CONFIRMATIONS.

Executive nominations confirmed by the Senate July 26 (legislative day of April 20), 1922.

RESERVATION OF PUBLIC MONIES.

Charles Henry Luiz to be receiver of public moneys, Roswell, N. Mex.

POSTMISTERS.

INDIANA.

John E. Ward, Gas City.

JOHNSON.

John T. Garnet, Carrolton.

Charles E. Bedell, Halle.

George E. Richards, Libbourn.

MONTANA.

John J. Pirolla, Roberts.

NEW YORK.

Marine M. Parker, Defriet.

Harry M. Barrett, Mahopac.

OKLAHOMA.

Joseph C. Eversole, Grandfield.

Warden F. Rollins, Noble.

VIRGINIA.

Lula E. Northam, Lactose.

Lyle H. Nolop, Alma Center.

Joseph B. Forest, Avoca.

Grant E. Denison, Carrollville.

Floyd B. Hasler, Glenbush.

William H. Ware, Loganville.

Fred J. Marty, New Glens.

REJECTION.

Executive nomination rejected by the Senate July 25 (legislative day of April 20), 1922.

POSTMASTER.

Washington H. Carlisle to be postmaster at Alexander City, Ala.

SENEATE.

THURSDAY, July 27, 1922.

(Legislative day of Thursday, April 20, 1922.)

The Senate met at 11 o'clock a. m., on the expiration of the recess.

AMENDMENTS OF THE SULK SCHEDULE.

Mr. MCCOURBER. Mr. President, the Committee on Finance have gone over the schedule and propose to offer a number of amendments to it. In order that they may be printed and lie on the table so that Senators may have a chance to examine them, I ask that an order to that effect may be made.

The VICE PRESIDENT. Without objection, it is so ordered.

HOSPITALIZATION OF DISABLED EX-SERVICE MEN.

Mr. WALSH of Massachusetts. Mr. President, I ask that there may be printed in the Record in 8-point type a letter from Mr. A. A. Sprague, chairman of the American Legion's national rehabilitation committee, addressed to Brig. Gen. Charles E. Sawyer, the letter is a protest on the part of the representatives of the American Legion against the delay in the building of new hospitals under recent appropriations by Congress, and asserts that unnecessary and harmful results will follow. I regret that the tariff bill debate prevents my discussing this situation. Evidently the rehabilitation committee of the Legion is desirous that the construction of these hospitals be proceeded with without further delay and desires the backing of Congress and public opinion in order to get action.

There been no objection, the letter was ordered to be printed in the Record in 8-point type, as follows:

CHICAGO, July 24.—A. A. Sprague, of Chicago, acting officially for the American Legion as its chairman of the Legion's national rehabilitation committee, has written to Brig. Gen. Charles E. Sawyer, President Harding's personal physician, sending a copy to President Harding for his information, requesting General Sawyer to 'stand aside and allow the program of the Veterans' Bureau to go into effect at once.'
DISTRESSING DEBATE.

"This program was decided upon after long delays, which have been distressing to the Legion but still more distressing to thousands of men who might have been cured, but who are now doomed to a life of mental disability. The victory had been won and that adequate hospital program would be put through with speed. To-day over 4,500 mental cases are still in contract institutions, and of the remaining 4,741 only 3,500 are in hospitals entirely devoted to their attention and cure. When you say that there are hospitals enough and beds to spare you unwittingly strike at the most defenseless and yet most important group we have in our hospitals—namely, those who are in contract institutions and who are doomed to a life of mental and nervous wreckage of this war for the rest of their lives."

MORAL MANDATE IN BILL.

"If there ever was a bill which carried a moral mandate to the Government it was the second Langley bill. You will remember that the money spent for the mental cases already housed under this bill awarded to the Veterans' Bureau. We won in this fight. It was a fight against your efforts, against your appeal, to have this money awarded to the Federal Board of Hospitalization, of which you are chief coordinator. We were disgusted with the delays in the former appropriation of $18,600,000. We did not want similar delays in the expenditure of this new appropriation. The purpose of the bill and the expenditures which were clearly set forth in the report of the preliminary hearings of the committees and in the report of Congressman Madden, for the Committee on Appropriations, to the House. They include 1,600 beds for tuberculosis, 3,800 beds for neuropsychiatry, and 600 beds for general and medical hospitals.

"As a business man, and aware of the opinion of business men of this country, as well as that of the Legion, I want to state that there has never been shown any disposition on the part of the American people to economize at the expense of the real heroes of the war. The president of one of the largest business organizations in America said:

"PRESENT SYSTEM CRUEL.

""I have yet to come in contact with a man or woman who is not in full sympathy with providing the best that the land affords for disabled veterans. Mental disability is the most distressing of all disability. House of shell shock with men who are crippled is cruelty, in my opinion. I am strongly inclined to think that there isn't a business man or a business institution in the country, of any size, that would not contribute generously to any plan that would insure the boys who "went over the top" receiving what they have earned—the best possible treatment."

"I am confident that the future citizen is far more liable to condemn failure to provide the best possible care than he is to complain if better provision than was ever made before is made for these men.

Your statement "that the peak of hospitalization has been reached and that there are now 10,000 beds vacant in Government institutions," is not only misleading, but will tend to cause the American public to be satisfied with treatment alone to be given a parsimonious supervision?"

"The American Legion for four years has been trying to secure real medical care in Government-owned hospitals for the mental and nervous wreckage of this war. For the first time, several months ago—in the passage of the Langley bill—we felt that our effort in that direction had been successful. When we see hospitals that the American people to economize at the expense of the real heroes of the war.

"PROPER CARE IS URGED.

""The American Legion is whole-heartedly against the suggestion that any arrangement will do for the mentally and neurously sick. It is true that they have been shoved into overcrowded State institutions, where the majority of the patients are dying, demented old people, or in general hospitals where only a partial temporary care can be given them.

"'Is it too much to ask the Government of the United States to put the 30,000 men and women disabled as a result of this war into hospitals of their own and to house victims of shell shock with men who are crippled is cruelty, in my opinion. I am strongly confident that the future citizen is far more liable to condemn failure to provide the best possible care than he is to complain if better provision than was ever made before is made for these men.

"Proper care is urged.

"The American Legion and every real American in "Give these men the best care that medical science can provide in Government institutions maintained at the highest standard of efficiency under the superintendence of experts and the direction of the Department of War and the Secretary of War so that if rehabilitated they can be returned to civil life with greater ease, and if doomed to a life of hospitalization they can be near those whom they love best."

"Four years have already passed and the veteran is not yet engaged. A belated program is now being held up and changed. It is being changed to meet your approval.

"I appeal to you, sir, to stand aside and allow this program of the American Legion to proceed to its completion and to its purpose."

Mr. WILLIS subsequently said: Mr. President, this morning the Senate from Massachusetts [Mr. WALTZ] has inserted in the Recess certain criticisms or charges relative to the work
of Gen. C. E. Sawyer, in connection with the hospitalization of veterans of the World War. I think it only fair that the statement which Doctor Sawyer has issued in reply to those criticisms should appear in the Record following the statement that was made by the Senator from Massachusetts.

I therefore ask unanimous consent that Doctor Sawyer's statement appear in the Record in 8-point type just following the insertion that was made at the request of the Senator from Massachusetts. We all desire to put the facts.

Mr. WALSH of Massachusetts. Mr. President, of course, there is no objection. It is perfectly proper that the letter should be inserted in the Record. What I had printed in the Record was not a statement but was a letter from the chairman of the rehabilitation committee of the American Legion. It is very proper, however, that the reply or communication of General Sawyer should also appear in the Record.

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

To the public:

Answering A. A. Sprague's charges that Brig. Gen. C. E. Sawyer is delaying and obstructing hospitalization, the following testimony is presented:

NEW YORK, N. Y., JUNE 31.

Brig. Gen. Charles E. Sawyer,
12 Drake Hotel, Chicago, Ill.

American Legion officials in statement to N. E. A. Service make charges that you are responsible for delay in hospitalization program for disabled soldiers. They also question your eligibility, because of age limit, for your Army post. N. E. A. Service offers you opportunity to answer charges. Will you wire us 100 or 200 words, press rate, correct?

FRANK RYAN,
Editor, N. E. A. Service,
461 Eighth Avenue, New York.

SPRAGUE'S ANSWER.

Mr. FRANK RYAN,
461 Eighth Avenue, New York City, N. Y.:

General Sawyer has shown me your telegram. I have been as closely in touch as any individual with the hospital program for disabled ex-service men and I know and state here that the charge that the general has delayed the hospital program is false. The latter part of the charge is too trivial and futile to answer. General Sawyer has given much valuable advice and assistance to this work, and I am sure that misinformation and ignorance of facts are responsible for this ridiculous and unfortunate statement.

A. A. SPRAGUE,
Chairman National Rehabilitation Committee of the American Legion.

(Copy to General Sawyer.)

The American public should know the hospital situation as it really is at the present time and that they will then be able to determine whether or not the United States Government is making effort to take care of its disabled World War veterans, and whether or not the charges by Sprague as set forth in the Associated Press reports are just.

At present under Government control and operation there are in the United States of America 99 Government hospitals with a capacity of 25,412 beds, 10,191 of which are at the present time unoccupied.

The White committee has supplied and turned over to the Veterans' Bureau 2,286 beds and will have provided in its completed program 6,169 beds. The Veterans' Bureau has under the process of construction at the present time 3,500 additional beds which have already been located and work commenced.

The 99 Government hospitals, with a total bed capacity of 25,412, including the 10,191 unoccupied beds, are distributed throughout the United States and are all now operated upon a standardized plan of service which guarantees the very best of hospital treatment which can be provided.

These facts are given in this hospital service a personnel of about one attendant to each patient. In this personnel are men and women of the highest type of scientific, professional, and medical rehabilitation skill, working daily for the promotion of the interests of those who by the vicissitudes of war become incompetent.

When the hospitalization plan of the Government for the care of the ex-service men shall have been completed as now contemplated—and which is being hurried to early completion—it will represent in all of the departments a total expenditure of approximately $800,000,000.

These facts certainly show that the United States Government is doing every possible thing possible for the disabled veterans, and for the length of time at its disposal everything has been achieved which human agency could accomplish.

The following reports from the Veterans' Bureau, the Treasury Department, and the Federal Board of Hospitalization give such detailed account of affairs at present existing relative to the subject of World War veteran hospitalization that I submit them in full for careful consideration.

Data taken from the report of the Veterans' Bureau under date of June 15, 1922, reveal the following facts:

The Government now has under its own control and operation 99 hospitals, providing 28,412 beds, 10,091 of which are unoccupied at the present time. Since February the number of unoccupied beds has been increasing at the rate of 250 per month, indicating beyond doubt that the peak of hospitalization has been reached.

That there may be no errors in figures presented, a complete list of all Government owned and operated hospitals is given herewith. This list shows department to which hospitals belong, number of beds available in each, and the number of beds occupied and unoccupied in each. At the end of the list appears a diagrammatic illustration of the class of patients they serve, which speaks for itself.
U. S. V. H. No. 27, Alexandria, La.: Work here consisted of constructing kitchen, mess hall, water supply system, refrigerating plant, etc. Completed.

N. H. D. V. S., Milwaukee, Wis.: Report of June 30—57 per cent completed. To be finished in August. Capacity, 612 T. B.


N. H. D. V. S., Marion, Ind.: Report of June 30—50 per cent completed. To be finished in August. Capacity, 80 N. P.

Prov. Hospital No. 4, Rutland, Mass.: New work (contract), 77 per cent completed; remodeling (purchase and hire), 90 per cent. Capacity, 220 T. B. U. S. V. H. No. 62, Augusta, Ga.: 22 per cent completed. Capacity, 265 N. P.


U. S. V. H. No. 51, Bronx, N. Y. (total capacity, 1,000 N. P.): 99.5 per cent completed. Already turned over and opened for.... N. P. 550

Western Pennsylvania: Early decision expected on site. Capacity, 250 T. B.

St. Louis, Mo. (Jefferson Barracks): Bids have been opened this week. Contract to be awarded at once. Capacity, 250 general.

Metropolitan District, N. Y.: Site chosen. Preliminary studies under way. Capacity, 250 T. B.

Total (to which will shortly be added 300 beds at Perryville) 2,988

Note.—In a number of instances, in addition to the bed units which have been constructed, it was also necessary, in order to give a working station, to construct various accessory buildings, such as quarters for doctors, nurses, aids, and attendants, vocational training, mess halls, and kitchens, power house, laundry, garage, water supply, sewerage system, extensive roads, etc.

Total number of beds contemplated out of Public Act 384, 6,169.

HOSPITALS TO BE PROVIDED UNDER SECOND LANGLEY BILL, RECOMMENDED BY THE VETERANS' BUREAU AND ENDORSED BY THE FEDERAL BOARD OF HOSPITALIZATION.

<table>
<thead>
<tr>
<th>District Nos.</th>
<th>Beds</th>
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<tbody>
<tr>
<td>1. Northampton, Mass</td>
<td>N. P. 400</td>
</tr>
<tr>
<td>2. Tupper Lake, N. Y</td>
<td>T. B. 250</td>
</tr>
<tr>
<td>3. Memphis, Tenn</td>
<td>Gen. 200</td>
</tr>
<tr>
<td>4. Gulfport, Miss</td>
<td>N. P. 250</td>
</tr>
<tr>
<td>7. Chillicothe, Ohio</td>
<td>N. P. 400</td>
</tr>
<tr>
<td>8. Great Lakes, Ill</td>
<td>N. P. 500</td>
</tr>
<tr>
<td>9. Knoxville, Iowa</td>
<td>N. P. 400</td>
</tr>
<tr>
<td>10. Location not yet determined.</td>
<td>N. P. 350</td>
</tr>
<tr>
<td>12. Livermore, Calif</td>
<td>T. B. 400</td>
</tr>
<tr>
<td>13. Camp Lewis, Wash</td>
<td>N. P. 250</td>
</tr>
</tbody>
</table>

Total 3,560

The following report of the White committee shows in detail just what is being done with the $15,000,000 allotted the Treasury by the first Langley bill. Through the White committee 1,169 beds are being added to the Government-owned list; 2,066 of these are all occupied or ready for immediate occupancy; and just as soon as it is humanly possible to complete the balance of them they will be turned over to the Veterans' Bureau.

To Brigadier General Charles E. Souyer, from consultants on hospitalization.

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<th></th>
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<td>Boston, Mass</td>
<td>8</td>
<td>2</td>
<td>6</td>
<td>14</td>
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<tr>
<td>Vineyard Haven, Mass</td>
<td>13</td>
<td>5</td>
<td>8</td>
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<td>4</td>
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<td>Lake Pontchartrain, La</td>
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<td>Columbus, Ohio</td>
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<td>35</td>
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<td>San Francisco, Calif</td>
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<tr>
<td>Fort Townsend, Wash</td>
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Total 2,267 3,341 6,607

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<td>El Paso, Tex</td>
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<td>San Antonio, Tex</td>
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<tr>
<td>Hot Springs, Ark</td>
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<td>Little Rock, Ark</td>
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<tr>
<td>Memphis, Tenn</td>
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<td>Successful, Fla</td>
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Total 2,432 1,825 4,257

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Total 875

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<tbody>
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<td>Grand total</td>
<td>15,219</td>
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Bed space ready.

U. S. V. H. No. 63, Lake City, Fla.: Two hospital units completed and opened. T. B. 100

U. S. V. H. No. 50, Whipple Barracks, Ariz.: Project completed. N. P. 422

Prov. Hospital No. 2, Littletown Rock, Ariz. (Fort Logan H. Roots): Project completed and opened. N. P. 257

U. S. V. H. No. 42, Perryville, Md.: Construction practically completed; movable equipment at the site. Doubtless will be ready to open within two weeks. Capacity, 300 beds N. P.

Prov. Hospital No. 2, Fort Walla Walla, Wash.: Project completed and opened. T. B. 165

RELEVANT FACTS AND GENERAL COMMENTS.

When the present administration assumed the reins of government March 4, 1921, all of the Government hospitals caring for the disabled World War veteran were operating under many disadvantages. Particularly was there lacking cooperation and coordination of the various departments of Government which had to do with this matter. Realizing the importance of the subject of the World War veteran, a committee known as the Dawes committee was called
to take under advisement and into consideration affairs as they actually presented themselves at that time.

Careful observation disclosed the fact that the subject presented two definite propositions—first, immediate hospitalization in the so-called Federal Board of Hospitalization program, with some definite policy for execution.

While the Dawes committee were considering the emergency aspects of the situation of the War veteran, they were very much concerned that the Government had a large number of beds for hospitalization of war veterans, and the Government 12,000 vacant beds in the various departments of the Government which were not being used.

Some of these beds, it is true, were in institutions which were not always the best and the finest, but they were well cared for, and they were offered freely and willingly for the service of the World War veteran, and under ordinary circumstances would have been accepted as being very material.

The objection made to the use of the then available beds in the Government hospitals—Army and Navy—was a dislike for the Army and Navy discipline.

As a report of the White committee it was shown that the Army and Navy both had many available beds, and it was the effort of those concerned that they might be made immediately available as an emergency measure for the care of the men who had completed their service, and as an effort toward this assistance to disabled veterans, which was all the Government had at its command, a propaganda of fault-finding was begun against some of those who were most earnestly trying to solve the difficult problem, and, unfortunately for all concerned, that attitude is still being maintained by those who really do know better but still persist in being unfair.

It was understood then, just as it is now, that a building program for the future involved funds which would make and naturally take time and careful consideration in the proper carrying out of the various needs presenting.

The Dawes committee sought to bring about an understanding of the entire hospital situation and to provide immediate means for the care of all of the men at that time, never losing sight of the fact that the bigger and broader and more important subject had to do with a building program for the future which must be undertaken with care and deliberation if it was to be competently and effectively carried out.

In order to exercise proper judgment in this great subject it was necessary to understand the available beds, available hospitals, and, finally, to some way get something like a clear conception of what the final needs, so far as hospitalization was concerned, were going to demand.

In the case of the expenditure of $18,000,000, which at the time of the meeting of the Dawes committee was available, the policy adopted was to appoint a committee of specialists. This resulted in the constituting of the White committee already referred to, which was ready, willing, and qualified to do the work.

As illustration of this, we find that some of the T. B. cases belonging in the Middle West and the metropolitan districts have gone to the far West or into northern New York and overcrowded the institutions there. This, too, because of their personal feeling as to the influence of location upon their particular disorder.

Again, we find that many of the men suffering from so-called neurotic or psychotic disturbances will not go to the institutions where these things are done because of some personal feeling of their own regarding the locality of the hospital presenting.

As an illustration of this there are to-day at the Great Lakes Naval Training Station 750 beds in splendid buildings as permanent care in the conducting of such matters. If the hospital in the country. Here, too, is a wonderful personnel of experienced, expert specialists, who are ready, willing, and qualified to do everything that science and scientific skill can do for cases of this kind, and yet where 1,000 beds could be made available only 361 are used.

What is true of the naval hospital at the Great Lakes is likewise true of many other institutions. In the city of Washington there are to-day at least three hospitals in the Government property which are not being used for the service of the World War veterans and would be but for the fact that the veteran will not accept the change necessary to utilize the beds available.

It is no more proper or convenient for the Federal Government to provide all of the hospitals that would be asked for than it would be possible for the Government to provide universities for all of the people of the United States Army, whose experience in this country and abroad in the building of hospitals and caring for the afflicted soldier is unequalled.

The unfortunate part of the whole business was and is that there has been a lack of cooperation between those being served and those serving.

To-day in Government-owned hospitals there are 10,000 beds available in institutions that could be used for the cases which are now applying, and they would be so used but for the fact that some of the men who claim they require hospitalization will not accept the hospital care that is available, because it is not in their own immediate community, or because they have some personal feeling as to the influence of location upon their particular disorder.

Finally, we find that some of them who claim to be disabled from the fact of the World War veteran, there were many available beds in the various departments of the Government which were not being used.

The objection made to the use of the then available beds in the Government hospitals—Army and Navy—was a dislike for the Army and Navy discipline.

But an antigovernment hospital sentiment was created which was not the case. The Dawes committee sought to bring about an understanding of the entire hospital situation and to provide immediate means for the care of all of the men at that time, never losing sight of the fact that the bigger and broader and more important subject had to do with a building program for the future which must be undertaken with care and deliberation if it was to be competently and effectively carried out.

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Again, we find that many of the men suffering from so-called neurotic or psychotic disturbances will not go to the institutions where these things are done because of some personal feeling of their own regarding the locality of the hospital presenting.

As an illustration of this there are to-day at the Great Lakes Naval Training Station 750 beds in splendid buildings as permanent care in the conducting of such matters. If the hospital in the country. Here, too, is a wonderful personnel of experienced, expert specialists, who are ready, willing, and qualified to do everything that science and scientific skill can do for cases of this kind, and yet where 1,000 beds could be made available only 361 are used.

What is true of the naval hospital at the Great Lakes is likewise true of many other institutions. In the city of Washington there are to-day at least three hospitals in the Government property which are not being used for the service of the World War veterans and would be but for the fact that the veteran will not accept the change necessary to utilize the beds available.

It is no more proper or convenient for the Federal Government to provide all of the hospitals that would be asked for than it would be possible for the Government to provide universities for all of the people of the United States Army, whose experience in this country and abroad in the building of hospitals and caring for the afflicted soldier is unequalled.

The unfortunate part of the whole business was and is that there has been a lack of cooperation between those being served and those serving.

To-day in Government-owned hospitals there are 10,000 beds available in institutions that could be used for the cases which are now applying, and they would be so used but for the fact that some of the men who claim they require hospitalization will not accept the hospital care that is available, because it is not in their own immediate community, or because they have some personal feeling as to the influence of location upon their particular disorder.

Finally, we find that some of them who claim to be disabled from
Personally I have but one concern in the matter of hospitalization of the able-bodied Volunteer Soldiers, whose years of experience in caring for disabled soldiers during the course of the Civil War makes him competent and capable and brings to the service of the World the greatest institutions any nation knows, so far as equipment, location, general surroundings, and economy of operation are concerned.

Dr. William A. White, who has had charge of the largest single Government institution, St. Elizabeth's Hospital, for many years, who knows the needs of the neuropsychiatric subject, speaks perfectly. Need of more hospital beds to take care of all veterans, either now or in the future.

Personally I have but one concern in the matter of hospitalization and that is the concern that every doctor of medicine must have for his patient, which is that the end results shall prove that the attention he gave was efficient and helpful in bringing back into health again in the best way possible those who have been submitted to the necessity of hospital attention.

The charge that there are two men dying every week from suicide because of not having hospital care is ridiculous. If the same men who were in the service could be measured the same men who were in the service it would be found that a large percentage would be tubercular, an equal portion of them would have been medical and surgical, and about the same percentage neuropsychiatric.

Malnutrition and suicide disposition is a characteristic of our rapid-going race, and if the records of the past for the same number of men were looked into in the same rate of self-destruction would be found in sharp contrast with the present.

This suicide charge is a senseless, sentimental one, made apparently with no other thought than to act upon the emotions of the public generally. Because of such statements, much unnecessary complaint is made and much unjustifiable criticism is directed against those who work so perfectly.

It is my prediction that—

When the history of the hospitalization of the World War veteran is finally written, dictated as it will be by the unbiased members of the World War veteran press, it will be shown that the honor and service man be disgruntled. If, on the other hand, the veterans' press, legionnaire, or what not, would find fault with the service, there would be no need of more hospital beds to take care of the sick World War veteran, either now or in the future.

Any complaint should be an example for us and should stand as a remembrance and an encouragement against inconsiderate action in the expenditure of the money which finally this same soldier will have to reimburse.

After all, it does not matter as much how many hospitals we are located is it matters the character of the personnel and the manner in which they are conducted.

The Federal Board of Hospitalization has made that subject one of special study and has created a standardized basis of operation, has fixed a personnel and corps of operators that guarantee to the World War veteran the very best attention that can possibly be given.

If all concerned, and that means every American citizen, would only take their influence in behalf of harmony, in encouragement, in helping to carry out the ideas that are promulgated by those who should know, then we could all proceed with a proper sense of accomplishment.

So long as there is not absolute need for beds, so long as the Government has at its command places where it can hospitalize all who apply, so long as there are over one-third of all the beds in the competent institutions unoccupied, there is certainly no occasion for other construction, or such hurry as to bring about waste and would locate our institutions out of sections in which they really belong and build more than is really necessary.

These are some of the obstructions which have been charged with support by those decrying the progress of the work. It is not in my heart to charge anyone with deliberate desire to misrepresent facts or conditions relative to this vital and important subject.

I would like to call the attention of those who are in charge of these affairs, who speak for the bodies they claim to repre-
There being no objection, the leaflet was ordered to be printed in the Record, as follows:

**THE GOOD REASONS FOR THE SHIP SUBSIDY**

1. World conditions now make sale of goods in competitive foreign markets more difficult than ever. The American farmer, miner, merchant, and mechanic can not compete in selling their excess production abroad unless we have our own delivery system, owned and operated by Americans.

2. A merchant marine is as essential for the national defense as the Navy itself. Without this Government help we will have no merchant marine; hence for defense it would be crippled one-half. The cost of the entire subsidy will be less each year than the cost of building one modern battleship.

3. We have by sale of Liberty bonds during the war raised an estimated $500,000,000.00. Without this subsidy these vessels can not be operated at a profit to private owners. Hence they can not be sold, and we face the loss of nearly the entire amount invested. By making ship operation profitable to private owners the ships can be sold for at least $500,000,000, an amount far in excess of the 10 years' total subsidy. The taxpayer will thereby eventually have his taxes reduced instead of increased.

4. The operation of ships under present Government management has vastly increased our foreign trade. It is, however, costing the taxpayer directly over $50,000,000 per year to make up for losses Government incurred. This amount will be saved almost in toto in placing these ships in private hands by means of the subsidy.

5. Heretofore we have been paying an average of $300,000,000 annually for freight and insurance to foreigners for carrying our goods. This vast amount can mostly be kept in our own borders through the means of the subsidy act. In other words, considering shipping alone, an investment of $1 by the Government will bring $10 at home.

6. The creation of a permanent and efficient merchant marine by means of the subsidy act will furnish additional employment to over 100,000 Americans on board ship, in the shipyards, on the stevedores, and in the many other industries which are necessary to build and operate ships for the foreign trade. Everyday man employed must be well fed, and the American farmer will be benefited by raising and selling the food to them and their families.

7. The history of the past is the best guide for the future. No nation in the world's history has been truly great without owning and operating its own naval and merchant marine. Without this encouragement to our merchant marine we can not aim to make the United States the greatest nation upon which the sun has ever shone. This can not be done unless we encourage our merchant marine.

8. We Americans have the money and the desire for foreign travel. Heretofore we have had to be humiliated by traveling everywhere abroad under alien flags, and seldom, if ever, seeing our flag displayed on the ocean. Our national pride need no longer be offended, as the passage of this bill will place and keep Old Glory on the seas. A merchant marine everywhere abroad under alien flags, and seldom, if ever, seeing the sun has ever shone. This can not be done unless we encourage our merchant marine.

9. We by sale of Liberty bonds during the war raised $500,000,000.00, which the American farmer will be benefited by raising and selling the food to them and their families.

10. Without this encouragement to our merchant marine we can not compete for the world's trade view with great alarm the prospects of the passage of this bill, and their emissaries will be helpless both for commerce and for self-defense. The cost of the entire subsidy will be less each year than the cost of building one modern battleship.
Mr. CURTIS. Let the bill be read in order that we may understand what it is.

The PRESIDING OFFICER. The Secretary will read the bill.

The bill (S. 2984) for the relief of Thurston W. True was read, as follows:

Be it enacted, etc., That the Secretary of the Treasury is authorized and directed to pay to Thurston W. True, of Columbia, S. C., the sum of $1,135, out of any money in the Treasury not otherwise appropriated, for services rendered as commissioned engineer in United States arsialing out of the vacating of such Thurston W. True for want of compensation to which he is entitled, in compliance with an order issued under authority of the War Department, and for which the funds were to be used by the United States Government for a military camp.

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

Mr. MCCUMBER. Before agreeing to unanimous consent, I desire to ascertain what amendment to the bill the Senator from South Carolina proposes. Does the Senator seek to change the amount of compensation which is proposed to be allowed the claimant by the bill as reported by the committee?

Mr. SMITH. The compensation which was asked for when the bill was introduced was $1,135, but along in 1919 a compromise was agreed upon, as I understand, that the claim should be settled by a cash payment to the claimant of $794. The claimant signed for that, but he never has heard anything more in reference to the matter. The War Department has stated that it is a just claim.

Mr. MCCUMBER. The committee reports in favor of the payment of $794. Is that true, it seems to me if the amount is to be changed the bill should be recommitted to the Committee on Claims, in order that they may reconsider it. It does not seem as though we should take up the theory of the Senate now for an amendment which is in opposition to the report of the committee.

