

By Mr. NOLAN: A bill (H. R. 9946) to extend the benefits of the employers' liability act of September 7, 1916, to Lillian P. Toft, widow of Philip A. Beaudin; to the Committee on Claims.

By Mr. ROBSION: A bill (H. R. 9947) granting an increase of pension to Sarah F. Henry; to the Committee on Pensions.

By Mr. SANDERS of New York: A bill (H. R. 9948) granting a pension to Rosalia M. Burroughs; to the Committee on Invalid Pensions.

By Mr. SNYDER: A bill (H. R. 9949) granting a pension to Minnie C. Johnson; to the Committee on Pensions.

PETITIONS, ETC.

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

3507. By the SPEAKER (by request): Petition of J. Henry Smythe, jr., of Washington, D. C., urging that some time be set apart by the House of Representatives for a memorial program in honor of Benjamin Franklin on his birthday, January 17; to the Committee on Rules.

3508. Also (by request), petition of John M. Steimle, city clerk of Sheboygan, Wis., transmitting a copy of a resolution passed by the common council of that city urging an amendment to the Volstead Act permitting the sale of wine and beer; to the Committee on the Judiciary.

3509. Also (by request), resolutions passed at a meeting held under the auspices of the Women's Economic Club and the Women's International League for Peace and Freedom, relative to sending unneeded Army medical supplies to aid Russia in its hour of need and distress; to the Committee on Military Affairs.

3510. By Mr. ANSORGE: Petition of the New York Public Library, regarding the tax clause on books in House bill 7456; to the Committee on Ways and Means.

3511. Also, petition of the International Association of Garment Manufacturers of New York, opposing high tariff aimed against imports from Cuba into this country; to the Committee on Ways and Means.

3512. By Mr. BIXLER: Resolutions adopted by Veterans of Foreign Wars concerning discriminations shown in pensions; to the Committee on Pensions.

3513. Also, resolutions of Ladden Young Post, No. 208, American Legion, of Ridgway, Pa., relative to needs of disabled soldiers; to the Committee on Interstate and Foreign Commerce.

3514. By Mr. CHALMERS: Petition of residents of Toledo, protesting against the proposed compulsory Sunday observance bills (H. R. 4388 and H. R. 9753); to the Committee on the District of Columbia.

3515. By Mr. CULLEN: Resolutions adopted by the employees of the New York Navy Yard relative to provisions for the navy yard employees who will be out of employment on account of the proposed reduction of armament; to the Committee on Naval Affairs.

3516. By Mr. DRIVER: Petition of A. W. Wright, of Little Rock, in support of the Towner-Sterling bill; to the Committee on Education.

3517. By Mr. FROTHINGHAM: Resolutions adopted by Boston Electrotypers' Union No. 11, favoring the American-valuation plan upon all imports; to the Committee on Ways and Means.

3518. By Mr. KELLEY of Michigan: Resolution of the Michigan State Farm Bureau, opposing transfer of Bureau of Markets and Forest Service from the Department of Agriculture; to the Committee on Agriculture.

3519. By Mr. KELLY of Pennsylvania: Resolutions of traffic committee of Casket Manufacturers of America, urging reductions of freight rates; to the Committee on Interstate and Foreign Commerce.

3520. By Mr. KINDRED: Petition of G. Howland Leavitt, director of the Manhattan Co., of New York, opposing the appointment of a farmer as a member of the Federal Reserve Board, as proposed in a bill offered by Senator SMITH, of South Carolina; to the Committee on Banking and Currency.

3521. Also, petition of Young & Metzner (Inc.), by James W. Manson, vice president, for the Northern Mills, relative to paragraphs 1008 and 1517 of the tariff bill (H. R. 7456); to the Committee on Ways and Means.

3522. Also, resolution adopted by the International Association of Garment Manufacturers at its twenty-fifth semiannual convention, held at the Waldorf-Astoria, New York, December 7-8, 1921, protesting against the enactment of any legislation toward high-protective tariffs aimed against imports from Cuba into this country; to the Committee on Ways and Means.

3523. By Mr. KISSEL: Petition of the Dried Fruit Association, of New York, relative to the Fordney tariff bill (H. R. 7456), paragraphs 754, 755, and 758; to the Committee on Ways and Means.

3524. Also, petition of the Senate and the Assembly of the State of New York, urging the passage of Senate bill 745; to the Committee on the Judiciary.

3525. By Mr. ROGERS: Petition of Milton V. Bridgman and nine other coworkers in a Boston office, indorsing the American Legion's fivefold adjusted-compensation plan and urging its passage; to the Committee on Ways and Means.

3526. By Mr. SMITH of Michigan: Petition of 732 citizens of Homer, Mich., protesting against discontinuance of village mail delivery service; to the Committee on Appropriations.

SENATE.

TUESDAY, January 17, 1922.

(Legislative day of Monday, January 16, 1922.)

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

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

The PRESIDENT pro tempore. The Secretary will call the roll.

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

Calder	Harris	McNary	Simmons
Capper	Hedlin	Moses	Smith
Caraway	Johnson	Nelson	Sterling
Cummins	Jones, N. Mex.	New	Townsend
Curtis	Jones, Wash.	Newberry	Trammell
Edge	Kellogg	Oddie	Wadsworth
Ernst	Kenyon	Page	Warren
Fernald	Keyes	Pepper	Willis
France	Lenroot	Robinson	
Glass	McKinley	Sheppard	
Gooding	McLean	Shortridge	

Mr. PAGE. I was requested to announce that the Senator from Maine [Mr. HALE], the Senator from Washington [Mr. POINDEXTER], the Senator from Delaware [Mr. BALL], the Senator from Montana [Mr. WALSH], the Senator from Nevada [Mr. PITTMAN], and the Senator from Colorado [Mr. NICHOLSON] are absent on official business. If their presence is required to make a quorum, they can be called for that purpose.

Mr. CURTIS. I was requested to announce that the Senator from Connecticut [Mr. BRANDEGEE], the Senator from North Carolina [Mr. OVERMAN], and the Senator from Tennessee [Mr. SHIELDS] are absent on official business.

I wish also to announce the absence of the Senator from West Virginia [Mr. SUTHERLAND], due to illness.

The PRESIDENT pro tempore. Forty-one Senators have answered to their names. There is not a quorum present. The Secretary will call the roll of absent Members.

The reading clerk called the names of the absent Senators, and Mr. HARRELD, Mr. NICHOLSON, Mr. PHIPPS, Mr. PITTMAN, Mr. POINDEXTER, and Mr. WALSH of Montana answered to their names when called.

Mr. HALE, Mr. COLE, and Mr. McKELLAR entered the Chamber, and answered to their names.

Mr. McKELLAR. I desire to announce the unavoidable absence of the senior Senator from Tennessee [Mr. SHIELDS] on public business.

Mr. SHEPPARD. I wish to announce that the Senator from Rhode Island [Mr. GERRY] is detained by illness.

Mr. BALL, Mr. RANDELL, Mr. BURSUM, Mr. NORRIS, Mr. LA FOLLETTE, Mr. LADD, Mr. CULBERSON, Mr. POMERENE, Mr. DIAT, and Mr. CAMERON entered the Chamber and answered to their names.

The PRESIDENT pro tempore. Sixty Senators have answered to their names. There is a quorum present.

PETITIONS AND MEMORIALS.

Mr. WILLIS presented the memorial of Mrs. Jennie Taylor, of Columbus, and sundry other citizens of Columbus, Delta, Toledo, and Wauseon, all in the State of Ohio, remonstrating against the passage of Senate bill 1948, providing for compulsory Sunday observance in the District of Columbia, which was referred to the Committee on the District of Columbia.

Mr. CAPPER presented a resolution adopted by the Kansas Engineering Society, of Topeka, Kans., favoring the passage of House bill 7077, the so-called Lampert bill, to increase the force and salaries in the Patent Office, etc., which was referred to the Committee on Patents.

Mr. LADD presented a resolution adopted at a regular session of the Boise (Idaho) Trades and Labor Council held December 7, 1921, favoring the enactment of Senate bill 2604, the so-called Ladd honest money bill, which was referred to the Committee on Finance.

Mr. COLT presented a resolution unanimously adopted at a mass meeting of American citizens of Lithuanian origin at Providence, R. I., January 1, 1922, protesting against alleged unlawful acts of aggression by Poland against the Republic of Lithuania and requesting the United States Government to restrain further continuance of such unlawful acts and to interpose, demanding guaranties from Poland against the commission of any further unlawful acts of taking Lithuanian territory and perpetrating excesses against the innocent civilian population of the invaded districts, which was referred to the Committee on Foreign Relations.

REPORTS OF THE COMMITTEE ON CLAIMS.

Mr. NEW, from the Committee on Claims, to which was referred the bill (H. R. 1362) for the relief of M. Fine & Sons, reported it without amendment and submitted a report (No. 407) thereon.

He also, from the same committee, to which were referred the following bills, reported them each with an amendment and submitted reports thereon:

A bill (S. 103) for the relief of Morgan Miller (Rept. No. 408);

A bill (S. 1297) for the relief of George Van Derburgh Brown (Rept. No. 409); and

A bill (S. 2765) for the relief of the Fidelity & Deposit Co. of Maryland, Baltimore, Md. (Rept. No. 410).

Mr. CAPPER, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

A bill (S. 67) for the relief of the heirs of Adam and Noah Brown (Rept. No. 411);

A bill (S. 159) for the relief of William E. Lewis (Rept. No. 412);

A bill (S. 160) for the relief of Kristina Furjak (Rept. No. 413);

A bill (S. 841) for the relief of Elizabeth Marsh Watkins (Rept. No. 414);

A bill (S. 1539) for the relief of Watson B. Dickerman, administrator of the estate of Charles Backman, deceased (Rept. No. 415);

A bill (S. 1540) for the relief of Emma H. Ridley (Rept. No. 416);

A bill (S. 1861) authorizing the Court of Claims to adjudicate the claim of Capt. David McD. Shearer for compensation for the adoption and use and acquisition by the United States Government of his patented inventions (Rept. No. 417);

A bill (S. 2258) for the relief of Jesse L. Clay (Rept. No. 418);

A bill (S. 2323) for the relief of Anna M. Tobin, independent executrix of the estate of Frank R. Tobin, deceased (Rept. No. 419); and

A bill (S. 2445) for the relief of Charles S. Fries (Rept. No. 420).

