that those who support this Government by supplying its food and its clothing shall be our first consideration, and that they shall not be allowed to become the victims of unfortunate conditions. It is for that reason that I am standing here pleading for this additional aid to them. I trust that every Senator on the floor will support the committee substitute.

Mr. TRAMMELL. Mr. President, I desire to offer two amendments to the so-called McNary substitute, and I should like to have them read, printed, and lie on the table.

The PRESIDING OFFICER. The Secretary will read the amendments.

The READING CLERK. On page 3, in line 23, it is proposed to strike out the period after the words "set forth" and insert:

Also for advances made to any producer for the purpose set forth in paragraph (a) upon notes, drafts, bills of exchange, or other instruments of indebtedness secured by chattel mortgages, warehouse receipts, bills of lading, or other instruments in writing conveying or securing marketable title to staple agricultural products, including live stock.

Also, on page 5, in line 22, it is proposed to strike out the words "in exceptional cases."

The PRESIDING OFFICER. The amendments will be printed and lie on the table.

Mr. TRAMMELL addressed the Senate, and after having spoken for three-quarters of an hour said:

Mr. President, it is getting rather late, and if there is a desire to take a recess or adjourn and I can have the floor upon convening to-morrow I shall be glad to yield for that purpose or to have an executive session.

The PRESIDING OFFICER. No guaranty of that sort can be made, the Chair will state to the Senator, but he can undoubtedly obtain the floor to resume his speech upon reassembling to-morrow.

Mr. TRAMMELL. Of course, I realize that no guaranty can be given, but I have observed that in a great many instances Senators have yielded the floor for the purpose of recessing or adjourning and obtained the floor the next morning.

Mr. HEFLIN. Mr. President, I suggest that we recess until 11 o'clock to-morrow, so that we shall have ample time for speeches to-morrow.

Mr. TRAMMELL. I will finish my remarks in 15 or 20 minutes to-morrow.

The PRESIDING OFFICER. Under the agreement yesterday afternoon the Chair asks unanimous consent to lay before the Senate sundry bills and a concurrent resolution from the House of Representatives. Is there objection? The Chair hears none.

HOUSE BILLS REFERRED.

The following bills were severally read twice by title and referred as indicated below:

H. R. 77. An act for the consolidation of forest lands within the Clearwater, St. Joe, and Selway National Forests;

H. R. 244. An act to provide for the disposition of abandoned portions of rights of way granted to railroad companies; and

H. R. 2205. An act to add certain lands on the North Fork of the Shoshone River to the Shoshone National Forest; to the Committee on Public Lands and Surveys.

H. R. 4813. An act changing the period for doing annual assessment work on unpatented mineral claims from the calendar year to the fiscal year beginning July 1 each year; to the Committee on Mines and Mining.

H. R. 6259. An act for the consolidation of forest lands in the Colorado National Forest, Colo., and for other purposes; and

H. R. 6262. An act to add certain lands to Mount McKinley National Park, Alaska; to the Committee on Public Lands and Surveys.

H. R. 6514. An act granting Parramore Post, No. 57, American Legion, permission to construct a memorial building on the Federal site at Abilene, Tex.; to the Committee on Public Buildings and Grounds.

H. R. 7328. An act to authorize the construction of a bridge across the Pend d'Oreille River, Bonner County, Idaho, at the Newport-Priest River Road crossing, Idaho; to the Committee on Commerce.

JOINT COMMISSION OF AGRICULTURAL INQUIRY.

The PRESIDING OFFICER laid before the Senate the following concurrent resolution (H. Con. Res. 26) of the House of Representatives, which was read:

Resolved by the House of Representatives (the Senate concurring). That the time for the completion of the investigation by the Joint Commission of Agricultural Inquiry, created by Senate concurrent resolution No. 4, of the present session, and the filing of the report to Congress therein directed to be made, be, and the same is hereby, extended to a date not later than the first Monday in January, 1922.

Mr. McNARY. I move that the Senate concur in the resolution.

The PRESIDING OFFICER. Does the Senate give its consent to concurring in the resolution just laid before the Senate from the House of Representatives?

Mr. KENYON. Does it require unanimous consent?

Mr. CURTIS. I do not think under the agreement it can be done without unanimous consent. I hope the Senator from Oregon will let it lie on the table until to-morrow.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Oregon?

Mr. KENYON. I object.

The PRESIDING OFFICER. Objection is made, and the concurrent resolution will lie on the table.

RECESS.

Mr. CURTIS. I move that the Senate take a recess until 11 o'clock to-morrow morning.

The motion was agreed to; and (at 5 o'clock and 3 minutes p. m.), the Senate took a recess until to-morrow, Wednesday, August 3, 1921, at 11 o'clock a. m.

HOUSE OF REPRESENTATIVES.

TUESDAY, August 2, 1921.

The House met at 12 o'clock noon and was called to order by the Speaker pro tempore, Mr. TOWNER.

The chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Almighty God, continue to fit us for the world in which we dwell. Redeem our lives from that which is menial and give larger freedom to our best gifts. Quicken us for the labors that await us and make our mornings and our evenings bring to us a satisfaction of work well done. Raise us to a plane where the losses and the crosses of life are exalted and where the beatitude of our Heavenly Father rests upon us. Through Christ. Amen.

THE JOURNAL.

The Journal of the proceedings of yesterday was read.

Mr. BLANTON. Mr. Speaker, I desire to correct the Journal. Roll call No. 107, as disclosed by the Record of yesterday, August 1, 1921, on page 4503, shows—yeas 160, nays 59. On the first column of the next page the Record discloses that the Speaker pro tempore announced that the yeas were 150 and the nays 54. At the top of the next page the Speaker in finally stating the vote stated that the yeas were 159 and the nays 58. By which one of these contradictory assertions is the Journal going? All three of them are different, and the Record and the Journal should state the correct one.

The SPEAKER pro tempore. The gentleman from Texas called a similar instance to the attention of the present occupant of the chair once before. The explanation is that the Chair states viva voce the announcement as given to him at