Mr. SMITH. I should like to have the member of the committee who prepared the bill make a statement with reference to it. The bill was reported by the senior Senator from Arkansas [Mr. ROBINSON].

Mr. ROBINSON. Mr. President, this claim would have been cognizable under the act of March 2, 1910, providing for the notification of the Secretary of War of claims for services rendered in time of war for the purpose of obtaining the property to acquire land, but for the fact that it was not presented within the time limitation fixed in the statute. As has been stated by the Senator from South Carolina, an award, however, was made by the board which was appointed by the War Department to investigate the claim. The board found the amount due the claimant to be $794. The claimant had applied for $1,135. The items embraced in his claim were for rent, for damage to land by the removal of timber and other property from it, also the cost of moving some property off the place, and two or three small items which the committee think were unnecessary. Those items, however, I repeat, were only for small sums.

In view of the fact that the board made this award after an investigation, the committee thought it best to report the amount of $794. It was that amount which the claimant asked for, and the Senate, apparently, had no knowledge of this claim.

Mr. SMITH. I wish to call the Senator's attention to the statement of Secretary Weeks, in which he says:

"While this report of the local examining board was not reviewed by the War Department Board of Appraisers there is no reason for assuming that the recommendation was not adequate."

I think the Senator will agree with me, that the understanding was that the $794 which Mr. True said he would accept at the time should be promptly paid, but it has not yet been paid. It was recommended to be paid, but three years have passed and he has no compensation. After the award, it seems as though a prompt payment would have been due, but the payment has not been made even of the amount agreed upon.

Mr. ROBINSON. Mr. President, I suggest to the Senator from South Carolina that I think the evidence would sustain an award of $1,000. I do not know how the chairman of the committee feels, but I am inclined to support an amendment to the bill raising the amount of the award. I think the testimony shows that such an award is justified.

Mr. SMITH. I shall offer an amendment, Mr. President, and let the Senate vote upon it. If the amendment shall not be adopted after my statement, I shall accept the judgment of the Senate. The interest on the amount for three years would really entitle him to an increase over the amount recommended.

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leu thereof to insert "§794." That amendment the Senator from South Carolina proposes to amend by striking out "§794" and inserting "$1,000." in SENATE.

Mr. EAGER. Mr. President, I wish to call the attention of the Committee to the statement made by Colonel Bell, a member of the board, which appears on the last page of the report and which gives the reason why the full amount was not allowed. He said that

Items 5, 6, and 7 could only be allowed if it were shown that this damage was done by soldiers or agents of the Government. The evidence does not show this to be a fact, and it is recommended that these items be disallowed.

Mr. ROBINSON. If the Senator will pardon me, those items 5, 6, and 7, respectively. I referred to that. They would only make a difference of $15 in the amount of the claim.

Mr. SMITH. That is true.

Mr. ROBINSON. Items 2 and 3 were for $200 and $250, respectively, and as stated by the member of the board, item 3, for $250, was reduced by the board to $195. The testimony would support a finding of $1,000, but it would not support a finding of $1,125.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from South Carolina to the amendment reported by the committee on Interstate Commerce.

The amendment to the amendment was agreed to.

The amendment as amended was agreed to.

The bill was reported to the Senate as amended and the amendment agreed to.

The bill was ordered to be engrossed for a third reading, read the third time, and passed.

SOUTHERN PACIFIC AND CENTRAL PACIFIC RAILWAYS.

Mr. HITCHCOCK. Mr. President; I ask to have inserted in the Record a resolution adopted by the Nebraska State Railway Commission protesting against action by Congress or any action by the Interstate Commerce Commission which would tend to nullify or modify the recent decision of the Supreme Court of the United States divorcing the Central Pacific Railway from the Southern Pacific Railway, and then I ask that the resolution may be referred to the Committee on Interstate Commerce.

There being no objection, the resolution was ordered to be printed in the Record and referred to the Committee on Interstate Commerce, as follows:

Resolution of the Nebraska State Railway Commission of the State of Nebraska,

Whereas the Supreme Court of the United States has recently ordered and decreed that the Southern Pacific Railway Co. divest itself of its interests in and control over the Central Pacific Railway Co., the short-line Pacific coast connection from the great central Mississippi Valley and the East.

Whereas it is of vast importance to the State of Nebraska that the free flow of commerce from west to east seek its natural route over the lines owned by the company with connections both north and south of the Central Pacific and cross Nebraska, instead of being forced over the lines of the other company causing an increase in cost of transportation to the people of Nebraska.

Whereas the decision of the high court makes possible again renewed trade between east and west over its short-line route through this State; Therefore,

The Nebraska State Railway Commission urges that Congress should give no heed to efforts to secure legislation which would approve previous arrangements in restraint of free flow of traffic that the court has said violates the Sherman Act; we respectfully suggest that when the Interstate Commerce Commission considers the matter of railroad consolidations it give grave attention to the normal transcontinental connections east and west of Ogden already embodied in the tentative plan of consolidation; and we direct that copies of this resolution be sent to the Members of Congress from Nebraska,

[Seal.]

NEBRASKA STATE RAILWAY COMMISSION,

H. G. TAYLOR,

THOMAS A. BROWN,

H. L. COOK.

Commissioners.

Dated at Lincoln, Neb., this 14th day of July, 1922.

I do hereby certify that the above and foregoing is a true and correct copy of a resolution passed by the Nebraska State Railway Commission of the State of Nebraska at its meeting on the 14th day of July, 1922, the original of which is now on file in this office.

Mr. HITCHCOCK. I also ask to have referred to the Committee on Interstate Commerce a resolution of similar tenor adopted by the Valley Commercial Club of Nebraska.

The resolution, the resolution was referred to the Committee on Interstate Commerce.

INDUSTRIAL CONDITIONS.

Mr. WILLIS. Out of order I ask unanimous consent to present a resolution in the nature of a petition adopted by the Westerville Chamber of Commerce referring to the present industrial situation. I ask that the resolution be printed in the Record without reading.

There being no objection, the resolution was ordered printed in the Record as follows:

THE WESTERVILLE CHAMBER OF COMMERCE.

Resolved, the President of the Westerville Chamber of Commerce.

Whereas one of the first duties of a government is to uphold law and order and protect persons and property and to prevent violence and disorder,

Whereas, whenever such protection is not rendered,conditions arise similar to those now prevailing in certain parts of Russia, and

Whereas in various parts of our great country law and order are openly defied and United States citizens vauntingly murdered and

Whereas it is apparent that no earnest attempt has been made by various State and local authorities to arrest these outrages and

Indecencies to Justice: Therefore be it

Resolved, That we hereby act to authorize the President of the United States of America, do hereby appeal to the President of the United States to use the armed forces of the law to prevent the strong arm of the law being applied as well to those who have order, and

For the President of the United States to use such force, in such manner that the public peace and quiet shall be preserved.

Mr. SMITH. That is just as it was.

Mr. McCORMICK. Out of order, I ask unanimous consent to introduce a joint resolution and if I anticipate none—I should like to ask for the immediate consideration of the joint resolution by unanimous consent, as

It purposes a matter that is somewhat urgent.

Mr. SMITH. Let it be read.

The joint resolution (S. J. Res. 233) extending the operation of joint resolution of October 10, 1918, and excepting certain items from the operation of the quota law, was read the first time by its title, and the second time at length, as follows:

Resolved, etc., That the operation of the joint resolution of October 10, 1918, entitled "An act to authorize the readmission to the United States of certain aliens who have been wrongfully kept out or unlawfully detained for service with the military forces of the United States or for service in the United States armed forces, or who were recruited or were recruited in America for the Polish Army in France, created by the act of March 1, 1917, as amended, and admitted under the act of October 10, 1918, and such aliens shall, if otherwise entitled to admission, be readmitted to the United States if application for readmission is made and the alien is readmitted within the period of two years from the return to the United States under the provisions of the quota law, together with their wives and children under the age of 18, and all aliens who while lawfully resident in the United States were recruited or enlisted for service in the Polish Army in France and who return to the United States on or before March 1, 1923, and are found to be admissible under the immigration laws, together with their wives and children under the age of 18, and under the provisions of the quota law, shall be except from the operation of the act of May 10, 1921, entitled "An act to limit the immigration of aliens into the United States," as amended by the act approved May 11, 1922, and from the operation of the head of this act approved May 11, 1922, and shall not be counted in reducing any of the percentage limits prescribed by the act of May 11, 1922, as amended and extended by the act of June 5, 1922.

Mr. SMITH. That is just as it was.

Mr. WALSCH of Massachusetts. Mr. President, will the Senator briefly just what the joint resolution provides for?

Mr. McCORMICK. The joint resolution, in brief, extends the terms of the so-called Saliuti resolution to 100 men enlisted in Haller's army in 1918, but who have been held on the Bolshevik front until this time. The Senator will recall that at the beginning of the war, both the United States and the central empires some thousands of immigrants resident in this country, many of them Italians and many of them Poles, were enlisted in foreign armies under the terms of agreement between our two Governments and the allied Governments. Provision was made by the Sabath resolution of the return of the men so enlisted during the period stipulated by that resolution. It fell out that after the invasion of Poland by the red armies, and their repulse, a few of these men were
compelled to continue on the Bolshevik front of Poland. It has only been possible within the last few weeks to secure their discharge and permission for them to return to the United States. They are about to sail from Danzig to the United States.

The PRESIDING OFFICER (Mr. Jones of Washington in the chair). The Chair thinks the joint resolution ought to go to the committee and be reported by the committee. Being a joint resolution, it can not pass both Houses until after the Joint resolution has been referred to both Houses.

Mr. McCormick. Of course, if the Chair insists, it will go there; but I may say that I have submitted the joint resolution to the members of the Committee on Immigration.

Mr. Walsh of Massachusetts. Of course, the joint resolution has much merit.

The PRESIDING OFFICER. Yes; the Chair thinks so himself.

Mr. Walsh of Massachusetts. But I think it is a very bad precedent to come in and introduce and ask for the consideration of a bill or a joint resolution without having it take the ordinary course of going through the committee.

Mr. McCormick. I ask for its referral then.

Mr. Walsh of Massachusetts. If we refer the joint resolution, it will have very much merit and ought to be passed.

The PRESIDING OFFICER. The joint resolution will be referred to the Committee on Immigration.

DEFNATION POLICY OF THE FEDERAL RESERVE BOARD.

Mr. Hefflin. Mr. President, I have here two letters from the former Comptroller of the Currency, Hon. John Skepton Williams, addressed to myself and attached to those letters some comments by Mr. Williams upon certain statements and charges which have been made against the administration of the Reserve Board of the Federal Reserve System, of which I have been a member.

Mr. Hefflin. As I have said in the printed statement of Governor Wellborn, the amount given as due on the Reserve Bank of Atlanta as of September 30, 1920, was $17,500. The Reserve Bank contracted for a portion of this amount to be paid on account of the Reserve System, and to this portion the Reserve Board added its term interest, which was $26,000, making the total amount upon which the interest was charged $32,765. The Reserve Bank then reduced this amount to $26,000, and then made an exemption of $37765, which was paid in full.

Mr. Hefflin. When, in the preceding two years, the Reserve Banks contracted their loans, the Reserve Board charged them an average of about 65 per cent per annum for the use of $112,446 in its honor of need in crop-moving times from September 16, 1920, to September 30, 1920.

Mr. Hefflin. If the Federal reserve banks should furnish to the Senate a list of all instances where these Reserve banks exacted extravagant interest rates, ranging from 10 per cent per annum to 87 per cent per annum, from their helpless member banks before the adjournment of the Senate, the price of which period the Reserve banks contracted their loans, it is estimated that the Reserve Banks, in one season, could have exacted approximately one thousand million dollars, which would be most illuminating.

Mr. Hefflin. The Federal reserve authorities tried to excuse themselves by claiming that, despite the exacting of the progressive rate in many cases, the "average rate" charged for the period was not high, but that is no consolation to the victims of that maladministration.

Mr. Hefflin. When I, as a member of the board, discovered that such rates were being exacted by the Reserve Banks, I offered a resolution in the Federal Reserve Board to abolish the progressive rates on the Reserve Banks and to limit the interest to 6 per cent per annum, but this resolution was promptly voted down. I then offered another resolution, urging that the interest be limited to 10 per cent, but that was not enough to satisfy insatiable greed, and it was also voted down.

Mr. Hefflin. I also called upon the board to reimburse to the suffering banks the unconscionable interest exacted from them, but they refused to do until the sunlight of publicity had been turned upon these practices, and an aroused public opinion forced the Reserve Board to authorize partial restitution and finally abolish the progressive rates in all districts where they were still in vogue.

Mr. Hefflin. I was much struck with an extract from a letter from a prominent banker west of the Mississippi, which you read on the floor of the Senate a few days ago, in which, in a letter to one of my colleagues in the Senate, the bank president said: "My dear Senator: Unless something is done to check the extravagance and grave mismanagement which has been and is still being displayed in the administration of our Federal Reserve system, of which I have been an ardent supporter, I fear the system will be doomed."

Mr. Hefflin. Its gross mismanagement has already occasioned widespread dissatisfaction and discontent. Such reckless extravagance as is being displayed in the Federal Reserve System at New York City and other places must be curbed and cured. There is a real danger that the people will rise in their wrath and not only throw out the men responsible for these abuses, but also try to do away with the system itself, unless abuses are corrected.

Mr. Hefflin. I am, as you are, a profound believer in the tremendous power for good of our great Federal Reserve system properly
administered, but it can not survive a continuance of such abuses and mismanagement as those from which it has suffered at times in the past.

I earnestly hope that these wrongs and abuses can be corrected and that the able, experienced, and courageous men, in the interest of the whole country, may be placed in charge of its administration.

With high regard, believe me,

Sincerely yours,

JOHN SKELETON WILLIAMS.

FEDERAL RESERVE BOARD,
OFFICE OF THE GOVERNOR,
Washington, February 23, 1921.

HON. JOHN SKELETON WILLIAMS,
Comptroller of the Currency.

DEAR MR. COMPTROLLER: Referring to your letter of the 15th instant, relative to the rate of discount charged the National Bank of Alabama under the progressive rate schedule which was in effect in the Atlanta district, I am enclosing for your information copy of communication received today from the governor of the Federal Reserve Bank of Atlanta.

It would be interesting to know if the loans of this bank incurred during the latter period it was deficient in its reserves. If so, it would appear it has been guilty of a violation of the provision of section 19 of the Federal reserve act, which prohibits member banks from making new loans while deficient in their reserves.

Very truly yours,

W. P. G. HARDING, GOVERNOR.

FEDERAL RESERVE BANK OF ATLANTA,
February 21, 1921.

HON. W. P. G. HARDING,
Governor Federal Reserve Board,
Washington, D. C.

DEAR GOVERNOR HARDING: Yours of February 19th, relating to the rates charged the National Bank of Alabama under our progressive schedule which was in effect some months ago.

When adopting the progressive rate schedule on May 29, 1920, we established a normal or basic discount line for each bank, which was arrived at in the following manner:

Sixty-five per cent of the average reserve balance maintained during the preceding reserve computation period, plus the bank's investment in our capital stock, multiplied by $2,765.

Originally only the direct notes of member banks, secured by Liberty loan bonds or Victory loan notes actually owned by the borrowing banks on April 1, 1920, or secured by Treasury certificates of indebtedness actually owned by the borrowing banks were exempt from the normal line. Three weeks later we added as an exception from the normal line notes the proceeds of which had been or were to be used for strictly farm purposes, to an amount not exceeding the paid-in and unimpaired capital and surplus of the member bank.

For the reserve computation period, September 1 to September 15, the required reserve of the bank under consideration, based on its report of net deposits, was $9,433; its actual average reserve balance with us during that period was $86,675. Fifty-five per cent of this amounted to $46,367. Its investment in our capital stock at that time was $1,055,903, which, multiplied by 2, established a normal line for the period, September 16 to September 30, of $2,765. Their average rediscouts during the latter period were $135,211.

Amount subject to normal rates (basic line). $2,765
Farm-producer paper exemption (capital and surplus of bank). $37,765

Total exemption. $37,765

Leaving as subject to progressive rates. $112,440

As you know, our schedule progressed one-half of 1 per cent for each 25 per cent of the basic line, so that this bank was subject to an interest charge of one-half of 1 per cent progressively for each $601 of the remaining $112,446 of rediscouts. A list showing the cost incurred by the bank on each 25 per cent is attached.

Their small average reserve balance during the period September 1 to 15 was brought about by reason of the bank's account being overdrawn on September 14 and 15 approximately $17,500 and $16,300, respectively. This was occasioned by their failure to provide funds or discounts to cover their direct note for $17,500 which matured on September 14.

The period September 16 to 30 was the only one in which the rate against this bank went to such a high figure, viz., $11 per cent. During the preceding period the highest rate charged was 131/4 per cent.

It was with regret that we made the extremely heavy charge, but we did not feel justified in eliminating it, as it would have been discriminatory.

From the comptroller's memorandum it would seem that he is under the impression that all farmers' paper was exempt from the normal line and the progressive rate schedule, which obviously is in error, as exemption on that class was being granted only to the extent of the capital and surplus of the borrowing bank.

I trust the above gives you the desired information, but if any further details are desired will be pleased to furnish same.

Very truly yours,

M. B. WELLBORN, GOVERNOR.

(Copy.)

Reports of members other than reserve city banks borrowing in excess of basic line for period September 16 to September 30.

ATLANTA ZONE.

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<th>Name and location</th>
<th>Average borrowings in excess of basic line during report period</th>
<th>Superrates applied to excess borrowings</th>
<th>Amount of discount charges at superrates</th>
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1 "Superrates" are the rates charged in addition to 6 per cent per annum interest.
### Reports of members other than reserve city banks, etc.—Contd.

#### ATLANTA ZONE—continued.

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Total: $1,891.44

1 $1 per cent "superrate," added to the normal 6 per cent, makes the total interest rate 7 1/2 per cent per annum.

EX-COMPTROLLER WILLIAMS TURNS LIGHT ON DEFLATION AS CONDUCTED
BY FEDERAL RESERVE BANK OF ATLANTA.

RICHMOND, Va., July 25, 1922.

HON. J. THOMAS Heflin,
United States Senate, Washington.

MY DEAR SENATOR: I received some weeks ago a clipping from the Mobile Register of May 20, containing what purported to be an address made by Governor Wellborn, of the Federal Reserve Bank of Atlanta, before the Alabama Bankers' Association, in defense of the administration of the Federal reserve system, which contained a number of statements so flagrantly incorrect and misleading that I thought it proper to write Governor Wellborn as I did on May 26, asking whether he had been correctly quoted.

I received from him a letter under date of June 1, admitting that his statements to which I directed attention were inaccurate.

I replied to his communication on June 10 in a letter in which I deprecated promulgation by the officials of the reserve system of statements which were obviously incorrect, and remonstrated against policies and practices which were bringing discredit upon the reserve system and urged the importance of reformation before it might be too late.
Governor Wellborn replied to my letter on July 20, but did not attempt to deny or controvert a single one of the statements and charges which my letter contained.

As it seemed to me, in regard as of supreme importance to the whole country, I had it printed, giving on the first page of the printed copy a résumé of the correspondance which had preceded it.

While replying, that the Federal Reserve Board, in the first place, decried matters and charges which my letter public, he became greatly exercised and wrote a letter complaining bitterly of my doing so, and declared that if the Board, instead of publishing the whole correspondance, including a personal letter which he had written me under date of June 23, in which he assured me of his deep appreciation of my work as comptroller and member of the Federal Reserve Board, but which he had held up as a member of the Federal Reserve Board, and so forth. He replied July 17, objecting to my making public his letter of June 26, 1922, expressing unqualified commendation of my work as comptroller and member of the Federal Reserve Board, but I wrote him in answer on July 22 that I felt it entirely proper under the circumstances for me to make public our complete correspondance on the subject. I therefore handed you herewith a copy of my letter to Governor Wellborn of May 26, June 10, June 24, June 29, July 15, and July 22, and Governor Wellborn's letters to me of June 1, June 20, July 17, and July 24, in the present case, Governor Wellborn's earnest request, the publication of his letter to me of June 26, commanding my work as a member of the Reserve Board and as Comptroller of the Currency, although, in my judgment, it should at any time call for it, I will make that letter public also.

The correspondance gives a view of some of the inside operations, methods, and practices of the Federal reserve system, especially of the Federal Reserve banks, which I believe is of real interest to the public, especially in connection with the recent activities of the 12 Federal reserve banks in distributing to the country of the two conditions of 140,000,000 copies of the Senate speech which contains, as you have pointed out on the floor of the Senate, and as the authorities of the several reserve banks are presumed to have known, before disseminating it, and wholly incorrect statements concerning the operation and policy of these same banks.

With high regard, I am, Sincerely yours,

John Skelton Williams

"All progress of the human race and of individuals is based on understanding of our blunders. My hope is to expose and explain blunders that have been made, to try to make them so thoroughly understood that they will not be repeated or continued."

(Letter from John Skelton Williams to the governor of the Federal Reserve Bank of Atlanta, Richmond, Va., June 10, 1922. Letter from John Skelton Williams to the governor of the Federal Reserve Bank of Atlanta, Mr. M. B. Wellborn, Governor Federal Reserve Bank of Atlanta.

Dear Governor Wellborn: Your letter of the 1st instant in reply to my June 26 has been published as coming from you. It was made an error of four years, however, was devoted to an effort to the Reserve Board you have given wide circulation. There can be no possible misunderstanding of this matter.

I have suggested must explain the remarkable position in which you have put yourself by your address at Mobile, as published in the newspaper I saw, and your explanation or elucidation of it in your letter to me.

Governor Wellborn makes a slip of a billion dollars.

In that address you intended the word "extended," as applied to accommodations by Federal Reserve banks to member banks in the year from January 1, 1920, to January 1, 1921, to mean "allowed" or "granted," you understated the amount, as you tell me, and as the undisputed records show, by more than a billion dollars, which is a respectable sum worthy of consideration and recollection. If you intended it, as I understood it, to mean "increased," or "expanded," you overstated the amount by about three-quarters of a billion dollars—also a respectable sum.

Either way, it seems to me, the error is so considerable as to impair very seriously the credibility of any assertions on this subject. It is, I think, fairly to suppose that the impression of your meaning made on my mind was made also on the minds of many of your hearers and the readers of the newspaper reports.

Refusal from making public correction when errors were known. For that reason I asked your attention to the statements published as coming from you. I felt that I might assume your purpose not only to be accurate but to give the public accurate information and, therefore, might reasonably expect that when informed that your statements had been or might be misconstrued you would hasten to make clear what you did mean and what the reserve banks actually did in the matter. You would write me such an elucidation, and that you would straighten, publicly, the misunderstanding the newspapers appear to have had or had given their readers. I regret that no correction has been forthcoming.

My interpretation of your meaning perhaps was based partly on the fact that you appeared to follow so closely the statement of a very able and distinguished, but very badly misled, United States Senator to whose speech, in the Senate in defense of the course of the Federal Reserve Board you have given wide circulation. There can be no possible misunderstanding of this statement. He referred to statistics that were started in the same year 1920, to which you refer, of the expansion of Federal reserve credits aggregating nearly $1,000,000,000 during the 12 months' period of falling prices.

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He named the same amount you named and alluded, it seems, to the same year to which you alluded. I submit it was natural for me to believe that you intended me to understand your word "extended" precisely the same meaning he had conveyed, unmistakably, by the word "expansion." I had showed you when you called at my office with Chairman McCord a memorandum of the proposal I had made to disprove his statement on this very point, which also was overwhelmingly disproved by another Senator on the floor of the Senate. Substantially the only variation you made from the statement's contraction and distortion was to say the billion dollars of credit had been "extended" instead of "expanded," and it now appears you should have said the credit "extended" was more than $2,000,000,000."

But the figures or statements compared to Macbeth's witches. Without intending to be discourteous, I cannot avoid being reminded that the business interests of the country, suffering so cruelly in that year 1920 for lack of credit which one gentleman says was "extended," and another says was "extended," might have applied the remark of Macbeth of the witches:

"And be these juggling fiends no more believed\nThat patter with us in a double sense,\nThat keep the hour of our hope.

In giving widespread circulation, as I informed you did, to the speech of the Senator above referred to, who had been so gravely misled by some one, you have placed yourself in a serious position. By repeating the statement made that speech had been deceived by unworthy informants—had he been better informed he would not have made such statements—but you had not been deceived. You knew, as far as I know, that you must have known, the President and Senator referred to were untrue, and yet you gave widespread currency to them.

FEDERAL RESERVE OFFICIALS DELIBERATELY AND KNOWINGLY GAVE CIRCULATING IS NOT THE SYSTEM.

It is encouraging to note, however, that the United States Senate on June 8, 1922, adopted unanimously a resolution calling upon the Federal Reserve Bank of Atlanta to furnish the Senate a list of the names and addresses of all other States—before whose bankers' association you also made your misleading speech—to whom copies of the Senator's speech, above referred to, were sent by you, and also how much money was expended in thus printing and distributing that incorrect and erroneous document, which you knowingly sent broadcast.

I am sorry that, like various others who have undertaken to defend and uphold the policies and course of the board, you use, in your speeches and elsewhere, so many words and so much space in endeavors to assail my action and, by implication, to impune my motives. This is unpleasantly the old trick of attacking the Commonwealth's attorney in default of attacking me. Thus far, I have not been able to develop a motive in me so satisfactory to these assailants as to tempt them even to suggest it definitively. Perhaps they are embarrassed by the simple fact that they have assumed that my motives must be evil and can not by any possibility be good. Imagination, apparently, has failed to grasp the possibility that I really may be trying to do a public service by pointing out errors and wrongs that have been committed with the hope that repetition of them may be avoided hereafter.

As a matter of fact, however, my motives and my actions as a member of the Federal Reserve Board are absolutely immaterial and irrelevant in this discussion, except to myself. Let anybody who finds pleasure or relief in the process assume that my motives are the worst and that I conspire at, or aimed at, all the wrong doing of our board. That assumption can have no possible bearing on the real question. That question is whether the policies and methods of the Federal Reserve Board and banks in 1920 are wrong or not, whether the public has been defrauded of the full benefit of the reserve system or not, what the facts of which the commerce of the country was subjected and the many instances of ruin and irremediable loss which attended the process of readjustment of business.

REPORTS OF CREDIT ASSESSMENT BEGINS SOON. REPORTS OF CREDIT ASSESSMENT BEGINS SOON.

Yet, I will use my right and use my right and prevent assertions regarding myself from winning acceptance as true because allowed to go unchallenged. I am compelled to answer and refute in some detail misleading statements regarding myself in my own behalf. I am impelled to an assertion of duty and refute misleading statements regarding the general administration of the Federal reserve system in behalf of the public. The more important general issues must be taken up first, however.

I understand you to tell me, in your letter to me referred to, that another statement attributed to you in the newspaper reports of your address I saw is a misunderstanding of your meaning or an error. You are reported as having said that in 1920, instead of that year, you intended to say, you tell me, that was excepted such book or account limitations from operation of the repressive and oppressive progressive rates charged for accommodations all "borrowings of member banks," I am not aware that since you had this power to say, as has been wisely said, and you intended to say, you tell me, that was excepted such book or account limitations from operation of the repressive and oppressive progressive rates charged for accommodations all "borrowings of member banks," and the process which you intended to use in that regard is not clear to me.

"And so grave an error, which you have admitted, is very different from what you might have said in that regard, and the statement is inaccurate and necessary borrowings, in many instances to one-fifth or one-sixth or even one-seventh of their borrowings.

You are reported as having said that in 1920, instead of that year, you intended to say, you tell me, that was excepted such book or account limitations from operation of the repressive and oppressive progressive rates charged for accommodations all "borrowings of member banks," I am not aware that since you had this power to say, as has been wisely said, and you intended to say, you tell me, that was excepted such book or account limitations from operation of the repressive and oppressive progressive rates charged for accommodations all "borrowings of member banks," and the process which you intended to use in that regard is not clear to me.

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to January 28, 1921, the actual contraction in Federal reserve
credits, according to the official figures given out by the Federal
Reserve Board, was $315,587,000, and from January 28, 1921, to August 31, 1921, while prices were tumbling heavily,
there was a further contraction of $1,844,015,000.

The shrinkage in outstanding credits of the Federal reserve
system from May 28, 1920, to August 31, 1921, amounted to
$472,000,000, in which there was a heavy shrinkage of about
$320,000,000.

These figures show whether there was “inflation” or “de-
flation” in credits by the reserve banks in the period of the
great fall in prices. You will hardly deny the figures, although
they do not bear out your statement.