Mr. CAPPER, from the Committee on Claims, to which were referred the following bills, reported them each with an amendment and submitted reports thereon:

A bill (S. 978) for the relief of the Alaska Steamship Co. (Rept. 421);

A bill (S. 1603) for the relief of Joseph W. Skill (Rept. No. 422);

A bill (S. 1767) for the relief of the owner of the derrick *Capitol* (Rept. No. 423); and

A bill (S. 2372) for the relief of Alfred Sjostrom (Rept. No. 424).

Mr. CAPPER, from the Committee on Claims, to which were referred the following bills, reported them severally without amendment and submitted reports thereon:

A bill (H. R. 927) for the relief of Capt. Fred S. Johnston (Rept. No. 425);

A bill (H. R. 1268) for the relief of the Six Minute Ferry Co., of Vallejo, Calif. (Rept. No. 426);

A bill (H. R. 1372) for the relief of the M. Feitel House Wrecking Co. (Rept. No. 427);

A bill (H. R. 1721) to authorize the refund of a part of the purchase price of Camp Mills to the Buffalo House Wrecking & Salvage Co. (Rept. No. 428);

A bill (H. R. 1733) for the relief of W. R. Grace & Co. (Rept. No. 429);

A bill (H. R. 2144) for the relief of the owners of the schooner *Charlotte W. Miller* (Rept. No. 430);

A bill (H. R. 3270) for the relief of Estella Barnett (Rept. No. 431);

A bill (H. R. 5965) for the relief of the owner of the vessel *Maria Artau* (Rept. No. 432);

A bill (H. R. 6437) for the relief of the Cleveland Trinidad Paving Co., of Cleveland, Ohio (Rept. No. 433);

A bill (H. R. 6622) for the relief of Gaetano Davide Olivari fu Fortunato (Rept. No. 434); and

A bill (H. R. 8217) to authorize the payment of \$872.96 to the Government of Italy for the relief of the heirs and assigns of N. Ferro (Rept. No. 435).

Mr. ROBINSON, from the Committee on Claims, to which was referred the bill (S. 2746) for the relief of William Howard May, ex-marshal of the Canal Zone; William K. Jackson, ex-district attorney of the Canal Zone; and John H. McLean, expaymaster of the Panama Canal, now deceased, reported it with an amendment and submitted a report (No. 436) thereon.

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

A bill (H. R. 1370) for the relief of Col. Herbert Deakyn, Corps of Engineers, United States Army (Rept. No. 437); and

A bill (H. R. 3249) for the relief of certain employees of the Bureau of Lighthouses (Rept. No. 438).

BILLS INTRODUCED.

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

By Mr. JONES of Washington:

A bill (S. 3007) to amend section 28 of an act approved February 14, 1920, entitled "An act making appropriations for the current and contingent expenses of the Bureau of Indian Affairs, for fulfilling treaty stipulations with various Indian tribes, and for other purposes, for the fiscal year ending June 30, 1921"; to the Committee on Indian Affairs.

By Mr. EDGE:

A bill (S. 3008) authorizing and directing examination and survey of the Hudson River channel along the Weehawken-Edgewater water front; to the Committee on Commerce.

By Mr. CALDER:

A bill (S. 3009) to provide a public record of basic permits and withdrawal permits issued by the Federal Prohibition Commissioner and the Federal prohibition directors; to the Committee on the Judiciary.

By Mr. McNARY:

A bill (S. 3010) granting a pension to Joseph Carter; to the Committee on Pensions.

By Mr. TOWNSEND (by request):

A bill (S. 3011) providing that proposed legislation dealing with Indian Affairs be submitted to Indian councils; to the Committee on Indian Affairs.

By Mr. NEW:

A bill (S. 3012) granting an increase of pension to Anna L. B. Walker (with accompanying papers); to the Committee on Pensions.

By Mr. PAGE:

A bill (S. 3013) granting a pension to Arthur F. Sweet (with accompanying papers); to the Committee on Pensions.

AMENDMENT OF FEDERAL RESERVE ACT.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (S. 2263) to amend the Federal reserve act approved December 23, 1913.

The PRESIDENT pro tempore. The Senator from Virginia [Mr. GLASS] is entitled to the floor.

Mr. HEFLIN. Mr. President, will the Senator permit me to inquire what arrangement has been made about a change in the time of voting?

The PRESIDENT pro tempore. The Chair understands that no arrangement has been made, and the unanimous-consent agreement will stand as originally entered into.

Mr. McLEAN. Mr. President—

The PRESIDENT pro tempore. Does the Senator from Virginia yield to the Senator from Connecticut?

Mr. GLASS. I yield.

Mr. McLEAN. In view of the announcement of the Chair, I think I ought to state that I gave notice on yesterday that I would this morning ask for a modification of the unanimous-consent agreement postponing the vote until 4 o'clock and applying the 5-minute rule after 3 o'clock.

Mr. GLASS. May I suggest to the Senator from Connecticut that that be done at the conclusion of my speech?

Mr. McLEAN. The Senator from Alabama brought up the subject and I thought it was incumbent upon me to answer.

Mr. GLASS. If it is not to be discussed, I have no objection.

Mr. HEFLIN. I merely wanted to know what arrangement we could make, because I desire to follow the Senator from Virginia in a short speech.

Mr. McLEAN. I intend to bring up the question after the Senator from Virginia concludes his speech.

The PRESIDENT pro tempore. The Senator from Virginia will proceed.

Mr. GLASS resumed the speech begun by him on yesterday. After having spoken for some time,

Mr. SMITH. Mr. President, if the Senator from Virginia will allow me, it is now about three minutes to the time when the unanimous-consent order will take effect. I think perhaps it might be well, under the circumstances, to agree, if possible, to some extension of the time, and I ask unanimous consent that we extend the time for the beginning of the 5-minute rule to 4 o'clock.

Mr. McLEAN. On yesterday I gave notice that I should ask to-day for a modification of the unanimous-consent agreement. I assume it would be necessary to have a quorum called before the agreement can be changed, and for that reason I suggest the absence of a quorum, for the purpose of asking for a modification of the unanimous-consent agreement.

Mr. SMITH. Before the roll is called, may I state that my request for unanimous consent is that the wording shall stand exactly as it is, with the exception of changing the time from 1 o'clock to 4 o'clock for the operation of the 5-minute rule?

The VICE PRESIDENT. Will the Senator from Connecticut submit his proposed change in order that the roll may be called on it.

Mr. McLEAN. I suggest that in line 1 the numeral "2" be changed to "5," and that in line 5 the numeral "1" be changed to "4."

Mr. SMITH. That is correct. I should have suggested that change. I had forgotten the differentiation.

Mr. McLEAN. It is very apparent that this matter ought to be debated further.

Mr. GLASS. What is the proposition?

Mr. SMITH. The unanimous-consent agreement reads as follows:

It is agreed by unanimous consent that at not later than 2 o'clock p. m. on the calendar day of Tuesday, January 17, 1922, the Senate will proceed to vote, without further debate, upon any amendment that may be pending, any amendment that may be offered, and upon the bill (S. 2263) to amend the Federal reserve act, approved December 23, 1913, through the regular parliamentary stages to its final disposition; and that after the hour of 1 o'clock p. m. on said calendar day no Senator shall speak more than once or longer than five minutes upon the bill or more than once or longer than five minutes upon any amendment offered thereto.

The proposition is to change the agreement so that the 5-minute limitation will be deferred until 4 o'clock, and then that we shall begin voting on the bill and all amendments at 5 o'clock.

Mr. GLASS. That is entirely agreeable to me.

The VICE PRESIDENT. The Chair understands that the Senator is presenting the proposal now in accordance with the notice given on yesterday.

Mr. McLEAN. I think that my notice of yesterday called for a vote at 4 o'clock and the application of the 5-minute rule after 3 o'clock. If we can not change that, then we shall have to govern ourselves accordingly, but I would prefer, if we can do it under the rule, to postpone the vote until 5 o'clock. However, if the Chair rules that that can not be done, then we shall have to change the hour of 2 o'clock to 4 o'clock and the hour of 1 o'clock to 3 o'clock, in accordance with my original notice.

The VICE PRESIDENT. The Chair is of the opinion that that is the requirement of the rule.

Mr. McLEAN. Very well. I suggest the absence of a quorum.

Mr. NORRIS. Mr. President, the Senator does not have to make the suggestion of the absence of a quorum. I presume the Chair will order the roll call on presentation of the notice. But before the Chair orders a quorum call I wish to submit a parliamentary inquiry to the Chair.

While I think the Chair is right in his construction of the rule, I wish to ask if, after the roll is called and a quorum is ascertained to be present and when the request is officially taken up, it will not then be in order to modify the request the same as we always do in such cases?

The VICE PRESIDENT. Such a request will be in order at that time.

Mr. NORRIS. So it will be in order for the Senator from Connecticut to request a change before we reach a final decision.

Mr. HEFLIN. Mr. President, I wish to state that I yielded yesterday afternoon, or rather did not insist on going on, with the understanding, I thought, we were to reach an agreement

by which I could follow the Senator from Virginia this morning. I hope the unanimous consent will be granted.

Mr. GLASS. I hope so, too.

Mr. DIAL. Mr. President, I wish to ask the Senator from Virginia a question.

Mr. SMITH. The hour of 1 o'clock has arrived, and we are limited to five minutes under the unanimous-consent agreement, unless it is changed.

The VICE PRESIDENT. The hour of 1 o'clock having arrived, the Secretary will state the proposed modification of the unanimous-consent agreement.

The ASSISTANT SECRETARY. It is proposed to modify the unanimous-consent agreement, in accordance with the notice given on yesterday, in line 1 by striking out "2 o'clock" and inserting in lieu "4 o'clock," and in line 5 by striking out "1 o'clock" and inserting in lieu "3 o'clock."

The VICE PRESIDENT. The Secretary will call the roll.

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

Borah	Hale	McKinley	Sheppard
Broussard	Harrell	McLean	Shortridge
Bursum	Harris	McNary	Smith
Calder	Heflin	Moses	Smoot
Capper	Johnson	Myers	Sterling
Caraway	Jones, N. Mex.	Nelson	Swanson
Colt	Jones, Wash.	New	Townsend
Culberson	Kellogg	Norris	Trammell
Cummins	Kenyon	Oddie	Wadsworth
Curtis	Keyes	Page	Walsh, Mass.
Dial	King	Pepper	Walsh, Mont.
Edge	Ladd	Phipps	Watson, Ind.
Fletcher	La Follette	Pittman	Williams
France	Lenroot	Poinexter	Willis
Frelinghuysen	Lodge	Pomerene	
Glass	McCumber	Ransdell	
Gooding	McKellar	Robinson	

The VICE PRESIDENT. Sixty-five Senators have answered to their names. There is a quorum present.

Mr. McLEAN. I now ask that in the unanimous-consent agreement the numeral "4," in line 1, be changed to "5," and in line 5 that the numeral "3" be changed to "4."

Mr. SMOOT. Mr. President, I make the point of order against the request of the Senator from Connecticut that under the rule no such request can be made. Under Rule XII, paragraph 3, it is provided that—

No request by a Senator for unanimous consent for the taking of a final vote on a specified date upon the passage of a bill or joint resolution shall be submitted to the Senate for agreement thereto until, upon a roll call ordered for the purpose by the Presiding Officer, it shall be disclosed that a quorum of the Senate is present.

Then:

And when a unanimous consent is thus given the same shall operate as the order of the Senate, but any unanimous consent may be revoked by another unanimous consent granted in the manner prescribed above upon one day's notice.

In other words, if the Senator wants to modify the unanimous-consent agreement he has to give a day's notice.

Mr. HEFLIN. It was given on yesterday.

Mr. SMOOT. But it is just being given now to modify it again, and it can not be acted upon until to-morrow.

Mr. SMITH. The Senator from Utah is in error.

Mr. SMOOT. I will let the Chair decide whether I am in error or not. There is no doubt but that the rule is just as I have read it, and I object to the request of the Senator from Connecticut.

Mr. LENROOT. Mr. President, I believe the ruling the Chair is about to make will be of very great importance, and I should like to call the attention of the Chair to the fact that if it be in order now to ask unanimous consent to make a different unanimous-consent agreement than the one proposed in the notice of yesterday hereafter when a unanimous-consent agreement is made and a modification is proposed upon notice, one that everyone would be willing to agree to, then it would be in order, if the Senator from Connecticut is right, the next day to change the consent to a different bill entirely. Thus, under a unanimous-consent agreement for the consideration of a bill Senators, relying upon the notice that it was the intention of the rule to have given, would not be present and could suppose, of course, that they would have notice of a unanimous-consent agreement proposing to take up another and a different bill.

It seems to me very clear that this unanimous-consent agreement can only be modified by one day's notice, treating the newly proposed modification exactly as is the case in a notice for a suspension of the rules. Notice is required under the rules there, but the next day the Senator may not modify his notice by a suspension of a different rule. Exactly the same principle, it seems to me, applies in this case.

Mr. SMOOT. The old rule was that after a unanimous-consent agreement was entered into it could not be changed by

unanimous consent, but in a number of cases that worked a hardship, and so the rule was modified as I have read it. As modified, suppose a Senator had been in the Chamber and had no objection to the unanimous-consent notice given on yesterday and felt positive that that was the only thing that could be acted upon or agreed to to-day, and was compelled to leave the city, but if present would object to any further modification, the very object of our rules would be set aside and of no avail. I can not see how the Chair can make any other ruling.

Mr. JONES of Washington. Mr. President, this is a very important matter, and it will likely take considerable time, so I am going to object to the unanimous-consent request as now presented.

Mr. SMOOT. I have made a point of order against it. I would like to have it settled; but if the Senator objects that ends it.

Mr. HEFLIN. Mr. President, let me say just a word. We are not postponing the matter to a different day. There is just two hours difference. I want to serve notice on Senators now that if they object to the extension of time so that I can speak there will not be any more unanimous-consent agreements soon—

Mr. SMOOT. That is all right.

Mr. HEFLIN. Or agreements for executive sessions or anything else.

Mr. SMOOT. The Senator can not frighten the Senator from Utah by any threat of that kind. All I ask the Senator from Alabama to do is to live up to the rules as the Senator from Utah is perfectly willing to live up to them.

Mr. HEFLIN. I am not trying to frighten the Senator from Utah. I am just serving notice.

Mr. LODGE. Mr. President, I do not think objection can be made to considering the notice of yesterday.

Mr. SMITH. No.

The VICE PRESIDENT. Is there objection to entering into the unanimous-consent agreement which is proposed?

Mr. LODGE. If I may say just a word, the relaxation of the rule in reference to unanimous-consent agreements by the adoption of the new rule of 1914 was, to my mind, a very dubious experiment, but if we do not adhere to it no unanimous-consent agreement will hereafter be of any value. I think we ought to adhere to the rule; but as to the notice which was given, of course we have a right to consider that.

Mr. SMITH. A parliamentary inquiry, Mr. President.

The VICE PRESIDENT. The Senator from South Carolina will state his parliamentary inquiry.

Mr. SMITH. Is the request of the Senator from Connecticut [Mr. McLEAN] in accord with the notice which he gave me on yesterday?

Mr. McLEAN. I am about to renew the request, and I understand that there will be no objection to it.

Mr. SMOOT. I have no objection to the original notice, but it is the modification of the notice which can not be had under the rule.

Mr. McLEAN. I now ask unanimous consent that the modification of the unanimous-consent agreement of which I gave notice on yesterday, and which has been stated by the Secretary, be agreed to.

The VICE PRESIDENT. The Chair will put the inquiry whether there is any objection to modifying the unanimous-consent agreement in accordance with the proposal of the Senator from Connecticut, in line 1 of the agreement, to change the time of voting from 2 o'clock to 4 o'clock, and in line 5 of the agreement, to change the time when the 5-minute rule shall become operative from 1 o'clock to 3 o'clock.

Mr. SMOOT. Is what the Chair has stated the original request which was made by the Senator from Connecticut?

Mr. LODGE. That is in accordance with the original notice.

Mr. SMITH. That is all right.

The VICE PRESIDENT. The Chair hears no objection, and the unanimous-consent agreement is modified accordingly.

Monday, January 16, 1922.

Mr. GLASS. Mr. President, the distinguished Senator from Nebraska [Mr. NORRIS] a while ago said some things with which I am heartily in accord, and I well could express the wish that the discussion of the Federal reserve banking system might generally be engaged in with the same apparent spirit of fairness as was manifested by the Senator from Nebraska.

But, Mr. President, I venture to think that the time has come when some one should assume the task of combating in the Senate the many persistent and constantly recurring misrepresentations which for more than a year have streamed from this Chamber with respect to the Federal reserve banking sys-

tem and its administration. Aside from a painful disinclination to speak in any circumstances, I had hoped that this service to a great Federal institution, and, indeed, to the country, would be undertaken by some Senator whose long tenure would preclude any thought of a premature anxiety to project himself into the important controversies of this body, and whose established reputation here would arrest the attention of the Senate and command the confidence of the country.

I am not willing to believe that failure of any Senator of this type to speak out in defense of the Federal reserve system may be ascribed to indifference to the success of the system or to any lack of pride in its notable achievements. Many very grave problems have claimed the attention of the Senate and to these Senators have been devoting painstaking labor. Moreover, it may be that Senators generally have thought, as I confessedly have believed, that the hostile assaults on the Federal reserve system and its administration have manifestly been so devoid of the truth and so obviously saturated with ignorant prejudice and injustice as to require no answer.

RESERVE SYSTEM SAVED THE NATION.

But, Mr. President, the misconceptions and misrepresentations to which politicians at Washington have given vehement expression have been eagerly seized upon by restless professional agitators and disseminated from one end to the other of the country. Thus a large body of citizens has been induced to believe that the Federal reserve banking system is a financial juggernaut, crushing the life out of commerce and industry, creating widespread depression, and putting an end to enterprising business activities. Instead of clearly apprehending, that which the facts so amply attest, that this reserve banking system saved their country from inconceivable distress, from irremedial disaster, these people have been taught to believe that its continued existence would be a peril to the Nation. They, in their present mood, literally would smite the hand that feeds them and demolish the instrument of their salvation.

I would not have it imagined, Mr. President, that I purpose to decry fair criticism; on the contrary, it is with me a constant prayer to be kept on guard against the streak of iconoclasm which has too evident a place in my own nature. Neither am I disposed to assert the perfection of any economic instrumentality or the infallibility of any human agency. It would be amazing if the Federal reserve system had no imperfections, and foolish to assert that its administration has been devoid of error. What I do say with all the emphasis of which I am capable is that neither malignant nor ignorant misrepresentation will cure the system's defects or render more efficient its administration.

WHAT IS THE FEDERAL RESERVE SYSTEM?

That we may the more surely discover what are the deficiencies of the system, with a view to their abatement, and comprehend to better advantage the mistakes that have occurred in the execution of the law, it might be profitable to inquire what exactly is the Federal reserve banking system and how it has been administered. Having done this, we may determine how true or false are the charges made here, how fair or vicious the criticism. If the system is a curse or its execution a tragedy, I want to be convinced. If the system is a benediction to this Nation and an inspiration to the world, if its administration has been sane and salutary, then I shall feel and express concern for the integrity of this body if it shall appear that Senators have disparaged the character and derided the personal honor of public officials with no better sanction for such behavior than their own peculiar antipathies or their own pitiful ignorance of the financial transactions upon which they have assumed to comment. For one I am not willing that the astonishing statements made here shall any longer go to the country unchallenged and uncontradicted.

For half a century before the advent of the Wilson administration the United States was compelled to endure the handicap of the most unscientific banking and currency system of any that prevailed on the earth. For a part of the time we seem to have been ignorant of our plight; for another part indifferent to the situation, and for the remainder of the time afraid to apply the remedy lest we should wound the sensibilities or interfere with the profits of a privileged class. We were during no protracted stage without ample warning, for the malady manifested itself frequently and violently in disturbances which swept the country like a hurricane from end to end. Five times within 30 years, prior to 1913, a financial catastrophe had overtaken us right in the midst of apparent business prosperity and contentment. Each time the disaster was due largely, if not altogether, to a defective banking and currency system; and it is literally certain that our always tedious restoration was rendered vastly more difficult and painful by the sad lack of well-devised facilities.

SIAMESE TWINS OF DISORDER.

The old system had two fundamental defects. One was an inelastic currency; the other a fictitious bank reserve. They were Siamese twins of disorder; and I am inclined to ascribe the invariable failure of statesmen to reform the financial system of the country to their unwillingness to subdue both of these evils at the same time. While they repeatedly would tackle the problem of an inelastic currency, which everybody wanted solved, they seemed never in a mood to defy the powerful interests behind the national bank reserve system, through the peculiar operation of which nearly the whole sum total of idle bank funds in the United States was congested at a single center for use in the stimulation of speculative enterprises.