STATEMENTS OF RESERVE BANK GOVERNOR SPECIES BUT DISINGENUOUS

My letter to you of May 26 showed that the total increase in
amount of accommodations granted by the Federal Reserve Bank
between January 2, 1920, and December 30, 1920, was only
$160,018,000, not $472,000,000, as a layman, not knowing that
the word “discounts” did not include “bought paper,” which
was really one form of “discounts,” would naturally infer from
your statement. Moreover, there was an increase in credits
granted from January 30, 1920, to May 28, 1920, of over $200,
000,000, and in that period the prices of commodities remained
stable or advanced.

It wasotty by eliminating one class of “discounts” or credits
in which there was a heavy shrinkage of about $320,000,000 in
the period that you were able to figure, as you claim, an expan-
son of $472,000,000 in “discounts” for the year 1920, omitting
thereby every shrinkage.

During the summer of 1920 loans were being called in right
and left by the reserve system, and although many banks
previously accommodated were being made to pay up other banks
which had not previously been borrowing were allowed moder-
ate accommodations.

UNFAIR EFFORTS TO SEQUESTRATE VITAL FACTS AND FIGURES

The whole atmosphere at that time was so suffocated with the
“deflation” that it is hard to realize the panic in the country.
Men were apprehensive of a panic.

On July 28, 1920, I gave to the press a reassuring statement calling attention to the
fact that the Federal Reserve Board had an unused lending power of about $700,000,000.

The reaction from that statement from all parts of the country was exceedingly
salutary and beneficent, and I have been assured that my statement at that time had been most helpful in averting a still
more acute situation or panic. However, my colleagues on the
Federal Reserve Board, save one, and the chairman of the
Federal Reserve Board, were apprehensive of a panic.

And in another letter to Chairman Anderson I was present at the meeting of
August 31, 1920, as to which the

It is not important whether I was or was not present at that
meeting, and that point is not essential, for up to that time
the Atlanta reserve bank for permission to abolish the “progres-
sive rate” was presented on August 31, 1920, I was present at the
meeting and did not vote in favor of its termination, and that
therefore I held you “chained to the rocks to be preyed upon later” by your critics.

Now to your attempts to excuse or palliate the inhuman
interest rates charged in certain instances by the Federal Reserve Bank of Atlanta.

GOVERNOR WILLBORN CHARGES THE FEDERAL RESERVE BOARD HELD HIM AND HIS ASSOCIATES "CHASED TO BE PREYED UPON." AND HIS ASSOCIATES "CHAINED TO THE ROCKS TO BE PREYED UPON.

In extenuation of exactions imposed by you under your so-
called “progressive-rate system” you claim that that plan
was approved by the Federal Reserve Board at a meeting
which I attended in May, 1920, and when a request from the
Atlanta reserve bank for permission to abolish the “progres-
sive rate” was presented on August 31, 1920, I was present at
the meeting and did not vote in favor of its termination, and
therefore I held you “chained to the rocks to be preyed upon later” by your critics.

I am very willing to let the public decide which was the
“bird of prey.” I am well aware that the whole story of the con-
tracts of the Federal Reserve Board by extracting from it un-
conscionable and ruinous interest all the way from 50 per
cent to 87 1/2 per cent on “accommodations” amounting to twice the
capital of the country bank, or experience the little bank which was forced to pay those extortionate rates to the reserve bank, although the little bank was lending money at that very time to its farmer customers at about 6 per cent
per annum.

A FEDERAL RESERVE BANK CHARGED INTEREST SIX TIMES AS HIGH AS WAS
CHARGED BY ANY GOVERNMENT BANK IN ANY OTHER CIVILIZED COUNTRY ON
THE WORLD.

The official records show that you exacted, sir, in the guise of
“interest” from the small country bank referred to, an aver-
age of over 69 per cent per annum on over $30,000, a rate more
times as great as that charged by any Government bank on
other civilized country on earth—during that period, or at any time, as far as I have been able to discover, and you now have the effrontery to boast of the “sym-pathetic efforts” of Federal reserve officials toward farmers and other
borrowers!

I am sure you will not deny these figures. If you do, I shall
have to confront you with your own signed confession that you
did exact the inhuman interest rates stated by me. However,
as you lay such emphasis on my presence or absence from a
certain board meeting, I am glad to take this opportunity to get
the true facts on this point in the record.

In the first place, I do not believe that I was present at the
August 31, 1920, meeting to which you refer. In the steno-
graphic report of proceedings before the Agricultural Joint
Committee Solomon 0. Mills claimed that the records show that
I had been present. I told him that if the record did show me
present, I did not care to dispute it, but I informed the com-
mittance that I had no recollection of any such occasion and
called attention to the fact that frequently matters were taken
up by the board after I had been excused from meetings in
order to give time to more urgent matters demanding my care
in the controller’s office.

Subsequently Chairman Anderson, of the commission, infor-
meU that the records—the stenographic report of the hearing—showed that I was not present at the meeting of
August 31, 1920, when the request of the Atlanta reserve
bank to abolish the progressive rate was acted upon, and it
was Chairman Anderson himself who, when his attention was
called to the omission in the transcript of the proceedings
of the commission the omission of which I previously men-
tioned, that “the record shows that Mr. Williams was not present
at the meeting of August 31, 1920.”

Chairman Anderson later wrote me under date of
September 3, 1921, in which he returned the galley proof, which also contained, in the body of the testi-
mony of Representative Mills, in which in the stenographic report originally sub-
mitted to me read “Mr. Williams was absent” should be changed, and that was done.

In a letter to Chairman Anderson, October 14, 1921, I had

“Please note that both the stenographer’s report and the
galley proof which were sent me some time after your letter of
August 10, above referred to, report clearly in regard to the
August 31 meeting, stating that Mr. Williams was not present.

My letter to you of September 3, 1921, in which I returned the galley proof, which also contained, in the body of the testi-
mony of Representative Mills, in which in the stenographic report originally sub-
mitted to me read “Mr. Williams was absent” should be changed, and that was done.

And in another letter to Chairman Anderson, October 18, 1921, I had said:

“[In view of the conflict in testimony concerning the Federal
Reserve Board meeting of August 31, 1920, as to which
the extract of the minutes read by Congressman Mills on August
2, as shown by the stenographic record, reported me ‘absent’
from that meeting and the subsequent claim of the reserve
board that the minutes showed me ‘present,’ I will
greatly appreciate it if you could, without embarrassment,
 procure and send me, as requested in my letter to you of the 14th
instant, a certified copy of the entire minutes of that meeting.”

Chairman Anderson under date of October 22, 1921, I had

“I have asked the Federal Reserve Board to furnish the com-
mision with a certified copy of the record of the proceedings of
the board meeting of August 31, 1920.”

I am more fixed than ever in my be-

A FEDERAL RESERVE BANK CHARGED INTEREST SIX TIMES AS HIGH AS WAS
CHARGED BY ANY GOVERNMENT BANK IN ANY OTHER CIVILIZED COUNTRY ON
THE WORLD.
RESERVE BOARD TWICE VOLES DOWN MR. WILLIAM'S MOTIONS TO LIMIT INTEREST RATES CHARGED MEMBER BANKS TO 6 PER CENT OR LESS.

Will also add that, although my colleagues on the Reserve Board, and I believe this is true, mentioned above about the 1st of February, 1921, to prevent the execution of anything over 6 per cent, and another resolution limiting charges to 10 per cent by any reserve bank in any district, I can hardly conceive that we would have approved such rates as those which were charged and collected by the Atlanta Reserve Bank in certain notorious instances. It was not until January, 1921, that I discovered the board had allowed, in 1920, over 60 per cent, 50 per cent, and 87/ per cent on loans, and by that time the progressive rate had been abolished by the Atlanta Reserve Bank; the progressive rate in that district had been the subject of the board's criticisms and of the report by Governor Harding and the Federal reserve officers who have been criticized by me, and diligent efforts have been made to secure the withdrawal of the endorsements from newspapers based upon my statements.

AN EDITOR OF NEW YORK NEWSPAPER, PARTICULARLY ACTIVE IN DEFENDING THE RESERVE BOARD, FOUND ON PAY ROLLS OF THE FEDERAL RESERVE BOARD.

A New York paper, one of whose editors I am advised has been for some time past on the pay roll of the reserve system, and after using the title of the Comptroller for his annual

officer and for more than a year after the armistice with the strong

and beneficial authority of Secretary Glass. Unfortunately, for

more than 18 months past the board has been without the sati-

ety and help of either of those leaders and has suffered from their absence.

You republished these extracts used by Governor Harding in his speech, and you desired them as 'an adequate reply' to all that has been said by myself and others against the administra-

of the law and the system by the board. I have not changed my opinion of the law or of its earlier administration.

If an engineer was accused of wrecking a train on September 20 by flagrant disregard of signals, I submit that evidence that he had taken the same train safely through a storm on September 12, 18 days before, would not be 'An adequate reply.' It seems to me that the fact that the system brought us safely through the war and the 12 or 18 months following, and then failed to bring us through the period of readjustment since the spring of 1920 safely and without the ruin of so many and so vast an area, would if not conclusive proof of mismanagement. When a machine functions perfectly in its first tests and then, bereft of certain strong and guiding influences, begins to falter, it is not the exhibition and management rather than defects in the machine itself.

No one can contend that results have been pleasant or satisfactory since inflation was halted. To advert to the similar

isolation by Governor Bryan in his letter to me on January 13, 1921, in which he said: 'We hold that the shrinkage which has taken place is somewhat analogous to that which occurs when a balloon is punctured and the gas escapes,' let me emphasize here my reply in which I demonstrated against puncturing the balloon and bringing it to earth to collapse and ruin; urging that we should endeavor to effect a safe landing by the intelli-

the use of ballast and valve ropes.

Governor Harding himself agrees with me that the system is as nearly perfect as the human mind can devise. When he concedes that, he forces on us the conclusion that the system has not been properly used.

The official records show that as far back as January, 1920, I protested earnestly against the manner in which the funds of the system were being used to feed the fires of speculation, and remonstrated against the prodigal way in which they were being loaned to favored interests.

In July and August, 1920, from my post as comptroller and member of the Federal Reserve Board, I saw vividly the dangers of the situation and the urgency of measures to avoid the effects of the deflation be slackened and modified to meet changed conditions.

While I was preparing my report for Congress in the autumn and winter of 1920 I was, at the same time, remon-
"It must be noted that the only objection mentioned by the 'important official' of the Federal reserve bank quoted to the plan for 'putting on still more pressure' was not the cruel inhumanity and disregard of the public welfare which has been restrained or discouraged and was repressing production and actual useful commerce and business which should have been fostered and encouraged.

My arguments with the board were against the methods in use, especially in certain sections of the country which were enforced without regard for circumstances which should have been restrained or discouraged and were repressing production and actual useful commerce and business which should have been fostered and encouraged.

"My arguments with the board were against the methods in use, especially in certain sections of the country which were enforced without regard for circumstances which should have been restrained or discouraged and were repressing production and actual useful commerce and business which should have been fostered and encouraged."

SUFFICIENT AND REFORMATION NEEDED.

"In my view the only 'adequate reply' possible for Governor Harding and the Reserve Board is recognition of the errors of the present and intelligent study of the varying seasonal, territorial, and special needs of the country's commerce and variation and flexibility of policy and method to meet those needs impartially, courageously, and adequately, without fear and without favor.

"Consideration which should be based on plain facts, clear reasoning, and actual needs is clouded, and I think degraded, by attempts to obtrude upon it the familiar dodge of the police."

"You appear to claim that in commending in my report as 'important official' of the Federal reserve bank quoted above, are, I assume, a reflection of the attitude of the board, for which I hold no responsibility. Apparently it has worked to that board that it may be possible, by anxious and alert vigilance and carefulness of the alternative to daily situations and varying sectional requirements, to avoid either of the alternatives described above: life-saving, death on another, or a sleeping sickness, as at present.

"The plan prevailing method is supposed to be a compromise between these two, and we are told there is a consensus of opinion among the governors of the Federal reserve banks to favor compromise. The suggestions offered by the 'important official' of the Federal reserve bank quoted above, are, I am sure, a reflection of the attitude of the board, for which I hold no responsibility. Apparently it has worked to that board that it may be possible, by anxious and alert vigilance and carefulness of the alternative to daily situations and varying sectional requirements, to avoid either of the alternatives described above: life-saving, death on another, or a sleeping sickness, as at present.

"The man who put an automobile on the road with steering gear set and let it run, or the doctor who failed to adopt his treatment to stimulate or retard heart action, as conditions indicated, would be liable to indictment for murder.

"The policy outlined in this newspaper paragraph, as obtained from a Federal reserve bank official, is precisely that which I hold. And, with which I am in sympathy for the Federal war. It is the policy of setting the steering gear and letting her go; of applying the same treatment to high fever and pneumonia, of the 'bureau' kind, to the great Federal reserve system to a magnificent battleship, designed and built for the protection of the country, its commerce, and all its interests, which, through some colossal blunder, overtakes and torpedoes one of our own merchant vessels, with thousands of passengers and a precious cargo, and having sent the merchant ship to the bottom of the sea, then launches lifeboats and picks up some of the drowning passengers. The officers of the battleship thereupon solemnly assume the role of life-savers and after having wrought such terrific destruction they brusquely ask Congress to bestow upon them the life-savers' medal for having rescued from the waves some of those whom the frightful blunder of those same officers had thrown into the jaws of death.

"If you then expect from the people of this country, when the facts are really known, a reward for such a feat, you will find yourself bitterly mistaken. Our people will not scrap that battleship, but they will place it under the command of more worthy officers and let it continue. The suggestions offered by the 'important official' of the Federal reserve system in a certain attitude, "hero medal" sought for saving some of the passengers of a vessel they had wantonly torpedoed.

You have claimed with much fervor that the reserve banks are guided by the intelligence and skillful management of the Federal reserve system as will facilitate business and make our country prosperous everywhere, with our financial and commercial establishments safe and hopeful. Results and conditions of the splendid bank and system management, I am contributing what I can to make sure that we shall have it and always, not only in one locality or section but throughout our whole country.

FEDERAL RESERVE OFFICIAL'S CONCEPTION OF SYMPATHETIC ATTITUDE.

In answer to your statements as to the "sympathetic attitude" of Federal reserve officials I will conclude my letter by quoting the following extract from a letter I delivered in April, 1821, before the People's Reconstruction League in Washington:

"Precisely in point with what I have been saying and as illustration as what I may call callous, if not the brutal, attitude of some of our officials, let me read you a paragraph or two from the New York financial article printed in the newspapers the day before yesterday.

"The writer of the article said:

"'From a talk I had to-day with one of the important officials of the Federal reserve bank here it appears that there is a consensus of opinion among the different governors of the Federal reserve banks favoring a continuation of present policies despite the criticism heard from all quarters for lower interest rates and withdrawal of pressure to force payment of outstanding loans. There are three general policies which might be adopted, and one would be to ease up on interest rates, but that policy, with the heavy inflow of gold, it was argued, might result in a renewal of dangerous speculation and inflation.

"'One would be to ease up on interest rates, but that policy, with the heavy inflow of gold, it was argued, might result in a renewal of dangerous speculation and inflation.

"'Another would be to adjust them so that would result in putting on still more pressure, thus cleaning up the after-war mess in a hurry and getting it over. But if that course were adopted, it would mean that it would be a long time in picking up the pieces caused by the many forced failures.'"

"'By far the best plan, it was argued, was the one now being followed, which permits continuous but moderate liquidation.'"
"There are many economists who persist in their belief that the ruthless policy of deflation adopted by our financial managers after the war was largely responsible for the present depression. They believe that a period of deflation is always followed by a period of depression. Like a period of inflation, a period of deflation is almost as destructive as a period of inflation.

The Federal Reserve Board was pursuing its policy of deflation ruthlessly, and the regional banks, as a result thereof, were piling up enormous profits and building piling palaces from the sweat of the brow of American business.

I had the honor of sending a copy of my address before the People's Reconstruction League, in which I exposed abuses and errors in the administration of the system and called for reform, wrote me, upon its receipt, a letter in which he said:

"We all feel just as you do."

Within the past few weeks a bill has passed Congress by a big majority and has been signed by the President which limits the expenditures which may be made for any one Federal Reserve bank building without the express authority of Congress to $250,000; which adds an additional member to the board and provides for giving the great agricultural interests of the country representation on that board.

Much has already been accomplished toward correcting the grave abuses in the administration of the Federal reserve system that has been complained of, but still remains to be done. The power of public opinion, however, when once aroused is irresistible.

In a letter to Mr. Williams from Washington, under date of March 18, 1922, a distinguished publicist and author, in referring to exposures concerning the mismanagement of the Federal reserve system, which he describes as "starting revelations," said:

"There is a national scandal. What is the reason the newspapers ignore it? Believe me, they would not have ignored it 25 years ago, nor the magazines 15 years ago. The only reason is that newspapers are too small to report the scandal that is suppressed, tremendous as that is. These are disquieting conditions."

"I ask attention to the important fact that not a single one of the many serious criticisms and charges which it has been my pleasant duty, in referring to our Federal reserve system and in the public interest, to make against the administration of the reserve system has ever been refuted. They stand today unshaken and unshakable."—(John Skelton Williams in letter printed in Congressional Record December 19, 1921.)

"Right and wrong are in the nature of things. They are not words and phrases. They are in the nature of things, and if you transgress the laws laid down, imposed by the nature of things, depend upon it, you will pay the penalty."—(Lord Macaulay, out of A. P. Hymes.)

The following extracts from an editorial which appeared in the columns of the Manufacturers' Record, of Baltimore, of August 11, 1921, show the effect which an aroused public opinion and the revelations made by Mr. Williams in his speech at Augusta, Ga., July 15, 1921, and his criticisms and disclosures made in preceding months as to the policies and administration of the Federal Reserve Board had in bringing about a reversal:

"FEDERAL RESERVE BOARD FORCED TO REVERSE ITSELF HURRIEDLY AND DRASTICALLY ALL ALONG THE LINE—SIGNIFICANT DEVELOPMENTS.

"It had been arranged that Mr. Williams should testify before the joint committee of the Senate and House of Representatives on Federal Reserve Board policies and administration. That statement emphasis was not to be the disposition of the investigating committee, we may assume, to press the board too hard, provided that before the hearing it held, let us say, definite promises from the board that it was already quietly correcting some major abuses and could show, forthwith, that—

"(a) It had ordered a return in the Atlanta district of the usurious graduated charges made last winter.

"(b) That it had abandoned the graduated rates entirely.

"(c) That it was not now coercing State banks.

"(d) That it would no longer compel indiscriminate liquidations, etc.

"(e) That it had given orders for liberality in financing this season's crops.

"In short, we may say, following news that there would be a congressional investigation, the board drew over its lion's skin the mantle of a lamb. It would not be able to answer Mr. Williams on the date originally set for the hearing, it averred, but it could a week later.

"This significant fact stands out: Mr. Williams, reinforced by public opinion from all over the United States, had scored a tremendous victory before he even took the witness stand. His Augusta speech had forced the issue.

"Rather than meet it, the board hurriedly and drastically reversed itself all along the line. It (a) saw that the discount rates were cut; (b) abandoned the system of graduated rates; (c) receded from drastic liquidation of farm products, urging the various reserve banks to be liberal hereafter and not to force on the market commodities for which only ruinous prices could be got; (d) it had not done these things the personnel of the board would have dissolved and a new board, responsive to common sense and public opinion, would have sat in its place.

"The comment of one of his manuscripts, the attention is very enlightening. "If you accuse the board," he says, "of having brought about this great debacle, the members deny that they are in any way responsible. But if you congregate the board and repeat the same pedido dramatic conditions, we say the markets and on hearing raised the gold reserve ratio to a point that is in itself a national scandal, they one and all take off their hats, bow solemnly and say, 'We thank you; we did it.'"
M. B. WELLHORN, Esq.,
Governor Federal Reserve Bank of Atlanta.

DEAR GOVERNOR WELLHORN: Some one has sent me a clipping from the Mobile Register of the 20th instant containing what purported to be a verbatim replication of a speech made by you before the Alabama Bankers' Association, devoted in large part to the defense of the management and policies of the Federal reserve system. The newspaper report quotes you as saying:

"I have attended all the conferences of both governors and chairmen with the Federal Reserve Board at Washington," and that, therefore, you feel that you are "pretty thoroughly posted as to the policies of the Federal reserve system ever since it began operations."

Your alleged address contains a number of sweeping statements which are exceedingly misleading and directly contrary to the record and official figures; but I shall not go into them all in this letter. My purpose at the moment is to deal with a particular statement, as to the accuracy of which you boldly challenged criticism.

As you very well know, I am not and have not been a critic of the Federal reserve system, but I am a critic of the administration of that system, and I have denounced its erroneous policies, its extravagance, and its mismanagement, and I think I have proved all of my charges.

Although your challenge is not, therefore, directed to me, I shall accept it. The particular statement which you challenge criticism of is this:

"In view of the fact that the reserve banks extended their accommodations to member banks around $1,000,000,000 from January 1, 1920, to January 1, 1921, who has the temerity to say that there was a construction of currency or restriction of credit? I challenge the severest critic of the Federal reserve system to successfully refute this statement."

I deny your statement that the reserve banks "extended their accommodations to member banks around $1,000,000,000 from January 1, 1920, to January 1, 1921," and in support of this denial I give you the following figures, taken from the official bulletins published by the Federal Reserve Board:

- Total amount of bills discounted and bought paper held by all 12 reserve banks January 2, 1920: $2,805,818,000
- Total amount of bills discounted and bought paper held by all 12 reserve banks December 30, 1920: 2,974,836,000

The actual increase for the period mentioned was 100,018,000, or not "$1,000,000,000," or even approximately, or "around $1,000,000,000," but within $37,000,000 and $169,000,000.

The statements made in your address, as quoted in the newspaper, indicate that your remarks and claims apply to the Federal reserve system, and not only to a Federal reserve bank. How far you intend your sweeping statements to cover other Federal reserve banks I do not know; but a speech made by Representative Swing in the House of Representatives on May 23, 1922, which I have just read in the Congressional Record, suggests how matters were handled in the twelfth Federal reserve district.

Congressman Swing said:

"I do not think you will deny these figures.
In letters addressed to the Federal Reserve Board and in public addresses, I demanded early in 1921 that these unconscionable and barbarous rates exacted from farmers and business men by reserve banks be refunded to them, and I understand that pursuant to my demands the Reserve Board did pass a resolution authorizing certain reserve banks to make restitution of interest exacted in excess of 10 per cent or 12 per cent. The official records show that resolutions offered by Mr. Williams were voted down by the Reserve Board in February, 1921, to prevent the exaction of interest in excess of 10 per cent by reserve banks were voted down by my colleagues.

Later on, after public attention had been called to these abuses, the progressive interest rate was abolished in reserve banks in which it was still in force.

I think it due to you that I should state here that the efforts of the Federal Reserve Bank of Atlanta in the summer of 1920 to adopt a more liberal policy toward its member banks were frustrated and prevented by the refusal of the Federal Reserve Board itself to act favorably upon recommendations looking toward a more liberal policy which were made to the Reserve Board by the officers and directors of the Federal Reserve Bank of Atlanta.

I hope to receive a prompt reply to this letter, in which I have directed your attention to the misleading, incorrect, and contrary statements referred to as misleading, incorrect, and contrary to member banks around the United States. I respectfully submit to you the following document: If you have made the statements attributed to you by the newspapers to which I have referred, I must denounce the utterances referred to as misleading, incorrect, and contrary to official records accessible to you, and call upon you as the governor of the Federal Reserve Bank of Atlanta to give your assurance for the statements so wholly unjustifiable.

I am thus enabled to inform the public that between two certain dates the Federal reserve banks granted an increase in accommodations of $1,000,000,000 if official records available and presumably familiar to you show that the expansion referred to was scarcely one-sixth of the amount stated by you if you do not exempt the aggregate increase was scarcely one-half of the amount you as governor of the Atlanta Reserve Bank to discontinue them evidently manifest. The operation of the progressive rate schedule in the case of a small Alabama bank; and yet, as I have pointed out, it appears clearly shown that the Federal Reserve Board, the Atlanta bank to discontinue them when the hardships which entailed had become so clearly manifest.

In the above quotation from your report to Congress you quote the results of a discussion with the chairman of the Board of Governors of the Federal Reserve System, in which, at the outset, so vigorously opposed the Federal reserve system that the word "expanded," as you seem to have understood from your criticism. These last two words were not used by me at all in the parts of your address you quote.

I wish to impress the fact upon you that the meeting of the Federal Reserve Board on this question which you attended was held on August 31, 1920, this being several weeks after the time the high progressive rate was charged the Alabama bank to which you refer. Had you given official action, heed the request of the Atlanta Reserve Bank to abolish the progressive rates, the incident of the Alabama bank is such a case as this "awful crime" that I think the officers and directors of the Atlanta bank might well exclaim with Caesar "Et tu, Brute!" and with Brutus, "This was the most unkindest cut of all." Your record in these matters was published in the report of the hearings before the Joint Commission of Agricultural Inquiry in August, 1921.

In referring to my address delivered at Mobile on May 19, 1922, you take exception to the following statement: "In view of the fact the reserve banks extended their accommodations to member banks around $1,000,000,000 from January 1, 1920, to January 1, 1921, who has the temerity to say that there was a contraction of currency or a restriction of credit?" Precisely that statement, I showed that there was an increase of approximately $328,000,000 in Federal reserve notes during the period between January 1, 1920, and January 1, 1921. The only correction I wish to make in any figures which I gave this: I should have said that the Federal reserve banks extended accommodations to member banks around $1,000,000,000 during the period between January 1, 1920, and January 1, 1921. The only correction I wish to make in any figures which I gave is this: I beg that you note carefully that I used the word "expanded," and neither the word "increased" nor the word "expanded," as you seem to have understood from your criticism. These last two words were not used by me at all in the parts of your address you quote.

I refer to the figures I have from the Federal Reserve Board show an expansion of $472,000,000 in discounts for the year 1920. This in itself conclusively shows that there was no contraction of loans, but, on the contrary, a very large increase.

Permit me to again refer to your report where, as Comptroller of the Currency, on December 6, 1920, your official report to Congress reads in part as follows: "Largely through the aid and excellent functioning of the Federal reserve system, the business and banking interests of the country have passed successively through the perils of inflation and the strain and losses of deflation without panic and without the demoralization which has been produced in the past at various times from far less severe and less severe conditions.

The system, which, at the outset, so vigorously opposed the Federal reserve system are now among its warmest advocates." In your letter to me you say that you are not a critic of the Federal reserve system and you regard deflation as the "best solution of that system. Really I am at a loss to understand your attitude, for, as I have shown in the beginning of this letter, you criticize and condemn a Federal reserve board for the operation of the progressive rate schedule in the case of the small Alabama bank; and yet, as I have pointed out, it appears clearly from your official record that you not only approved those rates when they were adopted but you later refused to vote to allow the Atlanta bank to discontinue them when the hardships which their continued application would entail had become increasingly manifest.

In the above quotation from your report to Congress you speak of "the excellent functioning of the Federal reserve system." If you meant what you then wrote, it seems to me that this statement constitutes a strong endorsement of the administration of the system. Permit me to call your attention to the fact that this was written immediately after the crisis of 1920, at a time when all events were fresh in your mind and you were best able to make a calm survey of the situation. What has caused your radical change of view I am unable to comprehend, and neither the word "increased" nor the word "expanded," as you seem to have understood from your criticism. These last two words were not used by me at all in the parts of your address you quote.

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Mr. JOHN SKELTON, Richmond, Va.

DEAR MR. WILLIAMS: This is to acknowledge receipt of your letter of June 10.

It is my opinion that this communication requires no answer. I simply wish to close the correspondence between us by making the statement that the keynote of my Mobile speech was to be used and followed strictly. There was no denunciation of Federal reserve bank credit nor any diminution of Federal reserve notes for the period of the tremendous fall of prices in agricultural products which took place in 1920. I do not believe that this statement can be successfully assailed.

Mr. JOHN SKELTON

Who, more able to be of assistance to the economically oppressed of the country than you are in your present situation,

Surely, by virtue of your official position, you were then much more able to be of assistance to the economically oppressed of the country than you are in your present situation.

I have heard you on occasion chastise verbally directors of banks when their sole fault was a failure to find out what was going on in the institution with which they were connected. Consistency demands that you now apply the same test to your own conduct in the fall of 1920. The Atlanta bank was at that time endeavoring, by every means in its power, to secure the abolishment of the progressive rates. We must surmise it closed its offices for its own advantage, without, of which you so persistently complain, would never have occurred.

Who, if anyone, is to be blamed for what happened? Surely not the Atlanta bank, and you yourself, being a member of the Federal Reserve Board, can not escape responsibility for its actions.

Very truly yours,

M. B. WELLBORN, GOVERNOR.

Mr. M. B. WELLBORN, Governor Federal Reserve Bank of Atlanta.