A RIGID CURRENCY.

The national currency was inelastic because based on the bonded indebtedness of the United States, rather than upon the sound, liquid business assets of the country. For 50 years we proceeded upon the assumption that the country always needed a volume of currency equal to its bonded indebtedness, and never at any time required less, whereas we frequently did not need near as much as was outstanding and just as often could have absorbed vastly more than was available. Hence, when it happened that the circulating medium was redundant, when its volume was too great to be used in local commercial transactions, instead of taking it through the expensive process of retirement it was bundled off to the great reserve centers at a nominal interest rate, to be thrown, at call, into the vortex of stock speculation.

In a different way and to an immeasurably greater extent the business of the country was made to suffer by this rigid currency system in times of stirring development and enterprising activity. It could not begin to meet the commercial and industrial requirements of the country. For example, the total capitalization of the national banks of a given community in time of stress, under the old system, measured the full capacity of those banks to respond to the currency requirements of the locality. If the combined capital stock of the national banks of a city was \$5,000,000, that exactly circumscribed the ability of those banks to supply currency of their own issue to meet the demands of business, albeit these might necessitate the use of \$10,000,000 or more. And in time of panic, such as that which convulsed the country in 1907, had these banks held \$5,000,000 of gilt-edge short-time commercial paper in their vaults they could not, under the old system, have exchanged a dollar of it for currency wherewith to make up the deficiency and promptly respond to the requirements of business; for practically all the banks were in the same desperate plight, every one, with rare exceptions, looking out for itself, with no other source of supply.

A NOTABLE ACHIEVEMENT.

What was done by the Sixty-third Congress was to revolutionize this wretched currency system, the unhappily victims of which are without number and the losses beyond human approximation. We substituted for a rigid bond-secured circulating medium, unresponsive at any time to the commercial requirements of this great Nation, a perfectly elastic currency, based on the sound, liquid commercial assets of the country, responsive at all times and to the fullest extent to every reasonable demand of legitimate enterprise. It comes forth when required and is canceled when not needed. The amount is ample when business is active and only enough when business is lax. So that in a case similar to the one cited a while ago, where the banks of a given community, with \$5,000,000 of liquid commercial assets, could not, under the old system, in time of stress get a dollar of currency on their holdings, because there was no source of supply, the same banks, under the Federal reserve system, could exchange their \$5,000,000 of liquid assets at a Federal reserve bank for \$5,000,000 of the best currency on earth, less a fair rate of discount. That one reform represents the difference between disaster and success.

A VICIOUS RESERVE SYSTEM.

Another fundamental defect of the old system was its fictitious bank reserve, created by that provision of the national bank act which authorized a deposit or book credit of individual country banks with banks in reserve and central reserve cities to be counted as reserve, just as if held in the vaults of the interior banks. On these reserve balances, subjected to a process of multiplication, the big banks of the money centers would pay nominal interest, which operated as a magnet to attract the reserve funds of the entire country; so that on March 14, 1914, eight months before the Federal reserve system was put in actual operation, the New York banks alone held \$836,000,000 of the funds of outside banks, while they were loaning outside banks only \$192,000,000. Already the congressional monetary

inquiry had disclosed the startling fact that on November 24, 1912, the legal custodians of these reserve funds had put \$240,000,000 of them in the maelstrom of Wall Street stock operations. Do you realize quite what that means? It means that these millions and many millions more were withdrawn from the reach of agricultural, mercantile, and industrial uses throughout the United States at a fair rate of interest and loaned to stock gamblers at an abnormally low rate of interest in comparison.

We talk about the law of supply and demand and pass laws to punish combinations in restraint of trade; but before the enactment of the Federal reserve act the banking community, under the sanction of the atrocious system of an inelastic currency and a fictitious reserve, was enabled to defy the law of supply and demand both in the lax season and in the tense. For in the season of lax trade and abundant currency local bankers feared to relax the standard rate of interest. Instead of keeping the money at home and giving the local agricultural, commercial, and industrial interests the advantage to be derived from low rates of discount, the surplus funds were sent to the money centers for the accommodation of speculators.

A PANIC BREEDER.

The old system was a rank panic breeder. In periods of greatest business activity the country was made to suffer desperately for lack of adequate credit facilities. When the prospect was brightest; when men of ambition and energy would press forward in pursuit of prosperity and the hum of industry would literally be heard throughout the land, two links in the chain would suddenly snap, tearing to shreds the whole business fabric and carrying dismay to every community on the continent. In plain terms, when the country banks of the United States, trying to respond to the commercial and industrial demands upon them in their respective localities, being unable to issue additional currency, would seek to draw in their reserve balances from the congested centers, and when the big banks of these centers would, in turn, be compelled to call their loans on stock, thus contracting the credit facilities of "the street," interest rates would quickly jump, mounting higher and higher, until panic would ensue, banks throughout the country would stop payments across the counter and consternation would reign where confidence and contentment so soon before had prevailed. I have said the losses are beyond computation; and that is so. They affected not alone the financial institutions immediately involved, but the merchants whose credits were suspended; the industries whose shops were closed; the railroads whose cars were made idle; the farmers whose crops rotted in the fields; the laborer who was deprived of his wage. No business enterprise, if any individual, ever entirely escaped.

ANOTHER GREAT ACHIEVEMENT.

It was another great achievement of the Sixty-third Congress to remedy this monstrous condition. No other legislative effort, as I recall the history of events, was ever directed against this bank-reserve evil. It required courage. It constituted a challenge to the dominating financial interests of America, and they accepted the invitation to the conflict. It was a memorable fight, in which sound economic principles triumphed so completely that many of the great bankers who seemed once implacable now concede that a tremendous advance has been made in the direction of scientific banking, and there is a general concurrence of belief that the Federal-reserve system saved this country from financial convulsion when the World War raged and after it ended.

We corrected this vicious bank-reserve system by establishing regional reserve banks and making them, instead of private banks in the money centers, the custodians of the reserve funds of the United States; by making these regional banks, instead of private correspondent banks, the great rediscount agencies of the country; by requiring these regional banks to minister to commerce and industry rather than to the schemes of speculative adventure. Under the old system the country banks were subservient to the money centers, for only there could they resort for rediscount favors. Under the new system it is no longer a question of favor; it is purely a question of business.

AN INSPIRING CONTRAST.

In 1907 New York could not let a country bank have \$50,000 of bank currency to meet the ordinary requirements of commerce or the pay rolls of industry. In the fateful year 1915 New York let two European nations at war have \$500,000,000. The new system enabled the Government to lend \$10,000,000,000 abroad and to float \$24,000,000,000 at home for war purposes. Under the old system about \$60,000,000,000 measured the volume of rediscounts; under this reserve system one of the smaller regional banks exceeds that amount in a single State.

RURAL CREDITS.

Not in 50 years had any party written a provision into the national bank act for as much as one dollar of rural credits. On the contrary, by the text of the law, by the rulings of the Treasury, and by decisions of the courts, every semblance of farm credits was sedulously excluded. The Federal reserve system furnishes millions of dollars of farm-credit facilities. Not a dollar of the funds of a national bank could be loaned under the old system on improved farm lands. Under the Federal reserve act, according to a computation by the late Charles A. Conant, \$359,000,000 are made available for loans on farm mortgages alone having five years to run. In the matter of current rediscounts every rational advantage is given to farm credits over mercantile paper, and I shall show that billions of dollars have been loaned to the farmers of the United States. In the matter of acceptances on the exportation of the great staple products of the farm infinite aid is extended to the American farmers. In addition to this the Federal reserve system has had a powerful influence in lowering the rate of interest, and in this circumstance alone the farmers of the country have been saved millions of dollars. Yet it is at a system which has done this unprecedented service to American agriculture that professional "friends" of the farmer are hacking away. It is to a system which has put hope in rural life that careering demagogues, for selfish purposes, falsely ascribe the inevitable reaction from the saturnalia of unparalleled expenditures.

What are these regional banks?

There is no mystery about them. It is not difficult to understand their organization or their processes. Each of them has a defined territory. They are operated by boards of directors, just as any individual bank is. They are conducted with the same banking instinct, with the same technique, with the same mechanical and human appliances. They are owned not by the Government of the United States, as one would suppose, but by their stockholding member banks. The Government of the United States never contributed a dollar to their capital; the taxpayers are not assessed a penny for their maintenance; they pay the Government annually an enormous sum in franchise fees—\$60,000,000 per annum—against the meager sum of \$3,000,000 per year paid by all the national banks in the United States put together. They are banks of banks. They do not loan, can not loan, a dollar to any individual in the United States nor to any concern or corporation in the United States, but only to stockholding banks.

A member bank in Utah, for example, has accommodated its customers to the full extent of its resources. It can loan no more without violation of the National or State banking acts. It needs additional funds with which to make other loans. How does it obtain them? By taking the note of a borrower, with its collateral security, giving it the indorsement of that individual bank. It sends the note thus indorsed to the reserve bank at Kansas City, the reserve bank rediscounts the note at an inappreciable charge over the rate of interest which the member bank charged its customers. That supplies the member bank with additional funds to loan to other borrowers. It is very simple. There should not be so much ignorance about it here.

THE SUPERVISORY POWER.

At the head of these 12 regional reserve banks we put a supervising board. It is not a central bank. It can not loan a penny to anybody, or to any concern, or to any corporation. It does not engage in the minutiae of banking over the counter. It has not a dollar, and never had a dollar, to loan to anybody. It is a supervisory board. It has nothing to do with, and not necessarily any knowledge of, the detailed discount operations of the various regional reserve banks. It can not command the weakest or the strongest regional reserve bank in the district to discount to the extent of one dollar if that bank does not care to do so. It can not prohibit a single regional reserve bank from discounting millions of dollars if it has the eligible paper and wants to do it.

Mr. POMERENE. Will not the Senator go a little further and say it has not done it in the past?

Mr. GLASS. It has not done it.

Mr. KING. Mr. President, if I may be pardoned, will the Senator explain the origin of this heresy which some Senators and a good many of the people have, that the Federal reserve districts can draw upon New York whenever they please; that it is the duty of the New York bank to loan to the people of Utah, to the people of California, to the people of Alabama the money which belongs to the Federal reserve bank there, and that it is the duty of the Federal reserve banks in the various districts to loan whenever any person comes and desires money,

even though the bank does not have sufficient capital to justify the continuation of the enormous loans which it in the past has made?

Mr. GLASS. The Senator has so stated his inquiry as that it carries its own answer. No banking system that would do those things could survive in any country on earth.

Mr. SMITH. Mr. President, if the Senator from Virginia will allow me, perhaps I misunderstood the inquiry which the Senator from Utah made when he said that the reserve bank of one district could not be drawn upon for the benefit of another reserve bank. Was that what the Senator said?

Mr. KING. I did not put it that way. Of course, I appreciate that in a certain contingency, as has been explained by the Senator from Virginia, there may be a crisis which may warrant interregional discounts; but the heresy has grown up that the people of Utah, or the people of Alabama, or the people of any other district can demand of New York, or of some other district, that it respond to the wishes and needs of any State or any district.

Mr. GLASS. I will ask that Senators desist for the present from this argument. I do not object to being interrupted, but I do want to finish this speech.

Mr. SMITH. I just want to read in that connection one little paragraph of about 5 lines from the law.

Mr. GLASS. I shall come to that, if the Senator will allow me. I shall explain it fully. I have said that in certain extreme contingencies the law does permit the Federal Reserve Board, by a vote of five of the seven members, to go to the financial assistance of some weak Federal reserve bank to avoid a crisis, not in ordinary course to loan it the funds of some other region with which to do business. The textual restriction of the statute on the Federal Reserve Board indicates what was contemplated. If, perchance, the inability of a weak Federal reserve bank to respond to the urgent requirements of its member banks would threaten financial disaster in a great section of the country, then, in the judgment of the Federal Reserve Board, five members of which were required to act affirmatively, one Federal reserve bank might go to the assistance of another Federal reserve bank. That is all there is to that. The distinguished Senator from Ohio [Mr. POMERENE], who was a conferee with me on the bill, knows I am stating the case exactly.

Mr. President, if my exposition of the Federal reserve act has been accurate, it will be observed that the Federal Reserve Board sitting at Washington is not a central bank; it is merely a supervisory body, with certain clearly defined, limited powers. It can not establish a credit for any individual member bank at a single one of the Federal reserve banks. It can not issue a dollar of currency to any one of these regional banks, except upon the specific application of the regional bank. It can not withdraw or cancel one dollar of Federal reserve bank notes, with a view to contracting the currency or for any other purpose, not a dollar.

I have sat here for a year and heard Senators denouncing the Federal Reserve Board for withdrawing circulating notes. It has no particle of authority under the law to withdraw one single dollar of currency from circulation.

It may decline to issue currency upon request of a regional reserve bank, but there is not one instance of record since the establishment of the system in which it has done that. It may levy a tax on Federal reserve notes, so as to make their issuance uninviting to the regional banks, but there is no instance of record in which it has levied a penny of tax on note issues.

Mr. WATSON of Georgia. Mr. President—

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

Mr. GLASS. I do.

Mr. WATSON of Georgia. Mr. President, I saw in the Washington papers yesterday a statement issued by the Federal Reserve Board which seemed to say that during the last 12 months they had retired of their note circulation a thousand million dollars.

Mr. GLASS. I will say to the Senator that the Federal Reserve Board has not retired a dollar. The various regional reserve banks have retired their Federal reserve notes, for which they made application when business was humming and industry was at its height. Now that there is widespread business depression, these regional reserve banks, not the Federal Reserve Board, have sent in certain notes for cancellation and destruction.

Mr. OVERMAN. Mr. President, I would like to ask the Senator, before he leaves that question, who fixes the discount rate?

Mr. GLASS. The Federal reserve banks fix the rate, subject to review and determination by the Federal Reserve Board. I am coming to that.

Mr. JONES of New Mexico. Mr. President—
The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from New Mexico?

Mr. GLASS. I do. I want to give all the information I can, but Senators by interrupting are going to prolong my speech.

Mr. JONES of New Mexico. I do not understand that the Federal Reserve Board, as such, has the power to restrict the issuance of notes or enlarge the amount of an issue; but inasmuch as one-third of the board of directors of each of the regional banks is appointed by the Federal Reserve Board in Washington, does not the Senator believe that any recommendation of policy directed to these regional banks would be quite effective, and is it not claimed that such policies have been announced by the Federal Reserve Board, and that that has resulted in the deflation of the currency in the country and in the restriction of the amount of the currency; and does not that in effect operate in the same way that it would if the board had the direct power to make the restriction?

Mr. GLASS. I say to the Senator from New Mexico that every director of a Federal reserve bank must be a resident of his Federal reserve district. The appointment of three of these directors by the Federal Reserve Board, as the Senator from Ohio will recall, was resisted by the banking community of the United States. They were put there to represent the interests of the Government, because the Government, under the operations of the banks, would be one of the largest depositors in the banks. I have no doubt the banking community to-day would gladly welcome an alteration to exclude these three appointed members from the regional boards.

Answering the other part of the Senator's inquiry, I will say that the Federal Reserve Board has never, since it was inaugurated, offered a suggestion to a Federal reserve bank that it should or should not make rediscounts or apply for currency.

Mr. FLETCHER. If I may interrupt the Senator just on that point, is it not true that the power to fix the rate of rediscount is the power to control circulation?

Mr. GLASS. I said to another Senator that I would reach that presently. If Senators will just let me get on, I hope I shall not leave any phase of the problem untouched.

Mr. FLETCHER. I did not know that the same question had been presented. It seems to me they do not need the power to control circulation as long as they have the power to control the rate of rediscount.

Mr. GLASS. Of course, the power to fix the rate of rediscount is a fundamental banking power of the system.

Mr. JONES of New Mexico. Mr. President, I am sorry to interrupt the Senator, but I saw the statement made by people who were supposed to know and be advised about it, that the Federal Reserve Board in Washington had made a direct request of the regional banks in certain sections of the country, as well as member banks, that no more loans of a certain character should be made; for instance, upon live stock. Personally, I was never able to find out from any authoritative source that such a thing had been done, and I should like to know whether or not the Senator has any information upon that subject.

Mr. GLASS. I know it is not true, I will say to the Senator from New Mexico. The Federal Reserve Board at one time did what Senator after Senator upon this floor did. In one of its public outgivings it suggested that there ought to be a cessation of extravagance in this country; that the credits of the country should be devoted to taking care of the necessities of the people rather than the luxuries of the people. Will anybody question the Solomonian wisdom of a declaration of that sort? The board has never at any time indicated to a bank that it should not engage in lawful and proper rediscount activities, and has never denied the application of a regional bank for one dollar of Federal currency.

Mr. POMERENE. Mr. President, the Senator has already referred to the fact that only one-third of the directors of the regional banks are appointed by the Federal Reserve Board. The other two-thirds are divided into two classes, one representing the smaller banks and the other representing the larger banks. The thought struck me that ordinarily two-thirds can control one-third.

Mr. GLASS. There has never been any suggestion that the one-third were in any degree out of sympathy with the agricultural, commercial, or industrial requirements of their particular region. It is not natural to suppose they ever are. They are business men of character and reputation, identified with the particular region. Why should they wish it harm?

These powers, with the right to review and determine rediscount rates, are conferred by the law on the Federal Reserve

Board for the security of the banking system of the United States and to insure that any expansion of the currency shall be upon safe and sane lines.

RECKLESS CHARGE OF DEFLATION.

Yet, Mr. President, with these restricted powers unexercised to this day, the Federal Reserve Board, times without number, has recklessly been charged with instituting and executing "drastic and cruel policies of deflation." One perverid Senator characterized it a "murderous" policy of discrimination against agricultural produce. What, precisely, is meant by this charge? It can signify but one thing, which is, in plain terms, that the Federal Reserve Board at Washington, without sanction of law, ordered Federal reserve banks, especially those located in the agricultural regions, to curtail or stop rediscounts or that the board refused to issue currency upon application of the banks or that the board did both these things. *The actual truth is, Mr. President, the Federal Reserve Board did neither of these things, and I challenge the production here or elsewhere of any particle of evidence of any such action by the Federal Reserve Board.* It issued no such order; it had no right to issue any such order. And, as I have pointed out, while the board is vested by law with explicit authority to refuse to issue currency or to tax that outstanding in order to influence its redemption, the board has not exercised its lawful power in either respect. Every dollar of bank credit denied was withheld by a local bank or regional bank. The Federal Reserve Board had nothing to do with it. Every dollar of currency retired was retired by a local bank or regional bank. The board had nothing to do with it.

By whom, then, Mr. President, was this wicked policy of deflation of the credits and currency of the system instituted and what were the agencies employed in its execution? Each regional bank of the system is master in its own domain, subject only to the Federal statutes; it is operated by men, all citizens of its territory. Two-thirds of its directors are selected by the member banks in its territory. These men are presumed to understand the conditions and to know the requirements of every interest in the territory—agricultural, commercial, or industrial. If there was deflation, "wicked" or righteous, monstrous or sane, the directors of these respective Federal reserve banks, in larger degree than any other agency under the law, should be held responsible for it.

But I pointedly deny that there was deflation of either regional reserve bank credits or any diminution of Federal reserve currency for the period of the appalling drop in prices of agricultural products.

INCONTROVERTIBLE FACTS AND FIGURES.

I hope Senators will take particular note of that declaration and convict me here, if they can, of any inaccuracy that appertains to it. Rhetoric, whether the motive of it be harmless or vile, is one thing. A cold, indisputable fact is something different. In all this fanfare of prejudice and vituperation there has not been given one authenticated fact or figure to justify the assertion that the Federal reserve banking system was appreciably delinquent or in any degree oppressive. I shall present proof to the Senate that, in the period of precipitated prices of farm products, there was a constant expansion of regional bank credits and an increase in the volume of Federal reserve notes issued. At this point I shall insert in the RECORD figures furnished me by the Bureau of Statistics, Department of Agriculture, giving the average seasonal price, by the month, of cotton, wheat, corn, and oats from July, 1919, to January, 1921, inclusive:

	Cotton.	Wheat.	Corn.	Oats.
1919.				
July.....	\$0.311	\$2.22	\$1.76	\$0.71
August.....	.325	2.17	1.91	.75
September.....	.303	2.06	1.85	.72
October.....	.313	2.10	1.54	.68
November.....	.365	2.13	1.33	.69
December.....	.357	2.15	1.35	.72
1920.				
January.....	.359	2.32	1.40	.78
July.....	.374	2.54	1.86	1.04
August.....	.368	2.32	1.64	.82
September.....	.311	2.19	1.56	.70
October.....	.255	2.14	1.21	.61
November.....	.194	1.88	.87	.54
December.....	.14	1.44	.68	.47
1921.				
January.....	.115	1.49	.67	.46

Mr. President, an examination of these figures discloses the fact that cotton, quoted at 31.1 cents in July, 1919, is quoted at 37.4 cents in July, 1920, when a sharp decline set in, until

for January, 1921, cotton was quoted at 11.5 cents, a decline of 69.3 per cent from July, 1920, to January, 1921.