DEAR GOVERNOR WELLBORN: I have your letter of the 20th.

You are decidedly mistaken in your assumption when you say:

"I am sure that you [1] must regret by now not paying closer attention to your [my] duties as a member of the Reserve Board during the crisis which developed in the autumn of 1920. Surely by virtue of your official position you were then much more able to be of assistance to the economically oppressed of the country than you are in your present situation.

I have no apologies or regrets whatsoever to offer in that connection, for no duties were ever shirked by me either as a member of the board or as the Comptroller of the Currency.

The record will bear out this plain statement.

Page 172 of the hearings before the Joint Commission of Agricultural Inquiry shows that I was present during the whole or part of 851 of the 1,283 meetings of the reserve board held from August 10, 1914, to March 2, 1921.

In my address at Washington April 15, 1921, before the People's Reconstruction League, in speaking of my occasional absence from meetings of the board when so much time was wasted in trivial discussion while important matters were overlooked or sidetracked, I said:

"I may plead my time more usefully than in attending board palaver and in listening to discursive discussions, beginning nowhere and ending in precisely the same place, conducted by eminent gentlemen."
Mr. Williams on the date originally set for the hearing, it averred, but it could a week later.

"This significant fact stands out: Mr. Williams, reinforced by you and all other powerful interests, has scored a tremendous victory before he even took the witness stand. His Augusta speech had forced the issue. Rather than meet it, the board hurriedly and drastically reversed itself all along the line, (a) saying that restranction rates were out of line, (b) reverting from drastic liquidation of farm products, urging the various reserve banks to be liberal heretafter and not to force the market, (c) ordering that reserves be removed, (d) reverting to the system of graduated rates, and began to purchase more for their "stock" than they purchased for their "book." If it had not done these things, the personnel of the board would have been subjected to a new board, responsive to common sense and public opinion, I know, me, to be in such a position.

You have heard me upon occasion criticize directors of banks when their sole fault was a failure to find out what was going on in the institution with which they were connected, and you remark, "Consistency demands that you now apply just as stringent a rule to your own conduct in the fall of 1920." I am quite willing to apply such a rule. I had obtained information in regard to mistakes of management and abuses which I endeavored earnestly to correct, but yet there appeared to be, at times, a studied effort to keep from me information upon matters which my colleagues, or some of them, knew or thought I would not approve. I invited your attention to the following extract from my letter to Senator Overman of December 2, 1921:

"...The people of the country have unfortunately been kept in ignorance of scandalous conditions upon which the light of publicity has shone. The comptroller of the currency and member ex officio of the reserve board, I tried earnestly and persistently, as the record clearly shows, to correct evils and to effect reforms as I learned of the necessity for them, but I have reason to believe that there was a studied effort at times to keep from me a knowledge of such things. Referring to certain errors, omissions, and operations in connection with which the New York Reserve Bank had been criticized Governor Strong, of that bank, in testifying before the Agricultural Commission in Washington, on August 9, 1921, with ostrich-like assurance declared, 'No, the comptroller Mr. . never discovered anything in his attitude that invited very frank discussion of these matters, and did not consider that it was very much of his business.'" (P. 700, Agricultural Inquiry Hearings.)

You refer to the board's balking the efforts of the Atlanta bank for permission to deal more liberally with member banks. You know, for I have had occasion to inform you on more than one occasion, that I endeavored to persuade the board to give the Reserve Bank of Atlanta permission to deal more fairly with its members, especially in the matter of loans on Government securities. I consider if you yourself have more than once expressed your appreciation of the assistance which I endeavored to render you.

I am ready, indeed, to be filled with regret if I should imagine that an additional remonstrance from me which would have been effective in preventing the imposition of the cruel and unusual rates inflicted by the Atlanta bank under its progressive rate plan was not properly made.

But there is no reason to believe that such a request from me at the time you speak of would have been any more effective than those which I had already made so earnestly. As to the attitude of the board in those matters, I have recorded of my presentation in a suggestion quoted by an eminent member of the board at that time with seeming approval, and which was referred to in my speech at Augusta in July last, that "it was better to be unanimous than right," simply a sort of parley on the utterance of the great American statesman who declared that he had "rather be right than President.

Let me say in conclusion that if you know all of the facts of the case you would probably agree that the then comptroller of the currency was a truer friend of the Federal Reserve Bank of Atlanta and of that district than any other member of the board. I not only voted in 1914 as a member of the original organizing committee (the other two members being the secretary of the Treasury and the Secretary of Agriculture) to locate the bank in Atlanta, but I interposed earnestly to check or prevent which were the reddest purple of the union. During the abolition or removal of the Atlanta Reserve Bank, while the governor of the board, the only other southern man on the board, impressed me as being not only unsympathetic with the Atlanta bank but I might say at times hostile to it.

The official records of the board, if they have not been destroyed, will throw an interesting light on the efforts of certain members of the board to abolish three or four of our reserve banks. I have in my possession an important document bearing on that subject which will make an interesting reading for a good many people if it should be made public.

Yours very truly,

- JOHN SKEELON WILLIAMS.

M.B. WELLBORN, ESQ.

Governor Federal Reserve Bank of Atlanta.

Dear Governor: I have your letter of the 26th Instant and I am glad to know that you do appreciate my work at Washington.

I thought it a little strange that you should seem to reproach me for neglect of duty, but I did not permit your taunt to disturb my equanimity, for, in the language of the bard whom you quoted in your letter of the 1st Instant, I felt that my position was so important that I could afford to let your criticism "pass by me as the idle wind, which I regard not."

If the Comptroller of the Currency had been negligent of his duties we would hardly have had the record which was shown in the fall of 1920, when it was shown that 4,000 national banks under supervision, with 20,000,000 depositors and twenty billions of resources had sustained not one dollar of loss to any depositor by the failure of a national bank in the entire country for that whole year. With my best wishes for neglect of duty, but I did not permit your taunt to disturb my equanimity, for, in the language of the bard whom you quoted in your letter of the 1st Instant, I felt that my position was so important that I could afford to let your criticism "pass by me as the idle wind, which I regard not."

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Yours very truly,

- JOHN SKEELON WILLIAMS.

FEDERAL RESERVE BANK OF ATLANTA,
Office of the Governor,
July 3, 1922.

H O N. JOHN SKEELON WILLIAMS,
Richmond, Va.

Dear Mr. Williams: I am in receipt of the pamphlet printed by you and containing in your reply to my letter of June 15, which was itself not correctly entitled, its privilege of publication. Without consulting me on the subject at all you have taken it upon yourself to reproduce garbled extracts from my letter, which procedure I regard as being unfair to me and unethical on your part. In fact, no similar example of a correspondent's taking advantage of another in this fashion has ever come to my notice. Evidently you are reluctant to allow my letter to appear side by side with yours, that an impartial reader might judge between us with full knowledge of the facts of the case and with the arguments for both sides presented for his consideration.

I submit that the whole business suggests to me nothing so much as a boxing match supposed to be held between two fair and upright opponents, where immediately after the sound of the gong one boxer strikes the other a foul blow beneath the belt. I believe that your action would be so regarded by any fair-minded referee. I marvel how you can reconcile such tactics with the clear conscience you so continually profess.

Very truly yours,

- M. B. WELLBORN, Governor.

RICHMOND, VA., July 15, 1922.

Mr. M. B. WELLBORN,
Governor Federal Reserve Bank of Atlanta.

Dear Sir: Absence from Richmond prevented an earlier acknowledgment of your letter of July 8, in which you complain bitterly that I should have given publicity to my letter to you of June 10, which, I frankly admit, is a severe and, I believe, an unanswered indication of your disposition and certain others in the management of our Federal reserve system.

My letter referred to was official and not personal. You apparently regarded it as unanswerable, for after contemplating it for more than a week you wrote me on June 20:

"This is to acknowledge receipt of your letter of June 10. It is my opinion that this communication requires no answer."

You did not in your letter attempt to deny or refute a single charge or statement contained in my letter. But after asserting that the letter here referred to was a letter dated June 26, 1922, from Governor Wellborn, marked "Personal," strongly commanding Mr. Williams to work both as the comptroller of the currency and member of the Federal Reserve Board, which Mr. Wellborn in a subsequent letter brought Mr. Williams not to make public.
in your reply that during a certain portion of the period of falling public respect for credit and notes did not decline you offered the suggestion that I probably regretted that I did not pay closer attention to matters in the Federal Reserve Board while I was a member of that body, and after commenting that I ought to have written a letter postmarked June 1 informing the board you again suggested that the reserve board and not the Atlanta Reserve Bank should be blamed for the mistakes made in your letter in your Mobile speech were inaccurate, I said:

"I now inform you that if it meets with your approval I shall be put to make public, as may be proper, our close correspondence on this subject beginning with my letter to you of May 20, including your letters to me of June 1, 20, and July 3, and my letters to you of June 10, 24, 28, and July 15, and your brief communication of July 23, in which you said that 'you have never let an opportunity pass' to commend my work as Comptroller of the Currency and as a member of the Federal Reserve Board during all those years, up to the present time. That generous assurance of yours distinctly leads me to think that you really thought and publicly expressed was presumably not a confidential communication.

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Federal Reserve Board held three other Federal reserve banks in the West and South on arguments in favor of declaration that, up to the time of writing your letter of June 26, 1922, you have "have never let an opportunity pass" without commending my work both as a member of the reserve board and as Comptroller of the Currency, and further stated that I had been asked of a character to myself. But as an afterthought, you now claim that your commendations, expressed unqualifiedly as late as June 20, 1922, referred only to the first six and one-half years of my term of office, and not to the last six months of ocasion to criticize severely the board's deflation policies, its favoritism, etc.

I think it extremely probable that you have, as you said, been positively bound to print my letter of June 10, on various occasions commented my work at Washington. I know that you have so declared yourself personally a number of times when you called at the Treasury, and as late as this spring, a year after I had left Washington, you called at my office in Richmond with Chairman McCord, of the Atlanta Reserve Bank, and again complimented my administration as comptroller, and told me that but for my work there would have been many more bank failures than there have been.

In my letter of July 16 I challenged you to deny specifically any one of the statements and charges embraced in this correspondence, and I asked you to tell me you have so often and so publicly proclaimed up to the present time of writing your letter of June 26, referred only to the first six and one-half years of my term of office, and not to the last six months of occasion to criticize severely the board's deflation policies, its favoritism, etc.

The publication I suggested would fully comply with the desire you have indicated to have the record put verbatim before all who may be interested in the subject. It would meet the requirements of any one of the matters of which I have heretofore spoken.

To that communication you replied June 26, in a letter marked personal, in which you did not take issue with any statement in my letters of June 10 or June 24. On the contrary, in your letter, you repeated that the correspondence of the Reserve Board, together with my letters to you, so that the public may have, as you said it ought to have, "full knowledge of the facts of the case," I am met with the reply that you "decline to allow such publication.

If I have said many times, my hope in all this correspondence is to try to show that the administrators of the Federal reserve system have done precisely what they should not have done and have reversed exactly the beneficial and wise purpose of the Federal reserve act, making it for a considerable period under their misdirection an instrument of calamity instead of the means of protection and safety it was intended to be. I have not in your reply been able to deny or answer anything that you have said, but you have not stated facts correctly or left out some strong arguments in efforts to demonstrate the fearful errors of the board and their unhappy consequences, so that neither this board nor any of its successors may repeat those errors. I only hope that you may have, as you said it ought to have, "full knowledge of the facts of the case," I am met with the reply that you "decline to allow such publication.

Believing that my letter of June 10 contained facts concerning the management of the reserve system which ought to be made public and, as you had not in your reply been able to deny or question a single charge, I had the letter printed as evidence for successful defense; therefore it has been necessary to uphold that witness to prevent any possible weakening of the case made by him.

In the circumstances I cannot comply to the statement, which impresses me as false, that you "admit few of my statements as true," but you deny none of them. It is not necessary for you to "admit" them. They are established, and you cannot shake them.

John William.

THE TARIFF.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 7456) to provide revenue, to regulate commerce with foreign countries, to encourage the industries of the United States, and for other purposes.
The PRESIDING OFFICER (Mr. Spencer in the chair). The Secretary will state the next amendment of the committee.

The next amendment was, on page 149, after line 30, to strike out the words, "or woolen goods in which they are used."

Mr. WALSH of Massachusetts. Mr. President, in view of the fact that the rates in this paragraph are based upon the rate of 33 cents upon the clean content of raw wool, I do not feel that I ought to delay the Senate by making any serious objections to these rates. I think they are too high, as I thought the rate of 33 cents was too high; but I understand that the rates on these different wastes have some relationship to their present value in the market and to the duty charged on the clean content of wool. Under those circumstances I think it futile for me to take up the time with a long argument upon this paragraph, and I shall be content with simply making the protest and voting against the paragraph.

Mr. WILLIS. Mr. President, I desire to submit an inquiry to the Senator from Utah [Mr. Smoot]. I have been comparing the rates provided by the committee with the rates in the act of 1909. Of course, we know that there is a slight increase in the actual rate on the scoured pound of raw wool. On top waste the duty in the act of 1909 was 30 cents a pound, while in the act of 1919 it is 33 cents. That is all right and is consistent with the slight increase on scoured wool to which I have referred.

Now we come to the next item. In the act of 1909 shoddy is made dutiable at 25 cents a pound. The duty here is proposed to be reduced to 18 cents a pound. The duty on woolen rags, mungo, and flocks in the act of 1909 is 10 cents a pound, and is here reduced to 8 cents a pound.

We know, of course, that those various commodities—shoddy and mungo and flocks and noils, and carbonized noils, and so forth—use to some extent to take the place of virgin wool. What is the reason for the action of the committee in reducing the duties on those various wastes?

Mr. SMOOT. I say to the Senator that the reason of it is that the rates on woolen and other similar commodities are based upon the actual use of the wastes and their value in making the woolen goods in which they are used. It is a very much better provision than that which was made dutiable at 25 cents a pound; noils, not carbonized, 16 cents per pound; thread or yarn waste, and all other wool wastes not specially provided for, 14 cents per pound; shoddy and wool extract, 14 cents per pound; mungo, woolen rags, and flocks, 6 cents per pound.

And in lieu thereof to insert—

Mr. WILLIS. I understand that. Mr. SMOOT. If you can get a good ring waste or a good scoured waste, I prefer it as a manufacturer, because everything has been taken out of it and it is the first process of manufacture.

Mr. WILLIS. I think the action of the committee in increasing the rate on top waste and shoddy waste and roving waste to 33 cents a pound is perfectly justifiable for the reason that the Senator has just given, but I am simply inquiring why the rates on these various things to be used as substitutes and noils in the manufacture of cloth should be increased.

In my own view neither the country in general, nor consumers and producers in particular, are benefited by lower rates on mungo, flocks, rags, and carbonized noils, and the possible larger importations of those materials the use of which might lower the quality of cloth manufactured and decrease the percentage of strong, new wool used.

Mr. SIMMONS. Mr. President, I am advised that these rates on wastes, and so forth, have been worked out by the Tariff Commission in conformity with the rates placed upon wool.

Mr. SMOOT. Yes; they have.

Mr. SIMMONS. And they have been found to be on a parity with those rates.

Mr. SMOOT. In the Tariff Summary, on page 960, about the middle of the page, the Tariff Commission gives a description of each of these wastes, and the basis of the rates proposed.

Mr. SIMMONS. Of course I am opposed to these rates upon the same principle and for the same reasons that I opposed the rates upon wool; but we fought that question out yesterday, and the Senate decided it adversely to our contention, and I can not repeat why we voted as we did there.

We will content ourselves by registering our opposition to these rates, as we had to do in the other case.

Mr. SMOOT. I will assure the Senator that if the rates upon scoured wool were decreased, every one of these rates should be decreased; and they are in proportion to the 33 cents a pound on the scoured wool.

Mr. SIMMONS. That is what I understand.

Mr. WALSH of Massachusetts. Mr. President, the Senator from North Carolina has very correctly stated the attitude of the minority. These rates naturally follow the fixing by the Senate of the duty of 33 cents per pound on the clean content of wool. For comparison's sake, however, I should like to have printed in the Record the rates fixed in the Act of House No. 1105. The act of 1909, the House bill, and the Senate bill. I ask permission to place them in the Record; and of course I join with the Senator from North Carolina in protesting against these rates, as I protested against the rates of 33 cents a pound fixed in the bill yesterday.

The PRESIDING OFFICER. Without objection, the matter referred to is as follows:

<table>
<thead>
<tr>
<th>Wool wastes.</th>
<th>Act of 1899</th>
<th>House bill</th>
</tr>
</thead>
<tbody>
<tr>
<td>Top waste, slubbing waste, roving waste,</td>
<td>Free</td>
<td>Free</td>
</tr>
<tr>
<td>Carbonized waste</td>
<td>Free</td>
<td>Free</td>
</tr>
<tr>
<td>Wool, uncarbonized</td>
<td>Free</td>
<td>Free</td>
</tr>
<tr>
<td>Thread waste and waste a. p.</td>
<td>Free</td>
<td>Free</td>
</tr>
<tr>
<td>Mungo, woolen rags, and flocks</td>
<td>Free</td>
<td>Free</td>
</tr>
</tbody>
</table>

The PRESIDING OFFICER. The question is upon agreeing to the committee amendment.

The amendment was agreed to.

The next amendment was, on page 149, after line 12, to strike out:

Mr. SIMMONS. Wool, and half of the kinds provided for in this schedule, which has been advanced in any manner or by any process of manufacture beyond the washed or scoured condition, and not specially provided for, are provided for by including rags, valued at not more than 40 cents per pound, 108 cents per pound and, in addition thereto, 10 cents per ad valorem.

And in lieu thereof to insert—

Mr. SMOOT. If you can get a good ring waste or a good scoured waste, I prefer it as a manufacturer, because everything has been taken out of it and it is the first process of manufacture.
Mr. SMOOT. Mr. President, on behalf of the committee, I desire to substitute 20 per cent instead of 25 per cent, on line 2, page 1117.

The PRESIDING OFFICER. The modification will be stated.

The READING CLERK. On page 145, line 2, in lieu of "25", it is proposed to insert "20," so that it will read "20 per cent ad valorem."

Mr. WALSH of Massachusetts. Mr. President, paragraph 1106 covers wool which has advanced beyond the scoured state but not beyond the matted state. We must now consider, if we are going to fix these rates upon a scientific basis, whether the proposed compensatory rate is just and fair and also whether or not the protective rate is just and fair. The amendment just offered in behalf of the committee is a slight reduction in the rate named by the committee in the printed text.

Mr. SMOOT. Mr. President, will the Senator yield for just a moment?

Mr. WALSH of Massachusetts. In just a minute. Let me say to the Senator of the majority in charge of this schedule that it is not fair to the minority, it is not fair to the country, when a paragraph is reached for consideration to have the representatives of the Finance Committee arise and move to change the rate named in the printed bill. The Members of this body upon this side of the aisle have had only the House text and the Senate text to study and consider in the preparation of this bill, and then for the first time to day in protest against these rates. These daily changes in your bill are putting you in the position before the people of the country as being unable to determine the fair rate to fix in this bill.

Mr. SMOOT. I will say—

Mr. WALSH of Massachusetts. Pardon me; I will yield to the Senator in just a moment. Here we have had before us for many months the rates named in the House bill which the Republican party is just and fair and also whether or not in behalf of the committee is a slight reduction in the rate named by the committee in the printed text. We have one rate named by the House; we have another rate named by the Senate Finance Committee when they reported this bill to the Senate; and we have another rate named today.

I will say to the Senator from North Carolina [Mr. SIMMONS], in charge of this bill for the minority, that we could do no better service to this country than to keep this bill before the Senate for another year, because every time we fight these rates we fix them into the bill with the utmost difficulty, and frequently when a serious discussion has been entered into upon the rates named in this bill, there has been some slight concessions by the advocates of these high rates. What does it indicate? It means that if they would get away with these rates we would make these rates sky-high. It means that the discussion of these questions upon the floor of the Senate and the discussions in the press of the country have compelled the committee which now admits that it has sought to put into this bill exorbitant rates to take a change of position, and submit rates lower than those first presented.

In all my public experience I have never seen a more flagrant confession than we have witnessed in this Chamber during the past few weeks of incompetency, of neglect, of absolute disregard of the caution and care which ought to be taken in the imposition of taxes upon the American people. Mr. SIMMONS. Mr. President, I suppose the Senator means that the discussions which we have already had upon this bill have brought forth astonishing truths.

Mr. WALSH of Massachusetts. That is the explanation.

Mr. SIMMONS. And if we could have further time for its discussion, and for the enlightenment of the country as to what it signifies, it would bring forth still better fruits.

Mr. WALSH of Massachusetts. There is no doubt about it. The attention which has been called to the high duties levied in the various schedules, and the protests from the American people have at last penetrated—shall I say the hides of the members of the Finance Committee?—I do not know, but I am forced by the power of public opinion to say "you are right. The minority is right. The press of the country is right."

Mr. SIMMONS. The Senate, and in order that we may have the whole record before the whole press of the country and the minority Members of this Chamber spend weeks and months denouncing the high and excessive rates named in the bill, and thereby confessing that they attempt to put through a protective tariff bill with rates they now admit were too high?

I ask the Senator from Utah if his committee has any more amendments to offer to this schedule? If so, that they be submitted now in the interest of expediting the business of the Senate, and in order that we may have the whole record before us, when these amendments are submitted by the Senator in charge on this side will not find himself prepared to discuss one amendment and discover that he is obliged to discuss an entirely different amendment when he gets upon the floor.

Mr. SMOOT. I want to say to the Senator that when the cotton schedule was first taken up the Senator from North Carolina, and I think the Senator from Arkansas, asked me if they would allow any rates in the wood schedules. I answered at that time that wherever there was a rate of 55 per cent fixed I had no doubt that that would be reduced to 50 per cent.

The Senator from North Carolina remarked, "Then it is only a per cent decrease, as far as I am aware."

I will say to the Senator from Massachusetts that wherever there is a duty of 55 per cent named the duty will be reduced to 50 per cent, just as I stated when the cotton schedule was first taken up, and I have stated it once or twice since that time in answering a question put by Senator Kimball the other side of the chamber. I intend to offer all those amendments to-day. Wherever there is a rate of 55 per cent it will be reduced to 50 per cent, so that the highest protective rate in this schedule will be 50 per cent. The compensatory rates are exactly the same, and will be exactly the same throughout the bill, because of the fact that the Senate has already voted 35 cents on scoured wool.

I want to say still further that there is one paragraph, paragraph 1119.

PAR. 1119. Screens, hessians, and all other articles composed wholly or in part of carpets or rugs, and not specially provided for, 40 per cent ad valorem.

Paragraph 1119 provides:

Ingrain carpets, and ingrain rugs or art squares, of whatever material composed, and carpets and rugs of like character or description, not specially provided for, 40 per cent ad valorem.

In the latter paragraph, covering ingrain carpets, the committee provide to make the rate 25 per cent instead of 30 per cent, and, on screens, hessocks, and so forth, the rate will be 25 per cent to 30 per cent ad valorem.

Mr. WALSH of Massachusetts. May I ask the Senator if the reason for the reductions in these rates is because the committee have learned that the danger of foreign competition is not as great as it was a few months ago, when this bill was drafted?

Mr. SMOOT. I was going to answer the statement made by the Senator about the committee when he got through, and perhaps I had better wait until he gets through.

Mr. WALSH of Massachusetts. I think that would be more satisfactory.

Mr. SMOOT. I will make a statement then, for I want the Senator from Massachusetts and other Senators and the country to know why the changes have been made.

Mr. WALSH of Massachusetts. The Senator will agree with me that it is a very unusual procedure for the members of an important committee, such as the Finance Committee, to come upon the floor and, as each paragraph is reached, to say, "We have a modification we wish to make. We want to change that amendment." It is either one of two things—an admission that you were honestly mistaken in the beginning and you want now to correct the mistake or that you were trying to put something over on the American people if it was possible to do so unobserved and undiscovered.

Mr. SMOOT. That is not the case. The committee did not want to put anything over on the country. The committee wanted to fix rates as low as possible under the then existing conditions, and I know it was possible to do so under these facts. But we are living in an unusual time. Conditions all over the world are unusual, and what Senator more than the senior Senator from New Mexico [Mr. JOHNSON] has to say about the changed conditions that the changes have been made which have been submitted to this body.
Mr. WALSH of Massachusetts. That is why I think the Senator and the majority members hoped we would have a great mistake, in attempting to raise the rates in this bill upon conditions which are changing rapidly, which they adult have changed to such an extent in the last six months as to already require a readjustment of the rates. If the rates were fixed this year and next year, the farmers would be obliged to make the rates very much lower than they are now; but if the bill goes through with these high rates, and the rates are not changed further, the consumers of America are going to be the sufferers.

Mr. SMOOT. This bill should pass, and if the German mark was not so unknown to-day, should advance to 32 cents instead of being worth a quarter of 1 cent, if the money of all the countries of the world should be as they were before the war, and if conditions became normal, as they were before the war, I would want some power given to the President to change the rates; and there is a power granted to the President for that purpose, either to increase or decrease the rates. The Senator must have heard the state several times upon the floor that I thought that power would be exercised by the President, if exercised at all, more in the direction of decreasing the rates than in increasing rates. I believe that just as firmly as that I shall live until to-morrow night at 6 o'clock.

Mr. SMOOT. I would be glad to have it finished by to-morrow night. I am perfectly willing to agree to that.

Mr. WALSH of Massachusetts. Of course, we can not control anyone else; but let us agree that on all paragraphs we limit our discussion to half an hour and on the two cloth paragraphs to a discussion of an hour, and that we will do our utmost to have the wool schedule disposed of by to-morrow night. Is that satisfactory?

Mr. ROBINSON. That would please me immensely; but I suggest to Senator from Utah that if they might not an agreement for a limitation of debate upon the paragraphs.

Mr. WALSH of Massachusetts. I do not think we could control the time of other Members—the Senator from Wisconsin (Mr. SMOOT) and others.

Mr. SIMMONS. I think that would be inadvisable.

Mr. ROBINSON. I am inclined to think that an agreement could be reached, and I wish Senators would try to get it. I am afraid the suggestion of the Senator from Massachusetts will merely result in the elimination of him and the Senator from Utah from the debate—which I would regard as a calamity from the Democratic standpoint—and the injection into the debate of others who know less about the subject.

Mr. WALSH of Massachusetts. I think in the ease of some of these paragraphs very few Senators will speak at length.

Mr. SMOOT. Let us limit the debate just as far as possible.

Mr. WALSH of Massachusetts. Of course, I do not want to have this schedule expedited so fast that the committee will not have a chance to meet and reduce rates in the other schedules. We do not get too far ahead of them, and that would be a calamity.

Mr. SMOOT. The committee is ready to go right along with every schedule.

Mr. SIMMONS. It is very well that the Senator from Utah and the Senator from Massachusetts, who are managing the schedule, respectively, for the majority and the minority members of the committee, should have this understanding. Both Senators have doubtless carefully studied the schedule and digested in their minds what they intend to say; and they have reached the conclusion that they can do so without dilatoriness, having knowledge of some Senators who desire to discuss certain paragraphs, not many of them, probably a little more extensively than either the Senator from Utah or the Senator from Massachusetts will desire them. I regard this as one of the most, if not the most, important of the schedules in the bill. I regard the compensatory rates imposed in the schedule as utterly unreasonable. I should not like to have a limitation placed upon the discussion of the more important paragraphs, especially those which relate to yarn and to cloth.

Mr. WALSH of Massachusetts. I had in mind what the Senator said and, therefore, was only limiting the discussion as the Senator from Utah desired it. I hope the Senator may see his way clear.

Mr. SMOOT. Mr. President, we need not take any more time in discussing the limitation, but I will say to the Senator that I do everything in my power to hasten the consideration of the schedule. I am glad to learn from the Senator from Massachusetts that he will do the same. I have no desire whatever to cut the debate short if anyone desires to ask questions or discuss the matter. I think I can prove beyond question of doubt, even to the Senator from North Carolina, that the compensatory duties here are justified if we have 33 cents per pound on the scoured content of wool.

Mr. SIMMONS. Both are bad, in my judgment. Of course, in the judgment of the Senator from Utah they are not bad.

Mr. SMOOT. I am speaking of the compensatory duties if we have 33 cents on scoured wool. Then the compensatory duties upon the basis that even the Tariff Commission have said they should be.

Mr. SIMMONS. I do not agree with the Senator from Utah about the compensatory rates. I think we shall be able to show the compensatory rates are altogether.

Mr. WALSH of Massachusetts. Mr. President, as I stated a few moments ago, there are two questions to be considered in connection with this paragraph. First, is the compensatory duty a fair duty? This can be answered out of plumb. The rate of 33 cents a pound upon clean wool? The second question is whether the protective duty is fair.

How are we going to determine whether the proposed duties are fair? There are various ways of doing it. First of all, we can compare the rates named in the bill with the rates named in previous laws—the Underwood law and the Payne-Alrich law. When we come to consider the question of the protective duties we can consider what information is obtainable in reference to the difference in the cost of conversion here and abroad. Mr. President, let us first make a comparison with the House bill.

Mr. President, so far as concerns the compensatory duty upon tops, the Senate amendment makes no important change in the House text. To be sure, the 30 cents per pound in the Senate amendment is higher than the 274 cents per pound in the main bracket of the House text, but this is due to the increase of the duty on raw wool in the Senate bill. In other words, the compensatory bill in the Senate leaves the duty on wool in the Senate bill as the compensatory duty in the House bill bears the same relation to the duty on raw wool in the House bill.

The abandonment in the Senate amendment of the valuation bracket for tops valued at not more than 40 cents per pound contains no essential change, as 40 cents is so low.

Mr. SIMMONS. I wish to suggest this thought to the Senator: The compensatory rates are the same with reference to all classes of wool. On the item under discussion it is 38 cents a pound. On clothing it runs up as high as 45 cents a pound of the wool content. There is a very great difference in the value of wool. The compensatory rate is supposed to be given to measure the value of the raw wool that is used. Some wools sell for as low as 20 cents a pound and some for as much as $1.32 per pound.

Mr. WALSH of Massachusetts. Of course, tops are all wool.

Mr. SIMMONS. Yet the compensatory rate is given on the wool that sells for 20 cents a pound that is given on a pound of wool that sells for $1.32.

Mr. WALSH of Massachusetts. But we voted yesterday to put the same tariff upon the same commodity wool as high-priced wool, 53 cents per pound, so that the high compensatory duty is due to fixing the rate on raw wool at 23 cents.

Mr. SIMMONS. This is not a matter of price. I was not saying that this is out of touch with the rates which have been made on wool, but that the fundamental, the primary, the basic
rate on wool is absolutely wrong. The rate given on the wool content is 33 cents per pound. If we carry that forward as a compensatory duty and allow $1.32 per pound for the grease and the wools and to the fine wools.

Mr. SMOOD: I am not comparing the two paragraphs at all. I think the Senator is right about the two paragraphs. Probably if the first paragraph which we adopted, which fixes the rate of duty upon raw wool, is to stand, then the compensatory rate on this particular item might have to follow that rate; but I am talking about when it gets into the yarns and cloths.

Mr. WALSH of Massachusetts. I am very glad the Senator made the explanation, because I thought at first that we were apart upon the matter of compensatory duty. I agree with him that that paragraph makes a pound too high. It is excessive; it is even discriminatory. It applies alike to the cheap wools and to the fine wools. It will result in giving compensatory duty at a high amount to the various manufacturers of wool, regardless of the quality and value of the wool. Mr. SIMMONS. It will give 33 cents protection to the manufacturer who uses 28 cents per pound. It will give only 22 cents protection to the manufacturer who uses $1.32 per pound wool.

Mr. WALSH of Massachusetts. In this connection it might be interesting, and I am sure the Senator from North Carolina will be interested in this, to translate the duties proposed in this paragraph into ad valorem terms and compare these ad valorem rates with the ad valorem rates in the Payne-Aldrich law, in the text of the House bill, and as proposed by the committee amendment. What do we get if we adopt these two paragraphs at all? I am not comparing the first paragraph which we adopted, which fixes the rate of duty upon raw wool, to stand, then the compensatory rate on this particular item might have to follow that rate; but I am talking about when it gets into the yarns and cloths.

Mr. WALSH of Massachusetts. The Senator from Utah has succeeded in his endeavor to shift a little bit of the protection which the manufacturer has been getting to the wool grower. Mr. SMOOD. But the difference between 18 cents and 33 cents is given to the wool grower and not to the manufacturer; the Senator from Utah is, in part, right about that, the manufacturer will not get as much; but the Senator must admit that the consumer is going to be taxed just as much.

Mr. WALSH of Massachusetts. It is given to the wool grower and not to the manufacturer; the Senator from Utah is, in part, right about that, the manufacturer will not get as much; but the Senator must admit that the consumer is going to be taxed just as much.

Mr. SMOOD. Not as much.

Mr. WALSH of Massachusetts. The Senator from Utah has succeeded in his endeavor to shift a little bit of the protection which the manufacturer has been getting to the wool grower.

Mr. SMOOD. A little!

Mr. WALSH of Massachusetts. Well, considerable, if the Senator insists.

Mr. SMOOD. I should say it was.

Mr. WALSH of Massachusetts. But the result to the consumer is that he is up against the Payne-Aldrich law again, with all its high duties and high rates. I think the Senator has not grasped that point.

Mr. SMOOD. Mr. SMOOD. Outside of whatever rates have been decreased, of course, I agree to that; there is no doubt about it; but I will say, compensatory duties in some cases have been decreased, notwithstanding the rate of 33 cents on scoured wool. I want to say further to the Senator that the compensatory duties provided for the manufacturers are absolutely necessary because of the duty of 33 cents a pound on scoured wool; and the Senate has decided that the rate of 33 cents shall be provided by a vote of 33 to 16.

Mr. WALSH of Massachusetts. I agree with the Senator as to that.

Mr. SMOOD. Mr. SMOOD. So that there is no need of going back to that. Whatever increase there is in the wool rates is given to the farmer; there can be no question as to that. The manufacturer does not get anything at all out of the wool shrinkage under this bill, as I have before stated.

Mr. WALSH of Massachusetts. In other words, it is proposed to reenact the Payne-Aldrich wool schedule with this addition: instead of so much hidden, concealed, and stolen protection, it all goes to the manufacturers; as was given to them in the Payne-Aldrich law, some of it has been passed over to the sheep raisers.

Mr. SMOOD. Mr. SMOOD. All of it has been passed over to the farmer who grows the wool.

Mr. WALSH of Massachusetts. But there is still a heavy duty for the benefit of the manufacturers.

Mr. SMOOD. I thought the Senator was speaking of the compensatory duties.

Mr. WALSH of Massachusetts. I am speaking of both protective and compensatory duties.
Mr. SMOOT. The protective duties are lower in this bill than they were in the Payne-Aldrich law. For instance, on top the rate in the Payne-Aldrich law was 30 per cent, while in this bill it is 20 per cent. Then, I notified the Senate two weeks ago that this duty would not be 20 per cent on cloths above the 50 per cent, while in the Payne-Aldrich law the rate was 55 per cent.

Mr. WALSH of Massachusetts. Fifty per cent is high enough.

Mr. SMOOT. I think that what the manufacturers get, and that is all. From now on, I will say to the Senator, about the only question there is to discuss is as to the protective rates in this bill which according to the stage of manufacture.

Mr. SMOOT. Well, I should say that the foreign price as quoted on the London market was 25 cents. In the House it was 55 cents, while the American price was 55 cents.

Mr. WALSH of Massachusetts. The President, I am going to ask on what price of wool the committee figured the London price of scoured wool?

Mr. SMOOT. Mr. President, I am going to ask on what price of wool the committee figured the London price of scoured wool?

Mr. SMOOT. No; I am speaking now of the price of scoured wools.

Mr. WALSH of Massachusetts. I am speaking about the combined duties.

Mr. SMOOT. If the Senator will wait I will consider both duties. The Senator himself says that a rate of 30 cents is justified if we have a duty of 33 cents on scoured wool, and he is correct in that.

Mr. WALSH of Massachusetts. Yes, sir.

Mr. SMOOT. There is no doubt about that. So that does away with a great deal of the increase to which the Senator refers. There is another fact which should be taken into consideration. In the House bill the protective duty is 10 per cent on the American valuation. In the case of wools, for instance, the price of wools in the United States is 55 cents, while in England it is 25 cents. Upon that basis alone the rate of 20 per cent in the Senate bill is more than justified.

Mr. SMOOT. The answer is a very simple one, in my opinion. The House provided a duty on scoured wool of 25 cents, while the Senate committee has reported a duty 33 cents.

Mr. WALSH of Massachusetts. I am speaking about the combined duties.

Mr. SMOOT. If the Senator will wait I will consider both duties. The Senator himself says that a rate of 30 cents is justified if we have a duty of 33 cents on scoured wool, and he is correct in that.

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Mr. SMOOT. Right there let me say that I dispute the difference the Senator finds between the price of tops here and abroad. I will proceed, however, and call attention to that later.

Mr. SMOOT. I say that on July 15, 1922, wool tops, 40s, were 55 cents in America, while the English price was 25 cents, and the landed price was 31 cents; that is, allowing 3 cents a pound for landing charges, 3 cents duty, and so forth, and 10 per cent to cover the expenses and profit of the importer. The price of 31 cents a pound includes all of those items, although the Senator finds one item on the market from the Senator from North Dakota.

Mr. SMOOT. Therefore, Mr. President, the Senate committee provided a rate on the basis of 36 cents, because on the clean content of the wool we provide a rate of 33 cents. No one can say that is not right. The House provides 10 per cent upon the foreign valuation of the tops, which, as I have said, on July 15, 1922, in the case of 40s, was 25 cents, while the American price was 55 cents.

Mr. SMOOT. It was a protective duty, and the 20 per cent rate upon the foreign valuation as reported by the Senate committee is a protective duty. Twenty per cent upon the foreign valuation of 25 cents would amount to 5 cents, while the 10 per cent rate upon the American valuation of 55 cents would amount to 54 cents; in other words, there is a reduction under the Senate committee amendment.

Mr. WALSH of Massachusetts. In order to determine what was a fair protective duty on the American valuation you must know the foreign valuation of tops.

Mr. SMOOT. No. They have to give on the American valuation the equivalent production for transforming the wool into tops, and they considered that 10 per cent upon the American valuation of tops was absolutely necessary. We changed the 20 per cent valuation of 25 cents into 30 per cent, while 10 cents per upon the 55 cents is 54 cents. So that 20 per cent is even less than the 10 per cent rate in the House bill.

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

Mr. WALSH of Massachusetts. I yield to the Senator from Wisconsin.

Mr. LEROOF. I should like to ask on what price of wool the committee figured the London price of scoured wool?

Mr. SMOOT. On 40s.

Mr. LENROOT. No; I said, on what price of scoured wools, and at the same time that the committee estimated the foreign price of tops?

Mr. SMOOT. I should think that would be perhaps about 20-cent wool, clean content, because it costs 5 cents to make it into tops with a loss.

Mr. LENROOT. Scoured wool?

Mr. SMOOT. Oh, no; I am speaking now of 40s, of tops. That is coarse wool. It would be at least 20 cents; or, in other words, if cheap wools and lower are used to make 40 tops, and that was the figure that the Senator had spoken of before I took the floor.

Mr. WALSH of Massachusetts. Mr. President, I am going to ask to discuss the protective rates.

Mr. SMOOT. Before doing that, however, I should like to yield to the Senator from Washington [Mr. ROBINSON], provided, of course, that I can still retain the floor.

Mr. ROBINSON. Mr. President, yesterday while the present schedule was under consideration the Senator from North Dakota [Mr. McCUMBER], chairman of the Committee on Finance, made a statement, the accuracy of which was later challenged on the floor of the Senate. The statement by the Senator from North Dakota was substantially as it appears in this morning's Record at page 10656. He said:

"I probably could call attention to some other things which defeated Tariff, but I will state one thing the Republicans did in 1909 which was their undoing. They refused to put print paper upon the free list; but it was in favor of free print paper, and through their organization and the president of the Publishers' Association they put this matter straight up to the committee. It is no secret. They said in substance: 'Give us free print paper, and we will support the administration; refuse to give it, and we will destroy you if we can.' Well, we took our chances—there were not very many cowards on the Republican side in those days—and we refused to give them free print paper, and suffered defeat more for this cause than for any other. We stood for principle; and the extent that the Republicans suffered for principle. That is the real thing that was back of the defeat of the Republican Party in 1912, and the one thing that brought the great press of the country against him."

Mr. President, believing that this declaration, coming from the source that it did, justified serious consideration, I called the Senator from North Dakota and North Dakota papers which might possess information respecting the subject to furnish details, and to inform the Senator who constituted the committee representing the Newspaper Publishers' Association, and what individuals were chargeable with responsibility for the threat
and the conduct set forth in the statement made by the Senator from North Dakota. The Senator from Utah [Mr. Smoot] subsequently said that one John J. Norris, the accredited representative of the Newspaper Publishers' Association, had stated to him on the House Floor that there could be no compromise on the question as to whether print paper should be placed upon the free list; that if the Finance Committee refused to put it on the free list the Republican Party would be driven frompower.

The Senator from Indiana [Mr. Warsof] took the floor and made a statement attributing to Mr. Herman Ridder a direct threat that the House Speaker was going to withdraw his support from Mr. Cannon, that unless print paper was permitted on the free list Mr. Cannon would be politically destroyed.

The Senator from Indiana [Mr. Warsof] during the course of his remarks stated that he believed the conversations between Mr. Herman Ridder and the former Speaker, Mr. Cannon, in which Mr. Ridder is alleged to have made a corrupt proposal to Mr. Cannon, and to have offered him the support of the newspapers of the United States for President if he would permit a joint resolution placing print paper upon the free list to be called up for consideration in the House of Representatives. The Senator from Indiana declared that the then Speaker, Mr. Cannon, had indignantly refused to grant the request of Mr. Ridder, and had defied Mr. Ridder. He further said that a colored messenger was called and informed that Mr. Ridder was not to be permitted to enter the Speaker's private room and that the messenger was instructed to throw him out if he attempted to do so.

Both Mr. Norris, referred to by the Senator from Utah, and Mr. Herman Ridder, mentioned by the Senator from Indiana, are well known political leaders as is remarkable that the public attempts to corrupt the Finance Committee should be laid against two individuals both of whom are dead.

Mr. CARAWAY. Mr. President, I should not like to interrupt a serious argument, but was either one of these conversations a telephonic conversation?

Mr. ROBINSON. The statement of the Senator from Utah is that Mr. Norris's threat or prediction was made so I understand, to him, and the then Senator from Rhode Island, Mr. Aldrich, constituting the subcommittee. There was no telephone used in that instance. The statement of the Senator from Indiana respecting the alleged activities of Mr. Herman Ridder was that Mr. Ridder had threatened the Speaker of the House of Representatives in his presence and in the presence of other Representatives if he did not yield to the demand that the joint resolution putting newsprint paper upon the free list be considered by the House of Representatives.

Mr. CARAWAY. As I recall, the Senator from Indiana was in favor of surrendering, was he not?

Mr. Norris, the Senator from Indiana stated that while he thought the Speaker was morally right, he was diplomatically and politically wrong, and that he appealed to the Speaker in every way that he could devise to yield to the demands of the Republican Party and permit the joint resolution to be considered by the House of Representatives.

In this morning's New York Times is contained a statement by Mr. Don C. Smith, managing editor of the New York World, who was on the paper committee of the American Newspaper Publishers Association with Messrs. John J. Norris and Herman Ridder in 1900. In this statement Mr. Setz uses language which, under the rules of the Senate, can not properly be incorporated in the Record. A portion of his statement, however, relates to the accuracy of the memories of the Senator from Utah and the Senator from Indiana. It is as follows:

"It is my impression that Mr. Taft was defeated by Theodore Roosevelt and not by the newspapers—\[Said Mr. Setz.\]"

As a matter of fact, most of the newspapers were for Mr. Taft. That newspaperman who is hard, far from having been induced by the Senate, had reached a very satisfactory arrangement.

Nothing he could say or do, however, could induce Mr. Cannon to change his mind. He was unmoved, and the committee never met.\[The Senator from Indiana has a dark and furtive expression on his face.\] No one knew what Mr. Cannon thought, for he had been living like a hermit ever since.\[Mr. Cannon's face darkens.\]

Mr. CANNON. That is so, Mr. President. I have no knowledge of it.

Mr. CANNON. Nor did Mr. Smoot. He made his speech in his private office, and the newspapermen who were there did not understand anything about it.\[Mr. Cannon looks embarrassed.\]

The article continues:

The remarks of Senator Watson with regard to Herman Ridder's talk with "Uncle Joe," CANNON were read to Mr. Setz, who indignantly repudiated them.

"I don't believe Ridder ever said anything of the kind," he explained. "I never heard of it. I was not in the room where it was said, and in politics to get that done, and the American Newspaper Publishers Association never did mix its politics.

Mr. President, in view of the fact that both Mr. Norris and Mr. Ridder are dead, I have felt it improper to submit the resolution.\[Mr. Seitz to the Senate, inasmuch as he was a member of the committee of which the process had been presented when the conversations between Mr. Ridder and ex-Speaker CANNON occurred. There can be no doubt that the newspapers of the kind described by the newspapers of the United States for President if he would permit a joint resolution placing print paper upon the free list to be called up for consideration in the House of Representatives. The Senator from Indiana declared that the then Speaker, Mr. Cannon, had indignantly refused to grant the request of Mr. Ridder, and had defied Mr. Ridder. He further said that a colored messenger was called and informed that Mr. Ridder was not to be permitted to enter the Speaker's private room and that the messenger was instructed to throw him out if he attempted to do so.

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Mr. CARAWAY. Mr. President, I should not like to interrupt a serious argument, but was either one of these conversations a telephonic conversation?

Mr. ROBINSON. The statement of the Senator from Utah is that Mr. Norris's threat or prediction was made so I understand, to him, and the then Senator from Rhode Island, Mr. Aldrich, constituting the subcommittee. There was no telephone used in that instance. The statement of the Senator from Indiana respecting the alleged activities of Mr. Herman Ridder was that Mr. Ridder had threatened the Speaker of the House of Representatives in his presence and in the presence of other Representatives if he did not yield to the demand that the joint resolution putting newsprint paper upon the free list be considered by the House of Representatives.

In this morning's New York Times is contained a statement by Mr. Don C. Smith, managing editor of the New York World, who was on the paper committee of the American Newspaper Publishers Association with Messrs. John J. Norris and Herman Ridder in 1900. In this statement Mr. Setz uses language which, under the rules of the Senate, can not properly be incorporated in the Record. A portion of his statement, however, relates to the accuracy of the memories of the Senator from Utah and the Senator from Indiana. It is as follows:

"It is my impression that Mr. Taft was defeated by Theodore Roosevelt and not by the newspapers—\[Said Mr. Setz.\]"

As a matter of fact, most of the newspapers were for Mr. Taft. That newspaperman who is hard, far from having been induced by the Senate, had reached a very satisfactory arrangement.

Nothing he could say or do, however, could induce Mr. Cannon to change his mind. He was unmoved, and the committee never met.\[The Senator from Indiana has a dark and furtive expression on his face.\] No one knew what Mr. Cannon thought, for he had been living like a hermit ever since.\[Mr. Cannon's face darkens.\]

Mr. CANNON. That is so, Mr. President. I have no knowledge of it.

Mr. CANNON. Nor did Mr. Smoot. He made his speech in his private office, and the newspapermen who were there did not understand anything about it.\[Mr. Cannon looks embarrassed.\]
Mr. WALSH of Massachusetts. Mr. President, I want to discuss now the protective rates proposed by the committee. I want to call attention to the protective rates in former laws, and I want to call attention to the fact that there have been importations of tops, even under former laws, in which the protective rate was very much lower than the protective rate provided for in the present bill.

Mr. President, the emergency tariff law imposes a duty of 45 cents per pound upon all manufactures of wool of the kind commonly known as clothing wool in addition to the rates already existing under the Underwood law. This applies not only to raw wool, but also to finished products, like cloths and articles made therefrom. This 45 cents duty is intended to compensate for the duty imposed upon raw wool in the emergency law. The duty now assessed upon tops is therefore 45 cents per pound plus 8 per cent, the latter being the rate previously in existence in the Underwood law. The effect of this duty upon tops has been particularly striking. It has amounted to practically a prohibition of imports. Under normal conditions the importation of tops has never been large, because of the very high rate of duty to which they have been subjected under the Underwood law, when the rate was only 8 per cent—at least not until the winter and spring of 1921. At that time, owing to the large stocks of tops on hand in Great Britain and available for competition, and in anticipation of the enactment by the United States of a high emergency tariff duty upon raw wool, there was a striking increase in the imports of tops into this country.

In March imports amounted to 4,102,208 pounds; in April, 4,805,558 pounds; and in May, 2,137,151 pounds. From this point they dropped, with the enactment of the emergency law, to 2,644,235 pounds in June, 271,922 pounds in July, and thereafter only a few a small number of imports. The comparison of duty on tops in Senate bill with that in present and prior laws.

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The Underwood law imposes a duty of 8 per cent upon wool tops and 20 per cent upon tops made from the hair of the Angora goat, alpaca, and other like animals. These latter duties do not, however, enter largely into commerce, and for purposes of comparison with the present bill we may confine our attention to the duty of 8 per cent upon wool tops.

Among the woolen products wool tops can not be said to have led to any formidable invasion of our markets by foreign top makers. It is true that there was some increase in the first months immediately after the enactment of the Underwood law. In the first half of the calendar year 1921 approximately 15,000,000 pounds of tops were imported, but practically all of these came in before the enactment of the emergency law. The statistics plainly indicate that so far as concerns wool tops the emergency law is practically prohibitive. This is logical enough when one stops to consider that the compensatory duty alone upon this product, which is only one step removed from the raw material, is 45 cents per pound.

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The duty on tops valued at less than 20 cents per pound was practically inoperative, because very few tops of such low value entered into commerce. For practical purposes the duty upon tops was 36½ cents per pound plus 20 per cent. The 36½ cents per pound was intended as a compensatory duty, but as is shown by the old Tariff Board report, this was distinctly in excess of the amount required, for it assumed a shrinkage of 70 per cent, whereas the domestic worsted mills actually used mainly the lighter shrinking wools. In other words, it contained a substantial amount of concealed protection. When this concealed protection is added the duty of 30 per cent, it is not surprising that imports under the Payne-Aldrich Act were almost negligible. Indeed, as will be shown later, 30 per cent alone is far in excess of the amount required for protection on a product which contains so low a proportion of conversion to total cost as do tops.

Furthermore, the importation of tops amounted to only 1,868 pounds, valued at $583. This is not surprising when it is observed that the equivalent ad valorem duty amounted to 111.69 per cent, and that 81.89 per cent represented the competitive duty. Accordingly, in 1911 there was no importation of tops. In fact, as has been stated, under the Payne-Aldrich law imports were practically prohibited.

The relation of the Senate bill to the difference of conversion cost here and in the United Kingdom.

The protective rate upon tops in the Senate bill was 25 per cent, but is now 20 per cent. This is distinctly in excess of the amount required. It is nearly 200 per cent higher than the Underwood rate, which, as we have just pointed out above, is in substantial accord with the findings of the old Tariff Board, and was fixed at 8 per cent. The fact that the House proposed a rate of 10 per cent (American valuation) shows that it was quite aware that any such rate as that proposed in the Senate bills is unnecessary. The extent to which the Senate rate of 25 per cent exceeds the actual requirement is plainly indicated in the following table, which contains a comparison of the cost of conversion of tops here and in the United Kingdom based upon current conditions.

### Wool tops—British and domestic conversion costs in relation to the protective duty in the Senate bill.

<table>
<thead>
<tr>
<th>Grade</th>
<th>British</th>
<th>Domestic</th>
<th>Excess of domestic over British</th>
<th>Total conversion costs</th>
<th>Duty at 25 per cent</th>
<th>Per cent required to cover difference in conversion costs</th>
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<tr>
<td></td>
<td>Rate</td>
<td>Rate</td>
<td>Cent.</td>
<td>Cent.</td>
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<tr>
<td>90s</td>
<td>4 and under 5 to 1.</td>
<td>69</td>
<td>12.98</td>
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1. "Tariff" refers to the percentage of wool removed in combing. 2. "Tear" the higher the combing charges. The ratios shown are the most representative. 3. This has been calculated by adding 60 per cent to the combing rates. This takes into account such additional charges as storage, sorting, sorting, and losses from off sorts. 4. The table is as follows:

Both the domestic and British combing rates used are the latest available and so far as can be ascertained are still in effect.

The most significant figures in this table are in the last column. They show only one instance where a need of more than 15 per cent to cover the difference in conversion cost is necessary, and in this instance—one of 45°—it is evident that the British rate is abnormally low in relation to the other grades of tops. In more than half of the cases indicated 10 per cent would be adequate to cover the difference in conversion costs. Under normal conditions 10 per cent would probably be sufficient for all grades of a product containing so low a percentage conversion to total cost. Certainly, 15 per cent would be more than adequate.

Nor are the figures in this table open to the criticism that the British rates are abnormally high in relation to conversion cost and that a duty of 25 per cent, or even 20 per cent, yields relatively much more than would under normal conditions. The fact is that while the W. S. Culbertson, from off sorts properly constitutes an additional charge to raw material rather than to conversion, but since the compensatory duty on tops of 11½ times the duty on secured wool, as computed by the Tariff Board, did not allow for losses from off sorts, allowance is made here.

British combing tariff, July 18, 1913.

The following table, which contains a comparison of the cost of conversion of tops here and in the United Kingdom based upon current conditions, shall be based upon what is actually the difference in the cost of conversion at home and abroad.

I come from a manufacturing State and I would not knowingly protest against a single duty that would deprive the manufacturing interests in my State of sufficient protection to meet the difference in conversion costs. The manufacturer is entitled to protection to meet the difference in conversion costs, but his objection is to no more: and nothing less than indisputable figures showing the actual difference will guide me in voting for the protective duties. I can not oppose high duties to the agriculture of this country and vote for excessive duties in favor of the manufacturing interests of this country, and I do not propose to do it.

Mr. President, I ask that a table comparing American prices and British prices of tops be inserted in the Records in this connection. This table shows that 10 per cent protective duty would be ample.

The PRESIDING OFFICER (Mr. Jones of Washington in the chair). Without objection, it is so ordered.

The table is as follows:

**Wood tops—A American and British prices as of July 15, 1922.**

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</thead>
<tbody>
<tr>
<td>Fine territory, $1.50</td>
<td>70 per cent 554</td>
<td>$1.16</td>
<td>$0.44</td>
<td>$0.72</td>
</tr>
<tr>
<td>Blood, $1.30</td>
<td>ordinary 454</td>
<td>$1.30</td>
<td>$0.52</td>
<td>$0.72</td>
</tr>
</tbody>
</table>

Allowing 2 cents a pound for landing charges (freight, marine insurance, etc.) and 10 per cent to cover expenses and profit of importer.
Mr. WALSH of Massachusetts. Mr. President, I come now to a very important aspect of this question. I have tried to show that, based upon information available as to prices of British-made tops sold in the American market and as to prices of American-made tops sold in the American market, there is no justification for this protective rate of 20 per cent; that, indeed, a rate this high would be amply justified.

Mr. President, what is the conclusion we arrive at from this study? It has been a somewhat long and tedious study, but an important one. The conclusion is that the 8 per cent that I commend in my amendment is the underwood value in the rate and could be justified upon the information available at that time in regard to the difference in the costs of conversion; that the rate named in the bill as it passed the House of 10 per cent—and that rate, of course, was based upon the American valuation—would have been fair and just if that 10 per cent were based upon the foreign valuation instead of the American valuation. The information at hand shows that there is no evidence before the Senate wool committee, so far as I know, at least of an unprejudiced and disinterested character, justifying this protective duty of 20 per cent.

In the light of the information we have as to the conversion costs here and abroad, in the light of the prices in the American market of British tops and American-made tops, this rate cannot be justified. In the light of the fact that the rate fixed upon raw wool—32 cents—is so high, anyway, that we are not likely to have any serious competition, because in every instance the compensatory duty takes care of what the manufacturer must pay for his raw wool, and in this instance the compensatory duty levied is ample and sufficient to take care of the cost to the manufacturer of raw wool. I am going to move that the protective rate be fixed at 15 per cent instead of 20 per cent. I think that is more than the facts justify. I think it is extremely liberal. The woolgrowers might properly advocate for a lower rate than that which is named in the bill.

Mr. SMOOT. They will not do it if they know where their interest really lies.

Mr. WALSH of Massachusetts. But the Senator from Utah will agree with me that for the last three or four days every Senator who represents a woolgrowing State has been here. And they are here not because they are not interested; they are here because they are interested.

Mr. SMOOT. They may be at luncheon.

Mr. WALSH of Massachusetts. They have not been here this morning, and the Senator knows it. Many distinguished Senators have been here this morning and the Senator knows it. Many distinguished Senators have been here this morning in the half session, and that might be of service to all the Senators who come from the woolgrowing States. I am not complaining, but I am asking them not to abandon us yet, but to stay here and consider these other duties. Having won their fight, they abandon the Chamber, and will only come in when the roll is called, and they will ask those representing the woolgrowing States, "What do you want us to do? We have our rate, and we will now give you what you want."