It is seen that oats rose from 71 cents for July, 1919, to \$1.04 for July, 1920, and dropped to 46 cents for January, 1921, a decline of 55.8 per cent from July, 1920, to January, 1921.

It will be noted that wheat rose gradually from \$2.22 for July, 1919, to \$2.54 for July, 1920, and fell to \$1.49 for January, 1921, a decline of 41.4 per cent from July, 1920, to January, 1921.

It will be observed that corn fluctuated from \$1.76 for July, 1919, to \$1.86 for July, 1920, and fell to 67 cents for January, 1921, a decline of 63.9 per cent from July, 1920, to January, 1921.

This shocking decline in the produce of American farmers, as well as a less acute decline in the products of our mills, is a familiar story to every intelligent business man of the country. If it can be established that for this period from January 1, 1920, to January 1, 1921, the Federal reserve banks, severally or in the aggregate, contracted their credits and diminished the volume of their note issues, those who charge them with "a drastic and cruel policy of deflation" may justify the accusation with respect to these regional banks. But even in this event they can get no sanction for their assaults upon the Federal Reserve Board, which does not initiate bank credits nor issue currency except upon application of the regional banks. Now, let us see what the facts are. At this point I shall place in the Record an authenticated statement of paper held under discount for member banks of the Federal reserve system as of January 1, 1920, and January 1, 1921; likewise a statement of the volume of Federal reserve notes in circulation on January 1, 1920, and on January 1, 1921.

Paper held under rediscount for member banks in each Federal reserve district, also Federal reserve notes in circulation on Jan. 1, 1920 and 1921.

[000 omitted.]

Federal reserve bank.	Paper held under discount for member banks—		Federal reserve notes in circulation—	
	Jan. 1, 1920.	Jan. 1, 1921.	Jan. 1, 1920.	Jan. 1, 1921.
Boston.....	\$188,039	\$155,293	\$244,093	\$288,780
New York.....	790,803	871,439	807,616	867,481
Philadelphia.....	237,300	155,484	237,051	278,322
Cleveland.....	164,517	122,182	264,783	348,951
Richmond.....	114,772	125,473	145,765	155,169
Atlanta.....	88,052	166,640	155,511	173,406
Chicago.....	267,639	475,563	500,139	545,395
St. Louis.....	77,679	114,933	145,298	135,785
Minneapolis.....	73,857	95,994	87,187	79,498
Kansas City.....	110,380	139,402	104,089	111,578
Dallas.....	28,371	97,392	74,930	79,453
San Francisco.....	73,896	167,598	242,462	272,463
Total.....	2,215,305	2,687,393	3,008,878	3,336,281

CREDITS INCREASE AS PRICES DROP.

An analysis of these statistics shows that the total amount of rediscounted paper held by the 12 regional reserve banks on January 1, 1920, was \$2,215,305,000. Instead of deflating their credits, as has been charged, these banks as of January 1, 1921, had increased their accommodations to member banks in the aggregate to \$2,687,393,000, an expansion of \$472,088,000 in the 12-month period.

If any Senator can controvert this fact, I pause to have him do it.

On January 1, 1920, the 12 regional reserve banks had notes in circulation to the amount of \$3,008,878,000. Instead of reducing circulation, these same banks on January 1, 1921, had outstanding circulation aggregating \$3,336,281,000, a total expansion of currency of \$328,403,000 for the 12-month period of falling prices.

Will any Senator say that that is not true?

Thus it will be noted that so far from the truth is the accusation that the Federal Reserve Board "tumbled" the prices of farm products by a cruel policy of deflation, it is shown that during the whole period of falling prices the Federal reserve banks were supplying largely increased credit facilities and issuing a constantly increasing volume of Federal reserve notes.

Mr. HEFLIN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Alabama?

Mr. GLASS. I yield.

Mr. HEFLIN. I do not want the Senator to get the impression that I agree to a good many of those things.

Mr. GLASS. Oh, I do not get the impression that the Senator from Alabama agrees with a single one of those things.

Mr. HEFLIN. Because I expect to reply to the Senator, and I want him to know that I disagree with him on several of these propositions.

Mr. GLASS. I would have assumed that without any statement from the Senator.

Mr. HEFLIN. The Senator compliments my friendship for the people of the country.

Mr. GLASS. Oh, Mr. President, no friendship can intervene where a great and vital interest of the country is concerned. I believe it was the Duke of Guise who once was bitterly reprimanded by the Archbishop of Paris for exhibiting some degree of acerbity toward a friend. The prelate asked how he could reconcile his attitude with his professions as a churchman, and the Duke of Guise responded, "I confess, your grace, that Christ taught us to forgive our enemies; but I think you will search Scripture in vain to find that he anywhere admonished us to forgive our friends." That is my reply to the Senator from Alabama when he appeals to friendship to avert criticism of his misrepresentation of the Federal Reserve Board here in Washington.

Mr. HEFLIN. Mr. President—

The PRESIDING OFFICER. Does the Senator from Virginia yield to the Senator from Alabama?

Mr. GLASS. I yield.

Mr. HEFLIN. The Senator from Virginia misunderstood me. I said that he was complimenting my friendship for the people of the country and my desire to have a fair deal for them, and not my friendship for the Senator, which is great; we are personal friends; but I am not appealing to that. I will take care of the Senator's arguments along that line.

Mr. GLASS. Oh, I do not doubt that.

It is significant, Mr. President—and I call the attention of my distinguished friend from North Carolina [Mr. OVERMAN] to the fact—that these increased facilities were applied for and granted at the increased rate of rediscount put into effect by the regional reserve banks and approved by the Federal Reserve Board. This tremendous expansion of Federal reserve credits, aggregating nearly \$1,000,000,000 within the 12-month period of falling prices, was not managed except by an alarming encroachment upon the gold reserves of the regional banks, one of them, as I recall, barely escaping the humiliating if not disastrous experience of having its gold reserve wiped out of existence; it had to resort to the expedient of largely rediscounting with another Federal reserve bank at the North.

LOANS TO FARMERS.

Let me anticipate here a thought which may have place in the minds of some Senators. Doubtless they will want to know in what sections of the country these extensions of credit prevailed, in order to determine whether one class of citizens was discriminated against or another class granted peculiar privileges by the Federal reserve banks. We shall see:

The regional bank at Richmond accommodates the grain, fruit, tobacco, and cotton portions of the fifth district. Were its credits deflated or its note issues reduced during the period of falling prices? Not at all; both credits and circulation were extended. On January 1, 1920, the Richmond Federal Reserve Bank held discounted paper to the amount of \$114,772,000. On January 1, 1921, its rediscounts had been increased to \$125,473,000, or more than \$10,000,000. On January 1, 1920, the Richmond bank's note issue amounted to \$145,765,000; on January 1, 1921, the bank's note issue had been increased to \$155,169,000, an expansion of nearly \$10,000,000, the total expansion in currency and credits being about \$20,000,000 in the period of falling prices.

The Atlanta Federal Reserve Bank, which is in the cotton belt, as the junior Senator from Georgia [Mr. HARRIS] may note, held \$88,052,000 of discount paper on January 1, 1920. Was there any deflation at the Atlanta bank? Not a bit; on January 1, 1921, its rediscounts had about doubled, amounting to \$166,640,000. Its note issues increased from \$155,511,000 on January 1, 1920, to \$173,406,000 on January 1, 1921, a total increase in credits granted of \$96,483,000 within the period of falling prices.

The Chicago Federal Reserve Bank, accommodating the grain and live-stock section of the country, on January 1, 1920, had a volume of \$267,639,000 in rediscounts, and during the period of falling prices these credits had increased to \$475,563,000 on January 1, 1921. Its note issues for the same period increased from \$500,139,000 to \$545,395,000; total expansion, \$253,178.

The St. Louis Federal Reserve Bank, accommodating the grain and live-stock territory, on January 1, 1920, held rediscounts aggregating \$77,679,000. These credits increased during the period of falling prices to \$114,933,000. Its note issues were reduced by the sum of \$10,000,000; aggregate expansion of the bank's credit about \$37,000,000.

The Kansas City Federal Reserve Bank, in the grain and stock section, had \$110,380,000 rediscounts on January 1, 1920. These credits had expanded to \$139,402,000 on January 1, 1921, and

its Federal reserve note issue had increased in the same period \$7,500,000; total expansion, \$36,522,000.

The Federal reserve bank at Dallas held \$28,371,000 in discounted paper on January 1, 1920, which amount had been more than trebled on January 1, 1921, totaling \$97,392,000. For the same period its note issue increased about \$5,000,000, aggregating \$79,453,000; total expansion, \$74,021,000.

The San Francisco Federal Reserve Bank, accommodating the fruit, dairy, and other farm industries of the Pacific States, held \$73,896,000 of eligible paper on January 1, 1920. This amount had more than doubled on January 1, 1921, when it reached \$167,598,000. This bank's note issue increased from \$242,462,000 to \$272,463,000, an increase of more than \$30,000,000 in credits and \$30,000,000 in the volume of its notes.

Mr. President, while this expansion of credits was taking place in the agricultural districts of the United States, the notable fact is disclosed by the official figures that there were scarcely any increases by the banks located in the great industrial centers of the country. Senators may easily examine the table and ascertain for themselves the accuracy of this statement.

Mr. POMERENE. Mr. President—

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

Mr. GLASS. I yield.

Mr. POMERENE. Is it not true also that during this decline of prices there was an advance by the Federal reserve banks in the industrial districts to the banks in the other sections of about \$267,000,000?

Mr. GLASS. The Federal reserve bank of Cleveland, in the Senator's own State, advanced, as I recall—and I will insert in the RECORD the exact figures—\$150,000,000, and perhaps in excess of that, to the Federal reserve banks in the agricultural regions of the country. It did not have to be compelled to do so by the Federal Reserve Board, but took the action on its own initiative, or perhaps at the suggestion of the Federal Reserve Board.

AMAZING LIBERALITY OF RESERVE BANKS.