Mr. SMOOT. The Senator is wrong again, because they are just as really interested in tops as they are in wool. If there is not a protective duty upon the tops sufficient to keep them out, the tops will come in instead of wool, and that is exactly what they are as interested in as tops as they are in wool itself. If not more so.

Mr. WALSH of Massachusetts. They are not manifesting their interest by their presence. The Senator will agree to that.

Mr. SMOOT. I admit that; but the Senator can see that this is the case, because if there give a duty a pound on wool and then give only a dollar a pound on tops, tops will come in instead of wool. So every man who is interested in the protection of wool is certainly interested in the protection of the tops, because without that protection the tops would come in instead of wool, and the top is the first step in the manufacture when the little fine clippings and other things are taken out of it.

Mr. WALSH of Massachusetts. They knew that when they won their fight yesterday that the Senate was going to levy every compensatory duty necessary to meet that 33 cents per pound, and they knew that the protective duties named by the Senator would be adopted. They know that the understanding arrived at or the arrangement which was made, but which was threatened to be broken during the fight upon the paragraph fixing the duty on raw wool, has been restored, so that the program will go through, and the manufacturers will get the rates fixed in this bill, because the woolgrowers yesterday got the rates named upon raw wool.

I have talked a good deal longer than I intended, but this paragraph, which for the first time raises the question of a fair compensatory duty and a fair protective duty, is one I thought required perhaps more discussion than the other paragraphs will require.

Mr. SHEPPARD. Mr. President, may I ask the Senator a question? Does his amendment involve the specific duty as well as an ad valorem duty?

Mr. WALSH of Massachusetts. It involves only the ad valorem duty, a protective ad valorem duty. I propose to change the rate named by the committee of 20 per cent to 15 per cent.

Mr. SHEPPARD. The ad valorem rate named by the committee is in addition to the specific rate.

Mr. WALSH of Massachusetts. The specific rate named by the committee is a compensatory rate, and I do not propose to change that. The specific rate named by the committee is the compensatory protection, and the compensatory protection is based upon the theory that there will be a pound and a tenth of wool used in making a pound of tops, and in view of the information furnished by the Tariff Commission that that is a fair estimate of the amount of raw wool that will be used in making a pound of tops, of course, I cannot, in view of the action of the Senate yesterday, make a contest upon the compensatory duty. The objection I make is to the protective duty, which is given to the manufacturer, and ought to be based upon the difference in the costs of conversion here and abroad.

Mr. SHEPPARD. I thank the Senator for his explanation. As I understand it, the basis here is that the committee is the basis that the Senate will abide by, and I think the committee is the basis that the Senate will abide by, and that is the basis that the Senate will abide by, and that is the basis upon which the amendment proposed by the committee is the basis that the Senate will abide by, and that is the basis that the Senate will abide by, and that is the basis that the Senate will abide by, and that is the basis that the Senate will abide by.
that, as far as I am concerned, I am a consistent Republican. I do not claim protection for an industry at one place in the United States that I would not willingly give to a like industry anywhere in the United States. I want to call the Senate's attention to the fact that the American people do not buy tops and other half perhaps to be done here.

Mr. SMOOT. Therefore, I say that in making a tariff bill the question as to the ultimate consumer should be the protection that is upon the cloth itself.

Mr. LENROOT. That depends, does it not, upon the protection given upon the stage of the finished product, and every pound of it will place a pound of wool grown in the United States. What would happen if you have a 5 per cent protective duty on tops and a 20 per cent protective duty, the wool would not come in and the grease wool would not come in; the top would come in, and the top comes in the whole structure, from the beginning of the first step in the manufacture to the finished cloth is upset. Such importations would displace American wool.

If they can bring in the tops and they displace 1½ pounds of American wool for every pound imported into this country, there would be no protection that would equal the 38 cents which the Senate has voted upon scoured wool. In other words, if the rate is decreased in the protection of this article, then it means that in order to compete with the imported articles in the United States, we shall have to increase the rate in the United States will find that 33 cents duty is decreased.

Mr. President, I do not think it is necessary at this time to go into detail in answering the Senator from Massachusetts. The Payne-Aldrich law provided 30 per cent protection, the existing Underwood tariff law provides 8 per cent, and the committee amendment provides 20 per cent.

Mr. SMOOT. And the Senator from Massachusetts proposes 15 per cent?

Mr. SMOOT. Yes; he proposes now to make it 15 per cent. On the basis of present prices the result of this amendment would be that, instead of having 23 cents on the scoured wool we would have 53 cents less the 5 per cent.

There is another amendment which I desire to offer to the paragraph, which makes no difference in the rate whatever, but the words are unnecessary. On page 145, line 1, when the proper time comes, I shall move to strike out the words "not specially provided for" and the comma. Those words are meaningless because the items in this paragraph are not provided for in the bill in any other place and are not necessary to be provided for other than in this paragraph.

Mr. President, I think there is no necessity for further discussion of the subject unless some Senator desires to ask a question.

Mr. LENROOT. Mr. President, I desire to say only a few words upon the proposed amendment, but I would first like to ask the Senator from Utah [Mr. Sloor] upon what theory the increased rate has been proposed. The Senator from Massachusetts.

Mr. SMOOT. I say this merely illustrates that the low-priced wools are not now necessarily be carried by the action of the Senate already taken.

Mr. SMOOT. That is, so far as the low-priced wools are concerned.

Mr. LENROOT. Exactly. I do not want to go over the matter upon which the Senate has taken action, but the Senator from Idaho [Mr. Goosin] yesterday repeatedly made the statement that the Tariff Commission in its report on the coarse wools made the finding that it could not be paid a duty of 36 cents upon the coarse wool we have not have to carry that compensatory duty into the tops, into the yarn, and into the cloth. I am not criticizing. I am simply stating now where the consumer must necessarily be affected when it gets into the final product by reason of the compensatory duties made necessary by the action of the Senate already taken.

Mr. SMOOT. That, so far as the low-priced wools are concerned.

Mr. LENROOT. That is the same, so far as the low-priced wools are concerned.

Mr. LENROOT. That is the case, as the Senator from Idaho will admit, that the report of the Tariff Commission, where they found that the cost of raising the fine wool, including interest, was 45 cents, and without interest from 35 to 37 cents, covered only the territory wools, only the wools in the range States, only the high-shrinkage wools, and they made no finding in their recent report upon wools from the farms east of the range States. Their report covered only the territory wools.

But in 1911 the Tariff Board, in a very comprehensive investigation which it made at that time, went very thoroughly into the question of the cost of raising the wool of the cross-bred sheep and of the fine wool, and I now have that information and I want to put it in the Record.

In the Report of the Tariff Board, volume 2, pages 389-399, the proposal of the Senato from Massachusetts provides. But I think the policy ought to be that if we are going to establish the wool industry in the United States it ought to be started. When the wool, with particular the American wool, ought to be handled from the raw wool clear through to the finished product.

Mr. LENROOT. I agree with the Senator.
Mr. POMPERE. I was not sure that the Senator so stated. I merely wanted the Record to show that I am speaking of the finest wool. I did not refer to the worst grade as having been grown on the best soil or anything of the kind.

Mr. LENROOT. I do not think the Senator is making the same mistake that I made. I was speaking of the poorest grade of wool as being grown on the best soil. I do not think that is the case with the best grade or the finest wool. I think the best grade is grown on the poorest soil. It comes from the poorest soil and the best will come from the best soil.

Mr. SMOOT. They are relatively so, with this exception: Of course, there is a plan now of disposing of lambs as against disposing of wethers in years past, which has changed the relative cost of the wool. But I say to the Senator frankly that there is something of a difference even to-day in the different classes of wool.

Mr. LENROOT. I do not quite agree with the Senator on that point. As to the effect of the Tariff Commission, the report upon which all of these calculations are made is based upon the Tariff Commission report. I want to show that it has been a very much higher protection, based upon the report of the Tariff Commission on the present tariffs.

Mr. SMOOT. Of course, the Senator knows those figures would not apply to-day?

Mr. LENROOT. Oh, no. It is, of course, only a question of relationships. The figures I am giving have no bearing upon present cost whatever, but I think the Senator will admit that they are important as bearing upon the relationship.

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Mr. SMITH. As will be noted, the figures indicate a total deficiency of $136.50 paid by the grower and shipper of the melons of $63.48 on the three cars of melons.

Mr. President, some of us who patronize restaurants give 20 cents for one-eighth of a watermelon, representing a retail price of $1.00 for the melon. The writer of the letter which I have read gives all his time, his land rent, and the labor of himself and his employees, and then pays $63.48 for the privilege of shipping the melons produced by him to the city. The main point is that the railroads, for melons shipped on open cars, which is very often a cattle car, received $150 for one car from Ellington, S. C., to New York, while the producer of the melons, at the most, a combination in the sale of his product has had to concede $12 to $15 a car for the privilege of sending his melons to New York.

Mr. WATSON of Georgia. Mr. President—

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

Mr. SMITH. I yield.

Mr. WATSON of Georgia. Mr. President, should like to ask the Senator from South Carolina whether or not the outrageous freight charge imposed upon the melon shipper has been legalized by the Interstate Commerce Commission?

Mr. SMITH. As a matter of course, under the present law the Interstate Commerce Commission was converted into a taxing machine for the benefit of the railroads.

Mr. WATSON of Georgia. Then, Mr. President, is not the real crime in the case—the crime of robbery—that of the Interstate Commerce Commission, and not we handiwork of the railroads and other public utilities, there ought to be taken into consideration the condition under which the carriers are supported. What I mean is, if we by legislative enactment could not do what we have to do by constitutional or judicial enactment, what provision have we made to our agricultural classes in the for of banking legislation or credit legislation that meets their needs as adequately as we have provided for the needs of the ordinary commercial enterprises of this country?

Mr. WATSON of Georgia. Mr. President—

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

Mr. SMITH. I yield.

Mr. WATSON of Georgia. On the Interstate Commerce Commission there are two members from the State of New Jersey—a State that is notoriously overcharged by the railroads, and has almost no agricultural interests at all. The great southern coast of this country, from Kentucky on up to north Virginia, including the seaports of Galveston, of Miami, of Savannah, of Charleston, of Charleston, of Charleston, or Charleston, in fact, Norfolk, has no representative whatever on that commission. What redress will we ever get so long as we stand here and talk about it, and do not get together and agree to do something?

Mr. SMITH. Mr. President, I think it is unfortunate that the southeastern division of the freight tariff has not a representative on the Interstate Commerce Commission. It must be said that they are operating under the laws that Congress passed. We have granted them the power and held upon them almost a command to fix rates, fares, and charges at a point that will average 6 per cent upon the actual cost of the property sent by water and horses devoted to the public use. We are busy here with a tariff under the plea that we hope to preserve the American scale of wages and American industries for the American people, providing this very large provision, which has practically stifled, because no man can read a bill and compare it with those that have gone before without agreeing that it approximates an embargo. The truth of the matter is that government, when it gets away from the formation of an infant industry, assumes the aspect of an embargo. By no process of reasoning can you arrive at any conclusions. It is a form of destroying foreign competition with the domestic manufacturer. Organized means are necessary and essential for any artificial production, such as that of the manufacturer. He can hardly have a safe price. He can curtail his production at any hour; but when it comes to the natural producer, he has no control over either the quantity he is to make or the quality of what he is to make; and hence, not being able to take an order for future delivery with the knowledge that he can fill it both as to quantity and as to quality, he must wait until the product is ready, and when millions of his fellows in like condition with himself, with whom he is anxiously trying to get a market, it must be disposed of within 30 to 90 days to meet the obligation incurred in its production. What is the result? The man or the men who are organized and have the power to put on the market, discounting the carrying charges for the next 12 months, and then giving the producer what is due in their judgment it would be safe to give him and allowing the buyer to have a safe price. I say that we have been delinquent in our duty. After 150 years of American history, those who have clothed us and fed us and schooled us have to go hungry and barefoot and naked in the midst of plenty, because we have not provided the means by which they can dispose of the wonderful wealth they produce in such a manner and in such quantities as will guarantee them a living profit.

There is there written upon the statute books a banking system or a credit system by which such absurd things as the sale sales that I have read would be possible. Each year, with the fluctuations of governmental control from Republicans to Democrats and back again, we hear the cry of a tariff. It is a paramount issue, and up until the present Congress I thought it was the dividing line between the two parties. I am beginning rather to modify my ideas about that; but, anyhow, we have considered the tariff the dividing line between the two parties, and we were doing what? Every man knew that we were legislating for special interests to get special profits.

Think of the absurdity of a body of men sitting here in the United States Senate and doing what we are doing! We are proposing to do and claiming that we are doing it for the benefit of American labor! We put on this tariff under the guise of wanting American labor to have the benefit of protection against the cheap labor of Europe. Show me one line in this bill or in any tariff bill ever written where we have provided that the rise in price accruing by virtue of the tariff should be paid to the labor employed in producing the articles. There is not a line nor a suggestion of a line which says that whatever additional price accrues shall go to labor, or shall even be divided with labor. You give it to the manufacturer in the sale of his goods and trust his philanthropic impulses as to what he will do.
consistency of this condition, without danger to us and danger to
the Republic. We are not devaluing the American people as well as we think we are. These things can not go on and
this country promptly, but I desire to call attention to the
duty of regulating these things. We are
charged with the duty of seeing that our commercial and
economic laws are so framed that every man shall have an
equal chance to benefit according to his ability. Read this bill
and see how much we have equalized or proposed to equalize
the burden.
We are going to put a tax on bagging; we have a tax on
ties; and the southern farmer puts his free cotton in taxed
bagging and ties, and under the 80 per cent he has to give
away his bagging and ties to the purchaser of the cotton. He
not only pays the ordinary price but he pays a duty on them
and gives them away.
Mr. DIAL. Mr. President—
The PRESIDING OFFICER. Does the Senator from South
Carolina yield to his colleague?
Mr. SMITH. I yield.
Mr. DIAL. They even tax the arsenic with which the grower
of watermelons tries to keep the bugs off the watermelons, do
they not?
Mr. SMITH. That is a fact. I had not thought of that. It
did not occur to me. They come in here with a duty on a by-
product that they no longer need or is of no use to themselves
depending upon now to keep what is called the cucumber bug
eating up his watermelons. They actually put a duty on the
arsenic by which he hopes to poison the insect that possibly
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have a power to invite competitors to join and
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Mr. DIAL. We are going to put a tax on bagging; we have a tax on
that way from north to south, or east to west. cultivated by intelligent men, spoken of all sorts of customs. If he would have to control the necessities of the agriculturists of the necessities of the agriculturists of this country to combine to meet combination they find themselves totally unprovided with any system by which they can meet the peculiar exigencies which necessarily inheres in their occupations.

Mr. WALSH of Massachusetts. Mr. President, I ask for the yeas and nays upon my amendment.

The yeas and nays were ordered.
Mr. SMOOT. On page 145, in line 1, I move to strike out the words "not specifically provided" and the comma.

The PRESIDING OFFICER. The amendment to the amendment will be stated.

The READING CLERK. In paragraph 1106, page 145, line 1, the Senator from Utah proposes to strike out the words "not specially provided for" and the comma.

The amendment to the amendment was agreed to.

The PRESIDING OFFICER. The question is on approving the agreement to the amendment as modified.

The amendment as modified was agreed to.

The next amendment of the Committee on Finance was on page 145, after line 2, to strike out—

Par. 1107. Yarn, made wholly or in part of wool, valued at not more than 30 cents per pound and, in addition thereto, 15 per cent ad valorem; valued at more than 55 cents per pound and, in addition thereto, 18 per cent ad valorem; valued at more than $1.50 per pound and, in addition thereto, 20 cents per pound ad valorem.

Mr. WALSH of Massachusetts. Mr. President, this is an important amendment. I wish to point out, first, that there are three distinct changes proposed in the Senate committee amendment when compared with the House provision. The first change is that the Senate committee amendment proposes to increase the compensatory rate. That probably is justified upon the ground that the rate upon raw wool has been increased. While the compensatory rate may be justified upon that ground, the fact remains that the burden to the consumer is being carried along through all of these various items by reason of the oppressive and very high rate of 33 cents per pound upon yarns which would endanger the business of the American manufacturer.

The second change to be noted is that the ad valorem protective duties in the House text have been doubled in the Senate committee amendment. That may be explained in part by reason of the fact that the House ad valorem rates were based upon American valuation, while the Senate rates are based upon foreign valuation; but that does not fully account for the doubling of the ad valorem rates. There has been an added protection given to the makers of yarn by the high rates provided in the Senate committee amendment.

Thirdly, the Senate committee amendment lowers the brackets. The lowest bracket provided by the Senate committee amendment, namely, yarns valued at not more than 30 cents per pound, is useless, because it is inoperative. There is no yarn made with a lower valuation than 30 cents a pound, and the only purpose of providing this bracket is to make it appear that a lower rate has been fixed upon yarns of less value than 30 cents per pound than upon yarn of a higher value than 30 cents. So we are concerned about the other two brackets which deal with yarn valued at more than 30 cents and not more than $1, where the specific rate is 30 cents per pound and the ad valorem protective rate is 35 per cent. That means that more than $1 per pound upon the compensatory duty is 30 cents per pound and the protective duty is 40 per cent ad valorem.

As regards these brackets, we are again confronted with the question whether the House-Senate conference were discussing ad valorem or specific duties. Are the compensatory duties provided in the Senate committee amendment fair, and can they be justified in the light of the information available as to the shrinkage of clean wool in making yarn as well as yarns which are made from wool of different grades?

Mr. POMEROY. And they have condemned it as much as they defended it before.

As the Senator from Massachusetts suggests, the Senator from Ohio suggests, they have condemned it as vociferously and as earnestly as they praised it when they sought to enact it into law.

I challenge any Senator on this floor to state that he has heard the President of the Chamber say that the Payne-Aldrich law? Has one voice been raised to pay tribute to that law or to those who voted for that law? Yet, with a rate of
11 cents per pound on greasy wool in the Payne-Aldrich law and a rate in this bill of 38 cents a pound on the clean content of wool, the compensatory duty is the same.

In the amendment by this Committee that a compensatory duty of 39 cents was all that in fairness and in honesty could be asked when the duty levied upon raw wool was 38 cents; yet the Payne-Aldrich law provided for a compensatory duty of 39 cents and a carrying or hidden duty of 1 cent per pound. It is, of course, a confession and an admission that the Payne-Aldrich duty was exorbitant. In fact, the extent to which it was then in concealed and veiled way through the compensatory duty levies was astounding.

I do not know whether the Senate understands me or not; but under the Payne-Aldrich law the spinners of yarns and the weavers of cloth all were given a compensatory duty that was more than compensatory, and in addition to that were given a protective duty, so that the protective duty that they had was not the total protection which they received, but they had in the compensatory duty a concealed protection which the public could not discern and could not appreciate; and not until the Taft Tariff Board made its exposure in 1912 did the people of the country become aware of the scandalous, the outrageous, the dishonest criminal method adopted in levying compensatory duties in the Payne-Aldrich law.

Mr. President, I desire without interruption to discuss the duties levied in previous laws.

**Comparison of the Compensatory Duty on Yarn in the Senate Amendment with Previous Laws.**

It is difficult to make a comparison because any compensatory duty that is purely compensatory must reflect the rate of duty is imposed upon raw wool; that is, it must be worked out in scientific relation to the duty upon raw wool under the tariff act. The raw wool duty has, of course, varied. Under the emergency tariff act the compensatory duty upon yarn—as upon other wool manufactures—is 45 cents per pound. This is 6 cents per pound more than the compensatory duty in the main bill of the Senate amendment. But it must be remembered that in the emergency law, owing to the skirting joker, the duty upon raw wool, assuming an average shrinkage of 50 per cent, would be 60 cents per clean pound; whereas in the Senate amendment it is 18 cents per clean pound.

Under the Underwood law there was, of course, no compensatory duty, since wool was admitted free.

Under the Payne-Aldrich law the compensatory duty on yarn in the Senate bill was 37½ cents per pound. But upon the falling in the remaining brackets—and this comprised the bulk of yarn—the compensatory duty was 38½ cents per pound. Considering that the duty upon raw wool in the Senate bill was 50 per cent higher than the duty of the Payne-Aldrich law, it is obvious that a compensatory duty of 38½ cents per pound bears a peculiar aspect in the light of the compensatory duty of 39 cents per pound in this law. The explanation is, of course, that the compensatory duties in the Senate bill are based upon the findings of the old Tariff Board, while the compensatory duties in the Payne-Aldrich law were ostensibly compensatory but were so arranged that it was a belated acknowledgement of the iniquities of the adjustment.

**Comparison of Protective Rates on Yarn in the Senate Amendment with House Bill.**

The protective rates on yarn in the House text were 15, 18, and 20 per cent, respectively, as the valuation of the yarn increased. But it must be remembered that these rates are based upon American valuation. The protective rates in the Senate amendment, based upon foreign valuation, are 50, 55, and 60 per cent, respectively, for the equivalent brackets. It is difficult to compare the relative height of the House and Senate texts because of the basis of valuation. If we contrast the prices on comparable grades of yarn it is necessary to make allowance for the fact that the domestic price includes the higher cost of raw material owing to the emergency tariff law. It is quite possible that the protective rates contained in the Senate bill constitute an actual increase over the House rates. Certainly the changes of rates made in the Senate amendment will not redound to the disadvantage of the domestic spinner.

**Comparison of Protective Rates on Yarn in the Senate Amendment with Emergency Law.**

Ostensibly the emergency law contains no protective rate other than the 1 cent per pound, which already existed in the duty upon law. The fact is, however, that the compensatory duty of 45 cents per pound includes a substantial amount of protection, being equal in the first bracket to the emergency law. In emergency law, it is, of course, also a confession and admission that the emergency law has operated to reduce the imports of the coarser yarns, which has led to an increased production of American yarns.

**Imports under the Emergency Tariff Law.**

The emergency law does not appear to have led to any great curtailment in the imports of yarn, though it should be noted that imports have not been as large as the average of imports during the passage of the law as compared with the production in this country. Even in 1914, when imports amounted to 4,760,610 pounds and larger than during recent years, they amounted to only 27 per cent of the domestic production. Practically all our imports are worsted yarns. As a matter of fact, both before and after the enactment of the emergency law imports of worsted yarns have ranged on the average around 100,000 pounds monthly, except during the three months preceding the law and while it was being discussed in Congress. At this time importations increased in the same manner and for the same cause as in the case of tops, which has been fully discussed. It being apparent that importers, anticipating the passage of the law, were storing up more than usual, so as to avoid the paying of the high duties threatened by the passage of the emergency law, it is fair to assume that the emergency law has operated to reduce the importations of the coarser and cheaper yarns, and had little effect in keeping out the finer and higher-priced yarns.

**Comparison of the Protective Duty in the Senate Amendment with the Underwood Law.**

The protective duty levied in the Underwood law was 18 per cent. The Senate amendment, on the higher priced and finer grade yarns constitutes an increase of over 122 per cent over the Underwood law.

While there was some slight increase of imports during the early years of the Underwood law, the compensatory duty on yarn in this bill is quite different. The Underwood law was condemned and repudiated, as is well known. It is not necessary to discuss now the finding of the old Tariff Board to the effect that the Payne-Aldrich protective rates were altogether too high and that it led to the complete prohibition of the coarser yarns and almost a complete prohibition on the even the finer and higher-priced yarns, and thereby gave a protection to the American yarn maker which was unwarranted.

The Underwood law, which followed the Payne-Aldrich law, was in substantial accord with the Tariff Commission's findings in fixing the protective duty at 18 per cent.

**Relation of the Senate Protective Duty to Conversion Costs.**

The normal conversion cost of woolen yarn ranges from 25 to 40 per cent of the total cost. Thus those protective rates in the Senate bill which are most likely to be operative, namely, 55 per cent, amount to 35 to 60 per cent of the foreign conversion costs. Yet the old Tariff Board concluded, after an exhaustive study of the conversion cost of yarn here and abroad, that the protective rates in the Payne-Aldrich law were essentially compensatory and had little effect in keeping out the finer and higher-priced yarns. As a matter of fact, the domestic conversion of converting the tops into yarn exceeded the foreign, on the average, by about 100 per cent. Inasmuch as they found that the domestic conversion cost of tops from raw wool exceeded the foreign by only about 50 per cent, on the average, it follows that the total domestic cost of converting clean wool into yarn must have exceeded the foreign cost by a figure somewhere between 90 and 100 per cent—see Tariff Board Report of 1912, page 18. Nor do the subsequent investigations made by the Tariff Commission indicate that this ratio of domestic to foreign conversion costs has been substantially changed in subsequent years. Thus it appears that the protective rates upon yarn in this bill are in direct violation of the findings of the old Tariff Board, and of conditions as they exist to-day in this branch of the industry.

Mr. President, I base my objections to this paragraph on four chief grounds:

First, the rate of 18 per cent was fixed in the Underwood Single Tax law after consideration and investigation by the Tariff Board as to the conversion costs of yarns in this country and abroad.

Second, there has been no increase in the spread or in the distance in the conversion costs between 1912 and the present time.

Third, there has been no importations under a rate of 18 per cent.

Fourth, the prices to-day of English yarns and American yarns in New York and Boston do not justify such increased protection as is proposed.
The comparatively slight difference in the prices of British and American yarns, it must be borne in mind, includes the increased cost of the domestic product by the existing duty on raw wool, because the American yarn now is being produced upon raw wool, and of course, is reflected in the price. To make a correct estimate of what would be a fair protective duty we ought to remove entirely from the American yarns the duty upon the emergency law, so as to treat the prices upon the basis of free wool, but I am not doing that. The following prices are of July 15, 1922, and apply to American-made yarns made from wool dutiable at the rates made by the emergency law:

The British price of yarn of a given grade is $1.71. The American price of yarn of the same grade is $2.40—-a difference of 69 cents.

In the case of another grade, the price in America of the British yarn is $1.55. The price of a corresponding grade American yarn is $2.

The British yarn in America of another grade is selling at $1.44, and the domestic yarn at $1.85.

The British yarn of the next grade is selling in America at $1.27, and the domestic yarn at $1.65.

The British yarn of the next grade is selling in America at 64 cents, and the American yarn at $1.45.

The British yarn of the next grade is selling in America at 97 cents, and the American yarn at $1.45.

The British yarn of the next grade is selling in America at 84 cents, and the American yarn at $1.12.

The British yarn of the next grade is selling in America at 56 cents. The amendment proposed by the Senate committee gives to the spinner of yarn 87 cents in that instance. In other words, the Senate amendment licenses the American spinner to charge an American consumer the difference between the American price and the foreign price, and in addition 25 cents, which he can put in his pocket. In this case the duty gives the entire conversion cost of every pound of yarn, to the manufacturer. Just figure up, when you come to consider 100,000 pounds or 1,000,000 pounds of yarn, just what an enormous gift that is.

The yarn of grade No. 2, the difference in price is 45 cents. This amendment gives a protection of 91 cents, a sum equaling the cost of conversion, plus 46 cents on every pound of yarn for the American spinner.

In the case of yarn constitute the most outrageous case that has been presented in the whole discussion of this bill. In this case you are giving the manufacturer 100 per cent more than the difference in the conversion costs.

Now, let us take the third case. The difference between the cost of the British yarn and the American yarn is 41 cents. The Senate amendment gives the manufacturer of yarns a protection upon that difference of 87 cents—-46 cents for the conversion; 46 cents more than the difference in the cost of converting the wool into yarn in this country and abroad.

The next, 38 cents, the difference in the costs of the yarns, gives the spinner 81 cents in that instance. The next, 36 cents, gives the spinner 56 cents.

Are we going to stand for that? Will anybody listen, and in the light of these figures of July 15, in the light of this information of 10 days ago, vote any such bounty or subsidy to the spinners? I ask that the table from which I read be inserted in the Record at the close of my remarks. (See Appendix A.)

Now I intend to translate all the duties levied under the Payne-Aldrich law, and all the duties proposed to be levied under the bill as it passed the House, and all the duties proposed to be levied by the Senate committee amendment into ad valorem rates and find out just how much more we are expecting the American people to pay for the different grades of yarn, based upon ad valorem rates, instead of specific and ad valorem rates, as levied in this amendment.

I shall not take the trouble to read all of the 10 or 12 grades of yarn in the table which I have in front of me. I shall not take the trouble and time of the Senate to point out the differences between the ad valorem duties in the extreme cases, I will pick out just one or two grades of yarn which are most commonly used.

The case of Payne-Aldrich law levied duties on the 30-ply yarn representing 144 per cent ad valorem.

The bill as it passed the House levied duties of 190 per cent ad valorem and the Senate committee amendment proposes to levy duties of 180 per cent ad valorem, practically the same as the Payne-Aldrich rates, which have been so very sharply criticized and strongly condemned by the majority party in this Chamber.