I shall anticipate another thought which doubtless arises in the minds of Senators who may desire to know whether strictly agricultural credits, as distinguished from mercantile and industrial credits, were diminished during the period of falling prices. The figures show that loans on agricultural and live-stock paper increased enormously within the period of price precipitation. At this point I will insert in the RECORD a table giving the loans on agricultural and live-stock paper, as segregated, each month for the entire year of 1920, showing that these loans by the banks in the agricultural sections increased more than fivefold, while prices for agricultural products were falling in a distressing degree:

Loans of Federal reserve banks on agricultural and live-stock paper for 1920.

January	\$56,905,000
February	67,195,000
March	74,665,000
April	106,382,000
May	140,691,000
June	168,038,000
July	202,520,000
August	216,278,000
September	224,424,000
October	240,649,000
November	241,561,000
December	246,940,000

The figures in some detail show that at the Richmond Federal Reserve Bank loans on this kind of paper increased from \$449,000 on January 1, 1920, to \$9,251,000 on January 1, 1921.

The loans of the Atlanta Federal Reserve Bank on paper of this character increased from \$841,000 on January 1, 1920, to \$16,831,000 on January 1, 1921.

Why, Mr. President, I am amazed at the broad liberality of this regional reserve banking system in that distressing time. Had I any criticism to make of its administration it would be that it too far transgressed the requirements of safe banking.

The Federal reserve bank at Dallas on January 31, 1920, had only \$4,450,000 on agricultural and live-stock paper, which was increased to \$31,251,000 by January 1, 1921.

The Kansas City Federal Reserve Bank increased its loans on this kind of paper from \$20,022,000 on January 31, 1920, to \$46,840,000 on January 1, 1921, during the period of falling prices.

The Federal reserve bank at St. Louis on January 31, 1920, held but \$294,000 of agricultural and live-stock paper, which amount by January 1, 1921, had been increased to \$4,896,000 during the period of falling prices.

The Federal reserve bank at Minneapolis held on January 31, 1920, only \$6,855,000 of agricultural and live-stock paper. On January 1, 1921, it held \$53,896,000 of strictly agricultural paper.

The Chicago Federal Reserve Bank on January 1, 1920, was loaning but \$12,783,000 on agricultural and live-stock paper, whereas on January 1, 1921, it had increased these loans to \$52,695,000 during the period of falling prices.

I would call the attention of the Senate to this significant fact in this connection:

These figures constitute loans made to the agricultural interests of the country on paper having a maturity of six months, which paper may easily be segregated; but the figures are not an index to the full volume of agricultural loans, because hundreds of millions of dollars of commercial loans are made to the farmers of the country on paper of 90 days' maturity. Indeed, by reference to page 17 of the last annual report of the Federal Reserve Board it will be seen that 11 of the Federal reserve banks, excluding the New York bank altogether, made loans for farm and dairy purposes for the year 1920, comprising the period of falling prices for farm products, aggregating \$1,980,063,000 as against \$729,266,000 for a like period of 1919; and this great volume of credit does not include the large amounts advanced on cotton, wool, and similar lines by the greater banks of the system.

THE SYSTEM NOT SECTIONAL.

Mr. President, I am not speaking for any section of the country or against any section of the country. I am not speaking for the Democratic Party or for the Republican Party. I despise the conception of the man who thinks that we should harass and corrupt this great Federal banking institution by introducing politics into its administration or political henchmen into its personnel. Once that is done, the system is gone beyond reclamation. I am speaking for the integrity of this great Federal reserve banking system, which saved every section of the country in a time of unprecedented disturbance, when all the world beside was going into financial chaos and being wrecked almost beyond recovery. But it is a fact of some significance that the Federal reserve banks of the North, without compulsion of any kind, went largely to the assistance of the agricultural interests of the South and West. At one time, in October, 1920, in the crop-moving period of that year, when the prices of agricultural products were going down, the Federal Reserve Bank of Cleveland alone was loaning to the reserve banks in the West and South no less than \$145,800,000.

Mark this: The loans of the Federal reserve bank at Cleveland in the South and West exceeded its total loans to member banks of its own district, including the banks of the great cities of Pittsburgh, Cleveland, and Cincinnati, the greatest industrial district of the United States.

These funds were derived from the stockholding banks of that district; they represented the vision, the enterprise, the activities of the men and industries of that territory. Yet, in an effort to save a distressing situation they were loaned to the banks in the agricultural regions of the United States. And so also did the Federal reserve banks at Boston and Philadelphia and New York, by permission of the Federal Reserve Board, loan from their funds to western and southern Federal reserve banks for the relief of the agricultural situation in those sections. Indeed, the Dallas Federal Reserve Bank borrowed continuously from the northern reserve banks from the spring of 1920 to December 15, 1921. Minneapolis just finished paying out of debt to these banks last November, and Richmond and Atlanta last December. Happily, all of the Federal reserve banks are now above their reserve requirements, each standing on its own resources, with the ability and the willingness to take care of all reasonable credit requirements. It was the palpable intent of the law that they should do this. It was never intended that interregional discounts should be a normal process of this system.

NOT A CENTRAL BANK.

Some Senators seem to imagine that we have a central banking system in this country. The amazing statement is made here that Congress in 1913 adopted a slightly modified form of the Aldrich bill, which did provide a central banking institution. No greater misconception was ever projected in this Senate Chamber, and no man on earth knew better than Mr. Aldrich himself that a statement of this kind involves a total misunderstanding either of the provisions of the Aldrich bill or the essential provisions of the Federal reserve statute. We have no central bank, and the Federal Reserve Board sitting at Washington has no right, except in circumstances threatening the financial fabric of the Nation, to even order one Federal reserve bank to rediscount the discounted paper of another regional bank. Even in a financial crisis, such as the law contemplates, it requires the affirmative action of at least five of the seven members of the Federal Reserve Board to compel one of these regional reserve banks to rediscount for the other. Hence, when gentlemen talk about the great resources and earn-

ing assets of this or that Federal reserve bank and imagine that these resources are available as a normal process for use in other regions, they simply display a lamentable ignorance of the Federal reserve banking system, both as to the text and intent of the law. When the junior Senator from Alabama assumes that the contemplated expenditure of a certain sum of money for a regional reserve bank building in New York operates to restrict the banking credits of cotton planters in the South, he is talking pitiful nonsense. What have agricultural credits in the South to do, directly or indirectly, with a bank building in New York or Chicago or Cleveland or San Francisco? It might as well be said that the school children of Birmingham or Richmond have their educational facilities wickedly impaired because the school board at New York or Boston has been or contemplates spending more money for educational purposes next year than all the Southern States combined. That sort of talk is not even specious; it is such arrant nonsense that I should not like to believe it can deceive the very simplest among those who are the accustomed victims of demagoguery!

THE CASE CLEARLY PROVED.

Presently, Mr. President, I shall briefly discuss the question of bank building and bank salaries. For the moment I desire sharply to draw the attention of the Senate and the country to the incontestable fact that the authentic figures which I have presented prove beyond controversy that the crashing decline in the prices of farm products was not caused by the Federal Reserve Board at Washington nor by any policy adopted or pursued by the Federal reserve banks throughout the country.

These figures prove beyond all controversy that, instead of deflating credits and currency, the Federal reserve banks, during the period of falling prices, enormously expanded bank credits and increased the volume of circulating notes. This is especially true with respect to credits in the agricultural sections of the United States, for it appears from the official figures that while agricultural credits were expanding commercial credits were contracting. Federal reserve banks in the great money centers carrying an aggregate of \$467,000,000 in bankers' acceptances this last summer were carrying less than \$40,000,000 of these acceptances.

The figures show a decline in commercial credits secured by Government securities of nearly \$1,000,000,000 in that period. What, then, becomes of this charge of "cruel and wicked and murderous" deflation of farm credits by the Federal reserve banks under orders from the Federal Reserve Board?

Mr. President, any self-respecting board of directors of any one of these Federal reserve banks would doubtless resent an order from the Federal Reserve Board to abandon its rediscounting operations. The board has no lawful authority to issue any such order. These rediscounts frequently take place without the immediate knowledge or consent of the Federal Reserve Board. It is only when currency is desired, when application is made for the issuance of Federal reserve notes, or when a regional bank depletes its gold reserve, that the intimate knowledge and supervisory power of the Federal Reserve Board is brought into effect.

What, then, becomes of the charge of "murderous deflation" when it is examined? It takes its place in the limbo of discarded fiction. For my part, I fervently thank God that I have no responsibility for its inception or its propagation or the dissemination of its vile odors. No one will ever be able to compute the amount of damage done by this misrepresentation and the harmful use made of it by erupting politicians. The truth in one sentence is that falling prices caused the deflation of credits and currency, such as we have witnessed since January of last year, and not deflation of credits the fall in prices.

WHY PRICES TUMBLED.

Mr. President, the crash in commodity prices in the summer and fall of 1920 is not a hidden mystery. It did not require a Joint Commission of Inquiry to be ascertained, although I am profoundly thankful that such a commission instituted a thorough investigation of the subject. The storm was inevitable; discerning men saw it brewing and were prepared when it burst. It was not peculiar to this country; its sweep was through the whole world. First, it tore asunder economic conditions in Japan. The disaster there almost instantly reflected itself by the break in the silk market in March of 1920. The next manifestation of distress was in May, when the wool industry utterly collapsed and we had presented the phenomena of wool cheaper than cotton. Then came the break in hides and leather; then in sugar, wheat, cotton, corn, oats—all conspiring to create alarm and to occasion distress throughout the country.

Did deflation of credits by the Federal reserve banks, on order of the Federal Reserve Board, cause the crisis in Japan? Did a restriction of credit cause the violent prostration of the wool

industry? Did the drop in sugar, which threatened a moratorium in Cuba and which came not far from wrecking one of the great banking institutions of this country because of a satiety of credit, have its origin in any policy of the Federal reserve banking system? If not, how may it rationally be contended that a restriction of credit, which never took place, by an order which was never issued, is responsible for the crash in prices of other commodities?

Mr. President, we are accustomed to get periodically more or less definite estimates of crop production, and then think we have envisaged the entire problem of prices for a given time. As a matter of fact, we have only half of the picture. It may be told with a reasonable degree of certainty what will be the supply, but nobody can ever tell what will be the demand for the products of farm or factory. Senators know perfectly well that all continental Europe, as well as the Near and Far East, has been embroiled in war and plagued by economic disasters since the armistice was proclaimed; so that our foreign markets were dislocated.

Moreover, the peak of extortionate prices in this country had all but pierced the clouds in the early summer of 1920, exceeding actually the highest point of the war period.