We are proceeding to levy upon yarn an ad valorem duty of from 65 per cent, in the case of the cheapest yarns, to nearly 150 per cent, yet the information which all experts upon this subject have given is that the cost of manufacturing yarns out of the raw wool represents only between 25 and 40 per cent of the value of the wool. I want to repeat that, as against a conversion cost, upon the authority of experts, justifying between 25 and 40 per cent of the cost of the article we are providing in this amendment for a conversion cost of from 65 per cent to 150 per cent.

Let the majority go on with this business of bestowing these gifts promiscuously without any impartial data or information to justify them. They spell political disaster for the Republican Party.

My only fear is that the imposition of these duties will have upon American business and foreign commerce, and my only sympathies is with the American consumers who will have to pay the cost. The worst part of it is that the House amendment, as they will demand, a change in these duties we will find the protected industries so accustomed to these protective duties, and to the profits which come from them that we will be unable to strike, without much difficulty and business disturbance, a rate which will be fair to them, fair to the consuming public, and fair to all concerned.

These duties are not fair to the American consumers. They are not fair to the great competitive business interests of America. Yet this amendment will be adopted by the majority. If I could point out that these duties meant a 500 per cent increase in prices, the amendment would go through just the same under the iron heel of the agricultural bloc and those who represent other favored interests.

I ask that the table showing the ad valorem rates in the Payne-Aldrich law, as it passed the House, and the Senate amendment be printed in the Record at the close of my remarks. (See Appendix B.)

Mr. President, I move now that on page 145, line 12, the numeral "30" be struck out and the numeral "20" inserted; that on line 14 the numeral "35" be struck out and the numeral "25" inserted; and that on line 15 the numeral "40" be struck out and the numeral "30" inserted; so that if amended the amendment would read:

Yarn, made wholly or in chief value of wool, valued at not more than 30 cents per pound, 20 cents per pound and 20 per cent ad valorem; valued at more than 30 cents but not more than $1 per pound, 20 cents per pound and 20 per cent ad valorem; valued at more than $1 per pound, 30 cents per pound and 30 per cent ad valorem.

APPENDIX A.

Comparative prices of worsted yarns in England and the United States.

<table>
<thead>
<tr>
<th>Domestic</th>
<th>British</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality</td>
<td>Price</td>
</tr>
<tr>
<td>2/60s</td>
<td>$0.20</td>
</tr>
<tr>
<td>2/60s</td>
<td>$0.26</td>
</tr>
<tr>
<td>2/60s</td>
<td>$0.30</td>
</tr>
<tr>
<td>2/60s</td>
<td>$0.35</td>
</tr>
<tr>
<td>2/60s</td>
<td>$0.40</td>
</tr>
<tr>
<td>2/60s</td>
<td>$0.45</td>
</tr>
<tr>
<td>2/60s</td>
<td>$0.50</td>
</tr>
<tr>
<td>2/60s</td>
<td>$0.55</td>
</tr>
</tbody>
</table>

1 Textile World, July 15, 1922.
2 Bradford Wool Record and Textile World, July 13, 1922.
3 Allowing 3 cents per pound for landing charges and 10 per cent for importer's overhead and profit.

APPENDIX B.

Yarn.

<table>
<thead>
<tr>
<th>Rate in</th>
<th>Rate in</th>
<th>Senate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payne-</td>
<td>Aldrich</td>
<td>Committee</td>
</tr>
<tr>
<td>30 per cent</td>
<td>14.29</td>
<td>14.23</td>
</tr>
<tr>
<td>35 per cent</td>
<td>13.49</td>
<td>13.48</td>
</tr>
<tr>
<td>40 per cent</td>
<td>12.70</td>
<td>12.69</td>
</tr>
<tr>
<td>45 per cent</td>
<td>11.91</td>
<td>11.90</td>
</tr>
<tr>
<td>50 per cent</td>
<td>11.12</td>
<td>11.11</td>
</tr>
<tr>
<td>55 per cent</td>
<td>10.33</td>
<td>10.32</td>
</tr>
<tr>
<td>60 per cent</td>
<td>9.53</td>
<td>9.52</td>
</tr>
<tr>
<td>65 per cent</td>
<td>8.74</td>
<td>8.73</td>
</tr>
<tr>
<td>70 per cent</td>
<td>7.94</td>
<td>7.93</td>
</tr>
<tr>
<td>75 per cent</td>
<td>7.14</td>
<td>7.13</td>
</tr>
<tr>
<td>80 per cent</td>
<td>6.34</td>
<td>6.33</td>
</tr>
<tr>
<td>85 per cent</td>
<td>5.54</td>
<td>5.53</td>
</tr>
<tr>
<td>90 per cent</td>
<td>4.74</td>
<td>4.73</td>
</tr>
<tr>
<td>95 per cent</td>
<td>3.94</td>
<td>3.93</td>
</tr>
<tr>
<td>100 per cent</td>
<td>3.14</td>
<td>3.13</td>
</tr>
</tbody>
</table>
Mr. LENROOT. Mr. President, it seems very clear to me, from such investigation as I have been able to make, that the protective duties provided in this paragraph are excessive. In my paragraph the committee has assumed that it would require twenty-six thirty-thirds of a pound of scoured wool to make a pound of yarn. At the very lowest rate of the low-blood wool quoted in the London markets last month of 24 cents, the lowest rate in the market, the lowest cost of the wool 21 cents a pound, leaving for the first clause 9 cents a pound for the entire conversion cost, whereas the rate of duty at 50 per cent ad valorem would give 9 cents per pound protective duty. If this is the conversion cost in the case of the very cheapest yarns that could be produced.

The Tariff Board of 1912 went into a very thorough investigation of the differences in the cost of spinning yarn in Great Britain and America, and they found that the cost ranged from 70 per cent to 94 per cent greater in America. But we have in the survey of the British wool-manufacturing industry, made by the Tariff Commission in 1922, a new survey of the situation between England and the United States as to yarn costs. I first want to read the general conclusions of the commission with reference to wages in England and the United States, page 89 they said:

With respect to comparative wages scales, it is interesting to note the relative changes in wages in the two countries since the pre-war peace, the generally increased difference in wage levels then obtaining, to judge whether the competitive position of the American industry has been maintained. At all events, as England is concerned, it may be stated that wages have risen on the average since the present peace by 40 per cent. The increase due to the rising of working hours, the cost of living bonus, and the additional basic wages which is becoming general throughout the industry.

Table 3:

For the United States no general authoritative figure of average advances of wages since 1914 exists. The best data available indicates that the approximate advanced 17 cents per cent.

So, according to the report of the Tariff Commission, the spread in cost in Great Britain and in the United States is less to-day, so far as labor cost is concerned, than it was in 1912, page 89. The commission gives the comparative cost of yarns, giving the English price and the English price, and then say:

Here, to tops, there is a much closer approximation of the English figures to those in the domestic market than existed before the war. It will be noted that, were the duty on yarns as contained in the present tariff, 18 per cent, to be added to the above prices of the English yarns, it would not be advantageous to import them into the United States. Charges for freight, insurance, commission, and the like would, of course, increase the imported price still further.

So that the commission find that 18 per cent, the rate in the Underwood law, is adequate to-day to cover the difference in price, and yet the committee propose to increase that rate from 18 to 30 per cent in one case and from 18 to 40 per cent in another case.

Mr. MCUMBER. Mr. President, will the Senator yield? Mr. LENROOT. I yield.

Mr. MCUMBER. Have the commission made any report as to the cost of production in France and in Germany compared with our own production of yarn.

Mr. LENROOT. Not that I know of.

Mr. MCUMBER. France imports quite considerable and Germany not as much, but of course her capacity for doing such is unquestioned if the conditions become favorable for it.

Mr. LENROOT. England imported 4,800,000 pounds in 1921 and France imported 1,000,000 pounds.

Mr. MCUMBER. But that is considerable. It is not, of course, as much as Great Britain imported, but at the same time we have to take the country of lowest production cost as well as the country of the highest production cost in determining what the duty shall be.

Mr. LENROOT. The Senator said the importation of France is considerable. Let us see how considerable it is compared with our own production of yarn.

Mr. McALLEN. Massachusetts. Mr. President, may I suggest to the Senator, while he is looking for that information, that while the emergency tariff law was pending it became apparent that increased duties were intended to be levied and there was not enough importers of yarn to escape the duties about to be levied under the emergency tariff law.

Mr. LENROOT. Oh, yes; the tariff board so stated.

Mr. WALSH of Massachusetts. Of course, those fancy yarns must be imported anyway. They are not made in America.

Mr. LENROOT. I do not have the figures showing our own production, the Senator may know. I do not want the question of fact to be in dispute.

Mr. MCUMBER. I do not have them in mind just now, but I understand the Senator has about the right proportion between the British and the German.

Mr. LENROOT. So with their production of 500,000,000 pounds and over, an importation of 1,000,000 pounds of course is a bagatelle.

Mr. LENROOT. I will say to the Senator, however, that the 1,000,000 pounds are certain kinds of yarns that would come here as specialties. But if we change the rate here to take care of the low-grade yarns at the price of wool to-day, and if they advance in price, there would be no protection and the door would be wide open.

Mr. LENROOT. I want to understand that. Why does the Senator say that if wools advance in price there would be no protection? I am not speaking of the compensatory duty.

Mr. SMOOT. No; I did not say advance. I say if they decline in price.

Mr. LENROOT. The low wools?

Mr. SMOOT. No; the medium wools. If the medium wools decline in price, then the rate we have provided here would be hardly compensatory because, as the Senator knows, with the 18 per cent decrease there, the line of danger would be immediately marked. It is true that the fine and medium wools are exceptionally high and the low-bred wools are exceptionally low. I can figure out to the Senator on the low rate that the amount necessary to cover the low-bred wool in the case of the very cheapest yarns that could be produced.

Mr. LENROOT. I am aware of that; and I will admit, so far as the brackets are concerned, that there has happened in every application in the tariff laws where the brackets have been used, and necessarily will happen when they are used. The reason for that is because in making the law it is the desire to provide for every emergency that may happen. We thought we had it protected in the Underwood law to take care of the price of wool, no matter how low it went. If the Payne-Aldrich law was in effect to-day it would not take care of the abnormally low prices of the coarse wools. I know the difficulties there, and I know what the Senator said is absolutely true as to the enormous percentage that falls now through the compensatory duty of 31 cents. There is no doubt about it at all. But if these wools advance 100 per cent, I believe they will advance 100 per cent—It would be different.

I say now, as I said the other day, that there is no more chance of losing money, if a man wanted to speculate upon coarse wool, than there is in the heavens. He would be sure, as he could pack these wools he would make money upon them. Never have they been known to be so low as they are to-day. Those rates, of course, are not going to affect the cloth, because the Senator knows that there is not known to be more than 50 per cent on the cloth anywhere, and those rates are made so they will be step by step in normal times. I could criticize this most mercilessly to-day, so far as rates are concerned. If we had normal conditions and normal-priced wool, I could criticize them just as severely as the Senator can criticize them or just as severely as the Senator from Massachusetts has criticized them if conditions were normal and the prices were as they generally are.

Mr. LENROOT. The Senator will admit that if the price goes up the protective-tariff rate translated into terms of ad valorem equivalent also increases.

Mr. SMOOT. Yes; we have to do that on the lower wools.

Mr. LENROOT. I understand that. If the price of wool goes up, the cost of conversion does not go up.

Mr. SMOOT. Not at all.

Mr. LENROOT. By reason of the increased price of wool the cost of conversion does not go up, but the protection does go up when the price of wool goes up.

Mr. SMOOT. That is true; and on the lower bracket, as the Senator will notice, we only have 30 per cent ad valorem, and on the tops 20 per cent. The steps necessary from that are being 10 per cent conversion cost.

Mr. LENROOT. That can hardly be, because the bill as originally reported carried 25 per cent on tops, and the next steps 30 per cent upon that.

Mr. SMOOT. Now, Mr. President, in order that the Senator may know and in order that the Senate may know, I am perfectly willing to state just why that is. There was a feeling
In the country and there was a feeling in the committee, so far as tops are concerned, that we do not want them to come in and want them to displace wool. The 20 per cent rate was put in there as an embargo, pure and simple, and it would be an embargo. I think I told the Senator that in our conversation upon the Item. It was put in there for that purpose.

Mr. LENROOT. I think that is true, but, of course, that rather destroys the Senator's argument that the 10 per cent ad valorem rate was designedly so, but actually working out that way, and the Senator must admit that that does not apply to the case of the wool.

Mr. SMOOT. It was not 10 per cent as reported to the Senate. It was only 5 per cent.

Mr. LENROOT. That is what I said.

Mr. SMOOT. No; but I do say, when it was reduced to 20 per cent, that 10 per cent was the original advance between the tops and the next step. The Senator will notice we only gave 20 cents a pound.

Mr. LENROOT. That would be 36 3/33 of a pound of wool.

Mr. SMOOT. That is what it means. That is what we put into yarn, and there is no question but what we could make that yarn in normal times at 30 cents, but they would have to have that amount of waste or other materials.

Mr. LENROOT. Let me ask the Senator, although I do not care to make any contention about it, will not a yarn that is part cotton come in under this paragraph?

Mr. SMOOT. Yes; if it is mixed with wool and the chief value is wool.

Mr. LENROOT. So that we have, and I am not criticizing the committee for it, given a hidden protective duty in such cases, where it is not all wool.

Mr. SMOOT. No; we have taken off the 30 cents and made it only 35 cents. In other words, there would have to be an increase of 50 per cent on the 25 cents to make it 30 cents.

Mr. LENROOT. But it has to be twenty-six thirty-thirds of a pound of wool, according to the committee. That would only leave seven thirty-thirds of a pound of anything else. It might be waste.

Mr. SMOOT. More than likely this is what would happen. They would put in perhaps 121 1/2 per cent cotton and the balance of wool waste, and of course the remainder of it would have to be wool. If they should put cotton in it the thread would be so hard that it could not be finished so it would pass in commerce as a wool article.

Mr. LENROOT. I appreciate that there is no way of avoiding an excessive or protective duty in giving a compensatory rate if you are to carry into the compensatory rate the rate on the pure wool. I do not question that. It is simply a fact that necessarily under normal conditions there are hidden rates, not designedly so, but actually working out that way, and the Senator will admit that, I think.

Mr. SMOOT. I have admitted it, and I admit it again. With the abnormal situation now existing we cannot get away from it.

Mr. LENROOT. To get back to the pending proposition, the Senator says if wool rises in price a different situation will prevail. But if the cost of wool rises, the conversion cost does not necessarily change at all.

Mr. SMOOT. No.

Mr. LENROOT. But if wool does rise in price the protective rate rises with it.

Mr. SMOOT. Yes; but the equivalent ad valorem on one kind of wool would then be very much lower than the equivalent ad valorem duty on the other. The fine wools are not going to advance; they are now abnormally high. If there shall be any change whatever I think the price will decrease. On the other hand, if there shall be any change in the case of the low-blow wools the price will increase.

Mr. LENROOT. Then, I think the Senator from Utah will admit that the rate provided in the first bracket is really prohibitive; there can be not any importations under that rate for a dollar.

Mr. SMOOT. I do not think that there will be very much wool falling in the 30-cent bracket; in fact, I know of no yarn to-day that could fill the whole schedule; but if conditions should arise so that anything should happen which we do not now foresee, there might be such a thing. However, if the Senator from Wisconsin will look at the importations he will find that there is no such yarn imported. I will further say to the Senator that there is no such yarn of which I know made in the United States to-day.

Mr. LENROOT. I think that is true; I do not think there is any yarn imported, because it is absolutely prohibitive, and I do not think there is any such yarn made in the United States.

Mr. SMOOT. The bill as it came from the House starts out with wool which is valued at not more than 55 cents a pound. Then we made a new bracket. Of course, the House rates were based upon American valuation, and we changed those and based them on foreign valuation. Of course the Senator also would put in a higher compensatory rate. He will further say to the Senator that these rates are lower than the Payne-Aldrich law rates.

Mr. LENROOT. I think that is true; but, according to the Tariff Commission, the ad valorem on 25 per cent rate is prohibitive; and yet it is proposed to increase it to 30 per cent.

I am not going to take further time, Mr. President. I appreciate there is no use in trying to secure a reduction in the rates in this schedule. It simply cannot be done; and it cannot be done matter what facts may be shown to the Senate. The votes are here to put the rates through just as the committee proposes them. I appreciate that, and I am not going to take a great deal of time. I am merely going to ask for a yes vote on certain of these paragraphs, particularly with reference to clothes. Then I shall be content to let the schedule go through, for I realize the utter futility of arguing the merits of the different rates which are proposed in this schedule.

Mr. MCCUMBER. Mr. President, I think the Senator from Wisconsin will admit that the present price of low grades of wool is only about half what it was in 1915, and that, therefore, in all probability it will at least double in price under normal conditions. If such wool should bear the relation that it bore to the higher-priced wools in 1915 it would have to be increased perhaps fourfold in order to maintain the margin that prevailed at that time. Let us assume that the price will simply be doubled; then does the Senator think that the rates which we have proposed to impose on the ad valorem basis, outside of the compensatory rate, would be excessive?

Mr. LENROOT. I certainly should, for, if the committee had proposed these rates as allowing fair compensation upon the present prices when the price is doubled, the protection is doubled.

Mr. SMOOT. But there would not be any greater equivalent ad valorem on the wool than if the price were just as low as it is today.

Mr. LENROOT. But does the Senator see that if wool which costs 30 cents a scoured pound is converted into yarn and the conversion cost is 30 per cent, or 9 cents, and if that goes up to 60 cents a pound the conversion cost will be 9 cents but that the duty will be 18 cents?

Mr. MCCUMBER. But the equivalent ad valorem would be very much lower.

Mr. MCCUMBER. I know that; but equivalent ad valorem are for the purpose of covering the difference in actual costs, are they not?

Mr. SMOOT. That is true, I will say to the Senator; but, on the other hand, the Senator must admit that that does not apply to the wool above three-fourths of a pound.

Mr. LENROOT. I will admit that when the wool goes up there cannot be the same amount of wool coming in under the lower bracket, of course.

Mr. SMOOT. That is true. The Senator from Wisconsin and I do not disagree as to that.

The PRESIDING OFFICER. The question is on the amendment offered by the Senator from Massachusetts [Mr. WILSH] to the amendment of the committee.

Mr. UNDERWOOD. Mr. President, I think the Senator from Massachusetts [Mr. WALSH], who is in charge of this schedule but who happens for the moment to be absent from the Chamber, would probably desire a yes-and-nay vote on his amendment.

Mr. SMOOT. I ask for the yeas and nays, Mr. President.

The yeas and nays were ordered.

The Assistant Secretary was directed to call the roll, and Mr. ASHURST voted in the affirmative when his name was called. Mr. WALSH of Massachusetts. Mr. President, I ask that the Secretary may state my amendment.

The PRESIDING OFFICER. By unanimous consent, the roll call will be suspended, and the Secretary will again state the amendment offered by the Senator from Massachusetts to the amendment reported by the committee.

The Secretary stated the amendment of the committee, on page 145, being the yarn provision, on line 12, it is proposed to strike out "20" and insert "20"; on line 14 to strike out "25" and insert "30"; and on line 15 to strike out "25" and insert "30".

Mr. LODGE. Mr. President, I make the point of order that there can be no interruption of the roll call.
The PRESIDING OFFICER. The point of order comes too late. The Secretary will proceed with the calling of the roll.

The Assistant Secretary responds to the calling of the roll.

Mr. BALL (when his name was called). Repeating the statement made on the previous roll as to the transfer of my pair, I vote "nay."

Mr. DIAL (when his name was called). Making the same announcement as to my pair and transfer as on former ballots, I vote "nay."

Mr. McCLURE (when his name was called). Transferring my pair as on the previous vote, I vote "nay."

Mr. McLEAN (when his name was called). I transfer my pair with the senior Senator from Arizona [Mr. CARNOY], not having voted, to the junior Senator from Colorado [Mr. NICHOLSON], and vote "nay."

Mr. McCORMICK (when his name was called). Repeating the announcement made on previous votes as to the transfer of my pair, I vote "nay."

Mr. WALSH of Montana (when his name was called). I have a general pair with the Senator from New Jersey [Mr. PAULINGHUYSEN] which I transfer to the Senator from Missouri [Mr. REED], and vote "yes."

The roll was concluded.

Mr. McKINLEY (after having voted in the negative). I note that my permanent pair, the Senator from Arkansas [Mr. CARNEY], has not voted. I transfer that pair to the junior Senator from North Dakota [Mr. LADD], and let my vote stand.

Mr. HALE. Making the same announcement as before with reference to my pair and its transfer, I vote "nay."

Mr. CALDER (after having voted in the negative). I transfer my pair with the senior Senator from Georgia [Mr. HARRIS] to the junior Senator from Delaware [Mr. DU PONT] and allow my vote to stand.

Mr. CURTIS. I desire to announce that the Senator from Nevada [Mr. O'Neal] is necessarily absent. If present he would vote "yea" on this question.

I have been requested to announce the following pairs:

The Senator from Vermont [Mr. DILLINGHAM] with the Senator from Virginia [Mr. GLASS];

The Senator from New Jersey [Mr. EDGE] with the Senator from New Mexico. Mr. ELKINS.

The Senator from West Virginia [Mr. ELKINS] with the Senator from Mississippi [Mr. HARRISON];

The Senator from California [Mr. JOHNSON] with the Senator from Georgia [Mr. WATSON];

The Senator from West Virginia [Mr. SUTHERLAND] with the Senator from Arkansas [Mr. ROMNEYN];

The Senator from Indiana [Mr. WATSON] with the Senator from Mississippi [Mr. WILLIAMS].

The result was announced—yeas 19, nays 31, as follows:

YEAS—31.

Ball
Broussard
Bursum
Calder
Cameron
Caldwell
Carter
Cass
Curtis
Dennis

Brewster
Brown
Buchanan
Butler
Carr
Carter
Curtis
Dennis
Dial
Douglas

The result was announced—yea 19, nays 31, as follows:

YEAS—19.

Ashurst
Borden
Bourjouis
Brough
Bryan
Bullock
Bryan
Davie
Derek
Dillingham
Durham
Edge
Ellison
Ellison
Farnum
Fenwick
Fischer

Borden
Bourjouis
Brough
Bryan
Bullock
Bryan
Davie
Derek
Dillingham
Durham
Edge
Ellison
Ellison
Farnum
Fenwick
Fischer
Fleming
Franklin
Fraser

The amendment was printed and is inserted for the pending bill.

So the amendment of the committee was agreed to.

Mr. JONES of New Mexico, Mr. President, I present an amendment to the pending bill and ask that it be printed and lie upon the table.

I desire to say that I had intended, in connection with the presentation of this amendment, to discuss its provisions; but having previously concluded that it would be advisable to let the amendment be printed, so that Senators may have copies of it before the discussion begins, I will state generally that it is an amendment to extend the powers of the Tariff Commission, as it is offered, in effect, as an experiment for the pending bill.

The PRESIDING OFFICER. The amendment will be printed and lie upon the table.
with the lightweight woven goods, and I desire at this time to modify two of the rates in the paragraph. On page 146, line 7, I ask to substitute " 50 " for " 55," and on line 10 I ask to substitute " 150 " for " 100." It may be asked, as long as the ad valorem rate is 50 per cent, why there should be two brackets bearing the ad valorem rate of 50 per cent. I will say that of course the compensatory duty is different, and for statistical purposes we desire that they should be separated; and that will appear in one or two other paragraphs. No matter where it appears, if the protective rate is 50 per cent in two of the brackets, we do that, even though the compensatory rate is the same but the rate is different, for the purpose of statistics, and so that we may know the quantity of goods of various prices coming into the country.

Mr. WALSH of Massachusetts. Mr. President, paragraph 1108 covers the lighter weight fabrics of wool, mohair, and so forth; that is, women's and children's dress goods, coat linings, bunting, and the like. It contains two sets of duties, those relating to specific fabrics when not having a cotton warp and those relating to such fabrics having a cotton warp—the latter being the proviso clause. The provisions covering those not containing a cotton warp fall into two brackets, that is, of the clean-content duty to serve as the compensatory on cloth. Thus, with a duty of 33 cents on the clean wool, about 49 cents would be required on the cloth. The assumption here is that any cloth which is valued at 80 cents per pound is likely to contain nothing but virgin wool.

In the first bracket the compensatory duty has been fixed at 40 cents per pound because it is assumed that fabrics valued at less than 80 cents per pound contain substantial proportion of substitutes for virgin wool. This is presumably an estimated allowance only.

The situation respecting the compensatory duty of 30 cents per pound on cotton-warp dress goods is similar to that in the case of lower valued all-wool fabrics; that is, since the fabric is composed in part of cotton (upon which no compensatory duty is levied, or if it be a petit-gateau, upon which the compensatory rate would be much less than in the case of wool) it is assumed that 30 cents per pound will provide adequate compensation to the manufacturer.

From a comparison with the House rates...

While no exact comparison can be made because of the difference in the basis of valuation used in the two texts, it is practically certain that the protective rates in the Senate bill constitute a distinct increase over those in the House text. For example, when the $1.25 per pound value used as an upper limit of the first bracket in the House text was converted from the American valuation, upon which it was based, to the foreign valuation, the bracket would be reduced to 80 cents per pound; that is to say, by 36 per cent. At the same time the protective rate was increased from 22 per cent in the House text to 50 per cent in the Senate text—in other words, by 127 per cent. This is explained by the fact that the protective rates in the two texts as was set up for the valuation bracket it would have been necessary to impose a duty of only 22 per cent on these goods. Likewise upon the higher bracket the rate was raised from 274 per cent in the American valuation to 50 per cent foreign valuation in the Senate text. On cotton-warp goods the change was from 22 per cent to 274 per cent—according to value—in the House text to 50 per cent in the new Senate amendment.

It is pertinent to inquire what facts and information the Senate committee had before them that the House committee did not have. It is to be inferred that they justified them in increasing the protective rate so excessively.

To what extent these high compensatory and protective duties will burden the consumers can be illustrated by the rate fixed upon cloth having a cotton warp and a duty of 80 cents per pound compensatory duty and 50 per cent ad valorem protective duty, it is easily seen that the price of the 80-cent wool cloth will be increased to the consumer by about 100 per cent if the duties are effective of course. In other words, foreign cloth worth 80 cents per pound will, by reason of these duties, be sold to the consumer in America at 80 cents more.

If another way it means that the purchasers of ladies' dress goods which cost in the foreign market 80 cents per pound will pay in America $1.00 per pound, which would include the duty imposed on this material. On an average of 4 yards to the pound this would double the cost of the dress goods in America and made abroad would be advanced about 41 cents per yard, in addition to which would have to be added, of course, exchange rates, cartage, insurance, and so forth. On an average of 4 yards to the pound, it would amount to about 35 cents per yard.

On woven cloth valued at $2 per pound in England—16-ounce cloth, 1 yard to the pound, which really falls in paragraph 1109 of the Senate bill, but if the Senator from Massachusetts does not mind being interrupted a moment, I shall address my remarks to the Senator from Utah. The pending amendment reads, in part, as follows:

The duty amounts to 100 per cent on woolen goods. The people in my part of the country, and we live in a cold region, have to buy woolen goods for clothing, and this means that we shall have to pay a duty of 100 per cent on woolen clothing, if the tariff is an outrageous proposition.

Mr. SMOOT. Of course 40 cents and 50 per cent ad valorem are proposed here, but I doubt if there is any 80 cent goods coming into the country.

Mr. NELSON. It amounts to this, I want to say, that if a yard of cloth comes in here and the export price is $5 a yard it will cost $10 a yard before it gets through the house, Mr. SMOOT. No; the Senator is wrong there, because if it costs $5 a yard it costs 80 cents a pound.

Mr. NELSON. The duty is then 100 per cent.

Mr. SMOOT. Oh, no; I will say to the Senator...

Mr. NELSON. Yes, let me read it here. Here are the figures. It is provided that where the fabric is valued at not more than 80 cents a pound, the duty shall be 40 cents a pound and 50 per cent ad valorem. Fifty per cent of 80 cents is 40 cents, and adding 40 cents to that 40 cents makes 80 cents, exactly what the article costs.

Mr. SMOOT. Let me figure it out to the Senator the way it really is.

Mr. NELSON. If that is the kind of tariff it is proposed to inflict on the American people, we want to know it.

Mr. SMOOT. I will say to the Senator that if that cloth costs $5 a yard the duty would be 40 cents on the $5, which would be 80 cents a pound and 50 per cent are 55 per cent, and not 100 per cent on 80 cents.

Mr. NELSON. I am referring to the language of the bill. Can the Senator figure out anything else from that language? The language is "40 cents per pound and 50 per cent ad valorem." If the cloth is not worth more than 80 cents a pound, the duty is 40 cents specific and 50 per cent ad valorem. Those two added together make 90 cents, and is not that 100 per cent of 80 cents?

Mr. SMOOT. Yes; but the Senator...

Mr. NELSON. Can the Senator make anything else out of those figures?

Mr. SMOOT. Yes; I can, and I did from the example the Senator stated, showing it was 58 per cent. That is all it could be. It is true if the value is not more than 80 cents a pound, it would take exactly 80 cents, as the Senator
Mr. SMOOT. The 40 cents a pound is not a compensatory duty.

Mr. NELSON. The 40 cents is not a compensatory duty.

Mr. SMOOT. It is more than compensatory.

Mr. NELSON. The Senate has fixed a rate of duty of 33 cents a pound.

Mr. SMOOT. Yes; that is right.

Mr. NELSON. There is not a pound of scoured wool in a pound of cloth.

Mr. SMOOT. Then they do not get the 40 cents. It is only 40 cents a pound.

Mr. NELSON. They have to pay 40 cents as provided in the amendment, and in addition to that 50 per cent. I never heard of an adjective duty.

Mr. SMOOT. Let us get at it right. The Senator wants to be fair, I know.

Mr. NELSON. Then the Senator should be fair to the American people.

Mr. SMOOT. That is what I want to be.

Mr. NELSON. And not so exceedingly fair to the woolen manufacturer.

Mr. LODGE. The woolen manufacturer is getting just 50 per cent duty. That is all he is getting and no more. These are light-weight goods. The Senator said 33 cents on scoured wool is the duty, and that is true, but he can not take a pound of scoured wool and make a pound of cloth from it. It is impossible to do that. There is a waste every time the wool is handled, and in the pending paragraph we have allowed 7 cents for waste.

Mr. WALSH of Massachusetts. There is 50 per cent—

Mr. NELSON. But there is a great deal more waste to the poor devil who has to buy the cloth or who has to buy a cent and pay 100 per cent ad valorem duty on it. What about that waste?

Mr. SMOOT. Then the Senator ought to have free wool. If we had free wool, the 40 cents a pound proposed here would come out, but as long as we have 33 cents duty on scoured wool we have to give this compensatory duty. The manufacturer does not make one penny out of it. There is not a penny of protection in that to him. The only protection that he has is the ad valorem. That is his protective tariff. The other 40 cents is for the duty upon the wool, and, as I said, there is not a penny gained in the 40 cents duty.

Mr. LODGE. I am very glad to find out how the Senator from Utah justifies that enormity of a tariff on the woolen cloth that we all have to wear.

Mr. SMOOT. I think the Senator voted for the duty on wool, did he not?

Mr. NELSON. I voted for the amendment of the Senator from Wisconsin [Mr. Lensoor].

Mr. NELSON. That proposed a duty on wool.

Mr. SMOOT. Yes; but that was not such a duty as this.

Mr. SMOOT. The amendment of the Senator from Wisconsin did not affect these very goods at all. These are light-weight goods under 4 ounces per square yard. They are all dress goods. The amendment of the Senator from Wisconsin imposed a duty on coarse wools that never can be made into these goods at all, and they were given 33 cents a pound under the amendment of the Senator from Wisconsin. The Senator from Minnesota certainly does not want to vote 33 cents a pound duty on wool and then say that the manufacturer shall not have a compensatory duty. That is the situation, and I knew if he understood it.

Mr. SMOOT. In some way it has been fixed so that on the cloth that we buy, that we can all afford to wear—and when I say "we," I mean the common people of the country—we have to pay a 100 per cent duty. The Senator takes a moment or two to convince people have no business to wear that kind of cloth, and would remit us back to cloth made from carpet wool.

Mr. SMOOT. I have stated what the Senate has done. It has voted a duty of 33 cents a pound on scoured wool. These are light-weight goods, none of them over 4 ounces to the yard. They are dress goods, with the exception of the last provision as to cotton warp, and those are for linings; they are nearly all linings. We have said there should be 33 cents a pound upon scoured wool, and upon this bracket we have given a compensatory duty of 40 cents for that 33 cents on scoured wool, which the Senator from Massachusetts (Mr. Watson) himself will say is not an exorbitant compensatory rate of duty.

Mr. NELSON. I want to say in all Christian spirit to the Senator from Utah that I shall be ashamed to go back to the people of Utah and tell them that we have enacted a law providing a duty of 100 per cent on the cloth they and I must buy and wear, cloth that we have to wear in the winter. We shall have to pay 100 per cent under this provision.

Mr. SMOOT. All I can say is to repeat that if we want a duty upon wool of 33 cents a pound, we must give a compensatory duty upon the cloth. The Senator must admit that. We must have a duty upon every paragraph relating to fabrics where the manufacturer gets more than a 50 per cent duty. This is the highest protective duty upon woven fabrics that there is in the bill. All the compensatory duties come from the fact that there is a duty of 33 cents a pound on scoured wool. That is all there is to it. Those are the facts in the case.

Mr. POMEROY. Mr. President, will the Senator from Massachusetts yield to me for a moment?

Mr. WALSH of Massachusetts. Certainly.

Mr. POMEROY. The Senator from Massachusetts has put a very pertinent question to the Senator from Utah. According to the amendment of the Senator from Minnesota the duty here is about 100 per cent. I know that the Senator from Massachusetts has had the constant aid of experts from the Tariff Commission on the subject, and in the interest of certainty I should like to ask from the Tariff Commission what that duty is going to be. What information has he been able to gather, if any, from the Tariff Commission or other experts on the subject?

Mr. WALSH of Massachusetts. I have several tables which give in different ways the information desired by the Senator from Ohio and which confirm what the Senator from Massachusetts has stated.

Mr. SMOOT. The Senator does not understand that I deny that 40 cents a pound on an 80-cent piece of cloth and 50 per cent ad valorem added to that make 100 per cent.

Mr. WALSH of Massachusetts. I did not understand the Senator to deny that.

Mr. SMOOT. What I said is that the 40 cents a pound is a compensatory duty, and the Senator from Massachusetts knows that if we are going to have 33 cents a pound on wool, the manufacturers must have a compensatory duty.

Mr. WALSH of Massachusetts. There is no doubt of the fact that we have to have a compensatory duty. It is because the duty was proposed to be levied on yesterday that the compensatory duty here has to be so much.

Mr. SMOOT. That is what I have said.

Mr. LODGE. Mr. President, if I may make a suggestion, the only proposition here is to give the manufacturer 50 per cent.

Mr. WALSH of Massachusetts. Yes.

Mr. SMOOT. The Senator will admit there is not a piece of that fabric referred to in the bill, in the amendment I have submitted, carrying a protective duty of over 50 per cent.

Mr. WALSH of Massachusetts. That is true.

Mr. SMOOT. That is all there is to it.

Mr. WALSH of Massachusetts. But the Senator from Minnesota was translating those duties into ad valorem duties and basing it upon the fact that both together, the compensatory duty and the protective duty, show that the American people must pay 100 cents per pound for their dress goods that they would if wool was on the free list and there was no protective duty.

Mr. SMOOT. If cloth was free and wool was free, then there would be a difference of 100 per cent of the 100 per cent for the wool and 50 per cent for protective purposes. The Underwood law, with free wool, imposed a duty upon these cloths of 55 per cent.

Mr. WALSH of Massachusetts. Fifty per cent for the woolgrower and 50 per cent for the manufacturer. The American public must pay $2 instead of $1, or the equivalent of 50 cents to the woolgrower and 50 cents to the manufacturer. That is how the price has increased.

Mr. MCCUMBER. The manufacturer gets a duty simply of 15 cents more than he had under the Underwood law.

Mr. SMOOT. Yes; I wanted to say to the Senator from Minnesota that the only difference between the protection in this paragraph and that in the Underwood law, so far as the manufacturer is concerned, is 10 per cent.
Mr. NELSON. I do not care what the difference is. I do not care about this subtle argument about compensatory duty, nor do I care about the other refinements here. I only know that this paragraph fixes a duty of 100 per cent on woven goods that we all have got to wear. I say that is an outrageous duty.

Mr. SMOOT. I say 50 per cent of that is for protection to the manufacturer who makes the cloth, and the other is for a compensatory duty because of the duty that was placed upon scoured wool.

Mr. STANLEY. No; it is not a matter of bookkeeping.

Mr. SMOOT. But the profit we are speaking of here is so many dollars per yard for all the fabrics his looms produce. With a merchant it is different. The merchant charges a certain profit upon the goods that he buys, but the woolen manufacturer reckons merely a profit of so much per yard.

Mr. STANLEY. A woolen manufacturer, a heavy weight tricot and a light weight tricot. The heavy weight tricot is for the winter season and the light tricot is for the summer season. No woolen mill charges more per yard as a profit on the heavy tricot than it does on the light tricot, although the heavy wool is more to manufacture. The mill takes its orders nearly six or eight months before ever the cloth is made; many times, in fact, practically always, even before all of the wool is bought which is to go into the cloth. The woolen mills figure that if they have 100 looms and their capital is so much, then they have got to make so much profit a yard upon those goods, whether they be heavyweights or whether they be lightweights, in order to pay their overhead as they anticipate it to be. Is that not so?

Mr. SMOOT. That is, in the cost of the cloth. Mr. STANLEY. I do not care where it comes in. Mr. SMOOT. That is the only difference between the woolen mill and the general merchant, so far as that feature of the business is concerned.

Mr. STANLEY. Exactly. I do not care where it comes in; it is a difference, after all, if the Senator will pardon me, in the look and sale, because, as I understand, the woolen manufacturer is bound, if he is a good business man, to charge in his overhead: he is bound to charge interest on the money which he invests, however so, whether he invests it in his mill, or whether he invests it in his machinery. That is where this pyramiding will infallibly come in, and it does not matter whether he charges so much a yard, or whether he charges so much a pound, or whether his charges are based upon the cost of conversion or the cost of his material; in the end he is not going to invest money without he gets that money back, with a fair return.

Mr. SMOOT. The important consideration to the woolen mills is the number of yards produced. In 1888, when prices were lower than were ever known, a woolen mill did not think of making less per yard than it did, and it worked extremely high. It is the yardage that counts, I will say to the Senator. That is the only business of which I know which is conducted in that way.

Mr. POMERENE. Mr. President--

Mr. SMOOT. If the Senator from Ohio will pardon me, my purpose was not to go into a detailed argument as to the method of calculation, but to indicate that the intricacies of this schedule and the accumulating costs are but another evidence of the inherent vice that is found, not only in this schedule but in all the schedules of this bill, in attempting to impose duties from the bottom to the top, and then, by a system of guesses and intricate and double-twisted calculations, to put another duty on this duty and another duty on that duty, and to build it up with a constantly growing weight upon the consumer. I am perfectly willing to admit that, and I am arguing against the wool puller of England, as I understand, has been at that business for thousands of years, and I doubt if there are in this country, so far as the finer cloths are concerned, as expert manufacturers as there are in Great Britain.
Mr. SMOOT. There is one concern in New Jersey that makes just as fine goods as are made in the world.

Mr. STANLEY. There is a case, the foreign fabrics are perhaps better. At any rate, there are more expert weavers in England, for instance, than there are in the United States. Opposed as I am to the principle of protectionism, I would not impose a duty on raw material. It is a mistake to let the manufacturer pay it, because he could not do so; it would close his mill. When a duty of 33 cents a pound is imposed on raw wool in this way—and it is more or less of a guess—it becomes necessary to adopt the whole pernicious system. It is contrary to every principle of sound business; it is contrary to every principle of political economy; it is contrary to every principle of common sense as well as to the principles of democracy to have a policy or this kind. The wool schedule simply illustrates the absurdity and the folly of it.

Mr. SMOOT. Mr. President, there is no difference in principle, so far as the duty upon wool is concerned, between this bill and the Underwood law. I am going to return to that.

Mr. STANLEY. But I want to say that whenever the duty is graduated, there is a case in which the importer or the manufacturer is entitled to be paid a duty only upon the raw material, and not a particle. The existing law starts with a duty of 8 per cent on tops, instead of 20; then, when it comes to yarn, there is a duty of from 20 per cent to 25 per cent; and then, when it comes to cloth, there is a duty of 35 per cent.

Mr. WALSH of Massachusetts. Absolutely. Nobody can question that.

Mr. POMERENE. In other words, it costs 65 cents per yard more than would the same cloth under the same circumstances under the Underwood bill.

Mr. SMOOT. Mr. President, the schedule is graduated.

Mr. STANLEY. The Senator’s policy would be.

Mr. SMOOT. The President’s policy would be.

Mr. STANLEY. But I want to say that whenever the duty is graduated from the bottom up the worse the situation becomes. There is an opportunity for the beneficiaries of that duty from the ground up to share it, but when the duty is imposed on the product at the bottom it is going to be pyramided in spite of all that can be done, and by the time it gets to the ultimate consumer we have a monstrosity.

Mr. SMOOT. Mr. President, in every tariff bill which has ever been written, if a duty is levied on the raw product at the rate or percentage of duty is lower than is provided when the article advances through the stages of the manufacture.

Mr. STANLEY. As I understand that, whenever a duty is imposed anywhere in the process of manufacture it is just like a snowball on the side of a hill. The farther the ball rolls the harder it gets; and if it rolls from the hide of the animal, if it rolls from the fleece on the sheep, if it rolls from the chemical ingredients in a piece of refractory brick, if it rolls from the coke and coal and ore in the case of steel, you are going to have just what you have here. When you get through you are going to have a duty that may well call for the astonishment and the reprobation of the Senator from Minnesota and of everybody else who stops to consider it.

Mr. POMERENE. Mr. President—

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

Mr. WALSH of Massachusetts. To the bill.

Mr. POMERENE. It would seem from the statement made by the Senator from Minnesota [Mr. Nelson], which, as I understand, is admitted to be correct by the Senator from Massachusetts—

Mr. WALSH of Massachusetts. There is no doubt about it.

Mr. POMERENE. That the duties provided for in this section, all told, add 100 per cent to the cost of the cloth. I want to see a chart to show the men and women of this country who do not have the time to study the intricacies of a tariff bill, and if I am right I should like to see a chart, a duty of 33 cents from Massachusetts. Reduced to its final analysis, it has developed here in the course of this debate that if there were no duty on wool and no duty on the finished cloth, and a yard of cloth thus made out of wool and raw material, without any state or federal duty, it could be sold under $1, then if these duties on the raw wool and those which are provided for in this section are added that yard of cloth would cost $2.

Mr. WALSH of Massachusetts. Absolutely. Nobody can question that.

Mr. POMERENE. In other words, it costs 65 cents per yard more than would the same cloth under the same circumstances under the Underwood bill.

Mr. SMOOT. Mr. President, the duties provided for in this section, all told, add 100 per cent to the cost of the cloth. I want to see a chart to show the men and women of this country who do not have the time to study the intricacies of a tariff bill, and if I am right I should like to see a chart, a duty of 33 cents from Massachusetts. Reduced to its final analysis, it has developed here in the course of this debate that if there were no duty on wool and no duty on the finished cloth, and a yard of cloth thus made out of wool and raw material, without any state or federal duty, it could be sold under $1, then if these duties on the raw wool and those which are provided for in this section are added that yard of cloth would cost $2.

Mr. STANLEY. That is true, but it is not a fact. The wool schedule simply illustrates the absurdity and the folly of it.

Mr. SMOOT. Mr. President, there is no difference in principle, so far as the duty upon wool is concerned, between this bill and the Underwood law. I am going to return to that. To come back to the table that I was about to discuss, I am going now to take different grades of dress goods that fall within the different brackets in this paragraph, apply the compensatory and the protective duties proposed to be levied under the Senate amendment, and translate them into equivalent ad valorem duties. Let us begin with the lowest bracket. It makes no difference whether the measure be a protective duty of 30 cents per pound the Senate bill levies a compensatory duty of 40 cents per pound upon that 80-cent cloth, and a protective duty of 50 per cent ad valorem. That is equivalent to an ad valorem duty of 100 per cent upon the 50-cent cloth.

In the case of cloth valued at 81 cents—just over the 50-cent bracket, in the second bracket—there is a compensatory duty under this amendment of 49 cents and a protective duty of 50 per cent, or an equivalent ad valorem duty of 110½ per cent.

In the case of cloth valued at $1, the compensatory duty is 49 cents and the protective duty 50 per cent, or an equivalent ad valorem duty of 74½ per cent.

I call attention especially to what has been said before, that these duties upon the cheaper dress goods are very much higher than those upon the more expensive goods.

Translating these duties into equivalent ad valorem rates, the table which I have just read from shows that the cheaper dress goods bear ad valorem duties of 100 and 110½ per cent, while the dress goods valued at $2 bear an equivalent ad valorem duty of 74½ per cent.

Now let us turn to the Underwood bill, and see what that cloth will stand the importer or the manufacturer. In the case of those falling in the first bracket, the value of 60 cents per pound, the compensatory duty is 59 cents, the protective duty 50 per cent, the equivalent ad valorem duty 115 per cent.

In the case of cloth valued at $1, the compensatory duty is 39 cents, the protective duty 50 per cent, the equivalent ad valorem duty 98½ per cent.

In the case of those falling in the second bracket, the value of 80 cents per pound, the compensatory duty is 39 cents, the protective duty 50 per cent, the equivalent ad valorem duty 99 per cent.

You see the drop there from 115 per cent ad valorem duty in the case of the cheaper dress goods to 99 per cent in the case of the more expensive dress goods.

As against all of these ad valorem duties, ranging from 74½ per cent to 115 per cent, we have the Underwood law with simply an ad valorem duty of 35 per cent.

Let us work that out. Let us take the case of dress goods valued at $2 per pound.

I want to take one of the dress goods valued at $2, when the proposed duties become effective, will be 74½ per cent of the $2, so that the price of that $2 piece of cloth will be increased approximately $1.49 per pound by the levying of these duties, so that the $2-a-yard foreign valuation, cloth the moment it leaves the customhouse office in New York or any other port will represent to the American jobber a cost of $3.49.

Now, let us take the Underwood law, and see what that cloth valuation will be—a duty of 74½ per cent of the $2. The foreign valuation is $2. There is a protective duty under the Underwood law of 35 per cent, and no compensatory duty. Therefore that cloth will stand the importer or the manufacturer a duty of $2.70 per pound in value to the importer or to the jobber, while under this bill the same piece of cloth will stand the importer or the jobber $3.49 per pound.

With regard to all of these duties upon all of these cloths under the Underwood law would be about 65 per cent less than it is proposed to levy in this bill; but I want to pass now from the question of costs for the moment. I am going to return to that.
question later, because I have the prices of some English dress goods and the prices of American-made dress goods, and I am going to compare these prices, and the price comparisons will show that this protective duty of 60 per cent can not be justified. But I am going on to say that, however, it is the intention to make a comparison between the duties proposed to be levied in this amendment and those levied in the emergency law.

The emergency law levied a compensatory duty of 45 cents per pound on woolen manufactures. These are the first steps in the manufacturing process of converting wool into cloth, and the right of the consumer, under those conditions, to demand that the price comparisons will show that this 45 per cent on the main class of goods, namely, dress goods, constituted a formidable barrier to importations is shown by the fact that importations declined from a monthly average of from 125,000 to 150,000 pounds prior to the enactment of the emergency law to from one-third to one-half of that quantity since the passage of the emergency law.

Mr. STANLEY. Mr. President, it occurs to me to suggest right here that were it not for the 25-cent duty on the raw material, the compensatory duty would in fact be only about half as much. If it were not for this duty on wool, the duty would amount to practically only half as much to the consumer.

The protective duty in the Underwood law, which also continues in operation, is 35 per cent. That this compensatory duty of 45 cents per pound plus the Underwood rate of 35 per cent on the main class of goods, namely, dress goods, constituted a formidable barrier to importations is shown by the fact that importations declined from a monthly average of from 125,000 to 150,000 pounds prior to the enactment of the emergency law to from one-third to one-half of that quantity since the passage of that law.

With the decline in the importation of dress goods under a lower rate, how can we justify this increased rate? Indeed, there have never been any considerable amount of importations of dress goods into this country. The protective duties levied in the Payne-Aldrich law and those levied in all other laws, including the Underwood law, have kept out all dress goods, excepting fancy goods, such as the people who want to keep up with the fashions in English clothing who will import regardless of the duty.

Mr. SIMMONS. Mr. President, the Senator states that there are practically no importations of this cloth. I think an increase in duty under such circumstances is full of suspicious importations.

Mr. WALSH of Massachusetts. Except clothes of a special character not made in this country. There are no importations of which a companion has been made repeatedly.

Mr. SIMMONS. Mr. President, I did not try to answer the question myself. I want to see what the Senator would say.

Mr. WALSH of Massachusetts. Being a pupil in the able Senator from Massachusetts, I am very well aware of the fact that that claim has been made repeatedly.

But I know it will not begin to be as clearly or as ably answered as the Senator from North Carolina would answer it. I am very proud to be a pupil and to sit at the feet of the distinguished Senator from North Carolina to learn the problems growing out of tariff legislation. There is no abler man in this country, in my opinion, than the man that the Senator from North Carolina would answer it.

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Mr. WALSH of Massachusetts. Except clothes of a special character not made in this country. There are no importations of which a companion has been made repeatedly.

Mr. SIMMONS. Mr. President, I did not try to answer the question myself. I want to see what the Senator would say.

Mr. WALSH of Massachusetts. Except clothes of a special character not made in this country. There are no importations of which a companion has been made repeatedly.
Mr. WALSH of Massachusetts. We ought to draft some such amendment, because their claim is that they need these duties to meet the difference in the costs of labor. So we ought to put a proviso here that this 30 per cent protective duty shall be paid not by manufacturers into the wages of the employees. If that was done they would not ask for 50 per cent. They would not want their labor to get it. These protective duties have been used for the purpose of giving a little to the working people and putting the rest in the pockets of the corporations.

Mr. SIMMONS. Along the same line on which he is speaking now, has the Senator had his experts make any calculations as to what duties would be levied in the woolen mills with reference to the cost of production?

Mr. WALSH of Massachusetts. I asked one of the experts to prepare for me the exact conversion cost on top. The task is very different from laboring costs. That was prepared, and I have put it in the Record to-day. It shows the difference in the cost of labor and the production cost between this country and abroad is very small.

Mr. SIMMONS. That is not the idea I had in mind. I think if the Senator would have his expert make a calculation he would find that the entire labor cost in the woolen mills is not much more than half the amount of the duty.

Mr. WALSH of Massachusetts. In the case of yarn the Tariff Commission said the conversion cost was 25 to 40 per cent. The Senator states that in the case of cloth, if we could get the figures, the estimate would be about 50 per cent.

Mr. SIMMONS. The Senator has given a very lucid and illuminating statement about the tendency of the textile industry toward monopolization, toward single control.

Mr. WALSH of Massachusetts. There is no doubt about it. The wise men in a tariff-protected industry know that monopolistic control of the domestic production makes the protection levied always operative. No trust takes in companies that are failures. The American Woolen Co. is not paying for any mills that are not profitable, but it is because they can see an opportunity for them to buy a mill at a low price and increase its capacity with a resulting monopoly. Monopoly, that makes them form monopolies. It is the incentive to enrich themselves, to get more profits, that has led, in my opinion, to the creation of many of the large organizations.

Mr. SIMMONS. When the industry is monopolized, largely because of these high and unnecessary duties, can not the manufacturer in that condition, whether there are any importations into the country or not, take in increased price of his product the difference of the full duty imposed?

Mr. WALSH of Massachusetts. There is no question about that.

Mr. SIMMONS. Then that is the vice and the danger of giving increases in duties upon a product where the present duty is practically prohibitory.

Mr. WALSH of Massachusetts. I agree with the Senator. Mr. SIMMONS. But it gives a monopoly, if there is one, to take advantage, in increases of its prices, of the full amount of the additional duty that may be imposed.

Mr. WALSH of Massachusetts. I want to stop directly, because I know the distinguished Senator from North Dakota desires to move a recess.

Mr. President, these duties promote greed, greed, greed! I would be the last man knowingly to deprive a manufacturer of an honest protective duty that would represent the highest difference in conversion costs. If anyone can show me an honest difference in conversion cost, I will go as far as anybody else to protect the domestic industry, because I do not support protective duties in order to enable producers to pay dividends upon watered stock. That is what this bill will do.

Mr. President, I do not wish to proceed further this evening. I shall conclude to-morrow.

Mr. McCUMBER. Mr. President, before moving to take a recess I desire to take a moment or two to answer the Senator from Minnesota [Mr. Nelson].

Yesterday, by a vote of more than two to one, the Senate of the United States declared it to be their purpose to give the growers of wool a protective duty of 33 cents per pound upon the scoured content of the wool. Now, I presume that if the Senator from Minnesota, I presume that principle.

The Senator from Wisconsin [Mr. Lensmore] thought that upon the coarser wools that was too high a duty, and he moved an amendment to provide that the duty should not exceed 60 per cent ad valorem upon those kinds of wool. But he left the higher kinds of wool untouched by his amendment. The Senator from Minnesota [Mr. Nelson] voted with him, but the amendment was voted down.

Thereupon the Senator from New York [Mr. Wassworth] moved to reduce the rate of 33 cents per pound to 28 cents per pound, a reduction of 5 cents a pound. The Senator from Minnesota [Mr. Nelson] voted against that amendment. Therefore, I assume that he is in favor of 33 cents per pound on the scoured content of the wool. Now, we have to carry that 33 cents per pound on the scoured content into whatever is included in the making of these cloths, considering first the waste in the yard and second the waste in the manufactures of the cloth, with the experts at our side we arrived at the conclusion that there was a loss of about 7 cents a pound, and we would have to be taken into consideration, and therefore we made the duty 40 cents a pound upon the product.

Now, being compelled to give 40 cents per pound upon the cloth from which the wool was made, the next question was, What, if any, duty shall we give as protection? The conclusion of the committee was that the cost of producing on the average, not upon the American value, not upon the retail price, not upon the wholesale price in the United States, but upon the manufacturers' price in a foreign country, required a 50 per cent ad valorem duty to equalize that cost with the cost of producing in the United States. Therefore we gave a rate of 30 cents ad valorem. Now, if anyone can establish the fact to the satisfaction of either the committee or the Senate that 50 per cent ad valorem is too high, I think we can get a reconsideration and vote for what we may consider necessary for the protection.

If we put our compensatory duty too low, lower than that which measures the 33 cents a pound upon the scoured content and the waste in making that first into yarn and then into cloth, the cloth and the yarn will come in and the farmer is not getting his protection because the price must necessarily come down. So also if we fail to give a protective duty that will equal the difference in the cost of producing these fine cloths in the foreign country and in this country, then the cloth will come in and the American manufacturer must reduce the price that he pays to the farmer and the farmer will not get his protection.

It seems to me that the position of the Senator from Minnesota is something like that of a man who orders pie from a bill of fare and then does not want to pay for it. If we eat our pie, we have to pay for it. If we have 33 cents a pound upon the scoured content of the wool, of course we have to pay for it. If it should happen upon some class of goods to be 100 per cent, based upon the foreign valuation, if that difference was to happen, we ought not to have that duty. If the Senator from Minnesota is not satisfied, then he should move to reduce the protection which is given to the American producer. If he is not willing to have that reduction, he is compelled by every mathematician to make this allowance and carry it into the finished product.

Now, Mr. President, I move that the Senate take a recess until to-morrow at 11 o'clock a.m.

The motion was agreed to; and (at 6 o'clock and 15 minutes p.m.) the Senate took a recess until to-morrow, Friday, July 28, 1922, at 11 o'clock a.m.

SENATE.

FRIDAY, JULY 28, 1922.

(LEGISLATIVE DAY OF THURSDAY, APRIL 29, 1922.)

The Senate met at 11 o'clock a.m., on the expiration of the recess.

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

The PRESIDENT pro tem. The Secretary will call the roll.

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

Ernst  N. Brounswa  *  Gooding
Darwin  Halsey  Mansfield  McCormick
Capper  Harrell  McCumber  McFadden
Curtis  Hedin  McLeay
Cott  Jones, Wash.  McSweeney
Carr  Keogh  McNary
Cummins  Kendrick  Nelson
Curtis  Kerr  Overman
Di  lad  Pixels
Dole  Ladd  Shaw
Driscoll  Leach  Shortridge
Hays  Leach  
Hays  Leach  
Nelson
Kearl  Leach  
Kearl  Leach  
Newberry
Lenroot  Nicholas
Lodge  Nordberg
Lovett  O'Connell
Overman  Overman
Pomerene  Pomerene
Pomerene  Pomerene
Rao  R.  R.  
Robison  Robinson
Stimson  Robinson
Stimson  Robinson

to-morrow at 11 o'clock a.m.

The motion was agreed to; and (at 6 o'clock and 15 minutes p.m.) the Senate took a recess until to-morrow, Friday, July 28, 1922, at 11 o'clock a.m.