I pause to remark that we are a peculiar people in America. For months and months Senators and newspapers throughout the country were denouncing profiteering in the prices of commodities and of all conceivable articles of commerce. They were eager to put the profiteers in jail. They wanted to impeach the Attorney General of the United States for not quickly putting them in jail. Then, when the drop came, these impatient souls denounced the Federal Reserve Board.

THE SENATE ORDERED DEFLATION.

Mr. McLEAN. I remind the Senator that in May, 1920, we passed a resolution for an investigation of the cause of high prices, and at that time condemned the Federal Reserve Board for not raising its rediscount rate.

Mr. GLASS. Yes; and I shall show that you practically undertook, without any authority of law, to compel the Federal Reserve Board to raise its rediscount rate. The Senate voted for a resolution unanimously, offered by the distinguished Senator from Montana [Mr. MYERS], demanding to know what the Federal Reserve Board had done, or what it purposed to do, to deflate the credits and currency of the country. Senators are making me anticipate my speech.

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

Tuesday, January 17, 1922.

Mr. GLASS. Mr. President, when the Senate recessed on yesterday I had covered those phases of the problem under discussion which related particularly to the question of alleged deflation of credits and currency in this country and was undertaking to describe the causes and course of the fall in prices.

CONSUMERS ON STRIKE.

The peak of extortionate prices in the United States, as I said before, had all but pierced the clouds in the early summer of 1920, exceeding actually the highest point of the war period, and the people of the United States had become tired of being profiteered and the people of Europe could no longer pay the prices. At home and abroad the people in their righteous indignation went on strike, as it were, against the profiteers. That vitally affected the situation, because when the people once began to do without luxuries, by the very processes of psychology they began to economize in the more necessary things of life. The demand for all products was thus enormously diminished. Then railroad rates were skyrocketed, not alone putting a tax on the things which the farmer must transport to market, but likewise on everything which the farmer was compelled to bring back to the farm. Building was reduced to the minimum, road construction was stopped, furnaces from one end of the country to the other were banked, unemployment to a frightful extent ensued; and all this, Mr. President, for no lack of credit facilities, but for lack of markets in which to sell the products of farm and mill and factory. There is the picture! Why not tell the farmer and everybody else the truth about the thing? Why invent the wretched fiction about deflation of bank credits, and by this false predicate seek to impair the usefulness and ultimately to destroy a banking system that preserved this country from chaos and that, if let alone, will restore the financial equilibrium of the world, if it be not already beyond restoration?

WHY FARMERS SUFFERED FIRST.

The consequences of this crash in commodity prices were more pitiful to the American farmer, because the pelting storm found him defenseless and without shelter. The factory men and mercantile interests, both jobbers and retailers, have better insurance against sudden collapse. They are more compactly

organized; they may longer resist falling prices than the farmer. I do not charge that they are more acquisitive; but at least they do not find themselves obliged to accept their losses as promptly as the farmer. This is why the farmer was hit first, and hit hardest and suffered most. Why not tell the farmer the truth and advise him, if he would escape the consequences of another such disaster, he should organize; organize, Mr. President, not to be the plaything or the instrument of designing politicians, but organize for an intelligent investigation and pursuit of economics; organize for a cooperative marketing of his product; organize, if it may seem desirable, for the cooperative purchase of his requirements; organize for an intelligent understanding of the source and volume of demand for farm products.

I commend to the consideration of every intelligent American farmer the report of the Joint Commission of Inquiry upon the Agricultural Crisis and Its Causes; and to indicate that I have not to-day in anywise misstated the situation, I will here quote a paragraph to be found on page 17 from the report in question on—

THE BREAK IN PRICES.

The crisis was not confined to this country. The avalanche of declining prices and its attending hardships, sacrifices, and losses involved the whole world. It began in distant Japan with the break in the silk market and the Chinese boycott of Japanese goods. It traveled the circle of the Far East, Australia, India, Java, England, France, Italy, the whole of Europe, South America, Canada, and the United States. It embraced all countries and all industries, though not to the same extent or in the same way.

Mr. President, the difficulties of the farmers of the United States can not be cured by listening to the sickening rhetoric of politicians or professional agitators. Recurrent distress can not be averted by indefensible assaults upon the integrity of the Federal reserve system or defamatory accusations against the clean, courageous, trained men who are engaged in its administration. The farmers of the country can be helped in two practical ways, one of which involves the strengthening rather than impairment of the Federal reserve system itself.

NONMEMBER BANKERS POWERLESS.

I draw the attention of Senators from the agricultural sections of the country to the fact that a large part of the banking power of their States is wholly independent of the Federal reserve banking system and refuses to avail itself of the tremendous advantages of the system. In the South 42 per cent of the banking power of that entire section is lodged with nonmember banks, institutions which had no access in the recent crisis to the currency vaults or credit facilities of the Federal reserve banks. They were powerless to help the situation because they could not avail themselves of the rediscount privileges of this great banking institution.

Very likely, Mr. President, most of the State banks did what they could in the circumstances; possibly they responded to the limit of their facilities to the demand of the agricultural interests for bank credit; but they were not members of the Federal reserve banking system and had no access to its advantages.

In the Middle Western States 39 per cent of the banking power of all that region is lodged with banks which do not belong to the Federal reserve system; they likewise were powerless to help in this crisis which so afflicted not only the agricultural interests but every interest in this country.

In the far Western States, the great grain-growing section, 50 per cent of the banking power of that region is lodged in banks that are not members of the Federal reserve system; they are powerless, beyond their own restricted resources, to aid in any national crisis. And in the Pacific States 36 per cent of the banking power is lodged in banks outside the Federal reserve system. These nonmember banks have total resources amounting to \$19,144,393,000, which were availed of in that crisis to only a limited extent because these banks were not members of the Federal reserve system.

A STARTLING FACT.

If some Senators will go home and talk sense to bankers who remain outside the pale of protection, instead of talking nonsense to farmers and arousing prejudice against the Federal reserve banking system, which has afforded them protection, something worth while will be accomplished. Why, Mr. President, on August 22, 1907, when that great financial crash which started in New York traversed this country, the total rediscounts and bills payable of all national banks in the United States was but \$59,177,000. I ask Senators particularly to note this fact: All the rediscounts and bills payable of all the national banks of the United States on the 22d day of August, 1907, under the old bank system, were but \$59,177,000, whereas in the month of October, 1920, in the midst of falling prices, the Federal Reserve Bank of Kansas City alone advanced the member banks of the single agricultural State of Nebraska over \$38,000,000, which was more than half the entire amount of rediscounts

and bills payable of all the national banks of the United States when the great crash came in 1907.

The Federal reserve bank at Richmond during the recent crisis loaned the member banks of the single State of South Carolina \$21,105,000, nearly as much as one-half of the total rediscounts and bills payable of all the national banks in the United States under the old banking system in the panic of 1907. And so I might go from State to State pointing out the vast advantages of the system, the incomparable aid rendered by it, and yet Senators, ignoring these great achievements, persist in misrepresenting the operations of this institution to the farmers of the country.

BANKS ALARMINGLY EXTENDED.

The distinguished senior Senator from South Carolina [Mr. SMITH], who is by no means a stranger to this system or the system to the Senator, who had something to do with its fabrication, and who, I am glad to be told, has renounced his suggestion to legislate out of office the Governor of the Federal Reserve Board—

Mr. SMITH. Mr. President, will the Senator allow me to make a statement right there?

Mr. GLASS. I yield.

Mr. SMITH. It was a coincidence that at that time section 2 of the proposed bill that I introduced under its terms would have had the effect of legislating the governor of the system out of office.

Mr. GLASS. I accept that statement. I was merely referring to the effect of the proposed legislation.

Mr. SMITH. I understand; but, inasmuch as the impression has gone abroad that that was the object of the legislation I want to state—and I know the Senator from Virginia is glad to correct that impression—that it was entirely erroneous.

Mr. GLASS. Absolutely so.

Mr. SMITH. When that bill was drafted none of us, including myself who drafted it, had any knowledge whatever as to whom it would affect. We merely provided that the first vacancy should be availed of because we wanted to expedite the presence on the board of a man identified with the agricultural interests.

Mr. GLASS. I accept that statement fully, Mr. President; but I fear my friend may entertain a misconception as to what was done or left undone in South Carolina by the Federal reserve bank of that district in the unprecedented crisis of 1920. I do not know and do not undertake to say anything about the credit facilities afforded by nonmember banks of South Carolina; but the figures show there was scarcely a member bank in that great cotton State which was not amazingly expanded beyond its basic line of credit with the Federal reserve bank at Richmond during the entire period of falling prices. I have the list on my desk here now. I have the figures from other States. There were not many borrowing banks in the State of the eminent Senator from Alabama, the basic credit of which was not tremendously exceeded. There were some banks in Alabama—national banks, member banks—entitled to a basic line of credit of \$8,000,000 in that period which did not borrow one dollar from the Federal reserve bank in order to assist the farmers of that State and section? Why does not the Senator go home and assail these local banks, not one of which borrowed as much as one dollar from the Federal reserve banks, although they were entitled to a basic line of credit of \$8,000,000; and had they followed the example of banks in Alabama and other States and transcended their basic line ten times they might have borrowed many times \$8,000,000 from the Federal reserve bank in order to help their farmers, whereas they did not borrow a dime. Why did they not borrow? The rediscount rate at that time was but 6 per cent. They had a margin of 2 per cent. Why did they not borrow if it would help the farmer? Why come here and denounce the Federal reserve banking system when the trouble, if there was really a deficiency of credit, was inherent at home?

Mr. President, to give the laymen in the Senate—one of whom I am—a concrete illustration of how the Federal reserve banks went to the rescue of business in the cotton territory of the United States, let me present some facts and figures:

Here is a South Carolina national bank entitled under the rule of basic credit to borrow \$29,000 from the Federal reserve bank at Richmond. On June 30, 1920, when cotton was about at its peak, it was borrowing \$74,000, until by progressive stages it was borrowing on June 30, 1921, \$212,000 from the Federal reserve bank. Think of it! It was entitled to borrow as its fair quota, \$29,000, and it borrowed \$212,000. Here is another bank which was entitled to borrow \$37,000 from the Federal reserve bank at Richmond. On June 30, 1920, it was borrowing \$91,000 when cotton was highest. On a falling market it managed to increase its loans at the Federal reserve bank to \$200,000.

Here is another little bank with a basic line of credit at the Federal reserve bank of \$23,000 in that period of stress; it borrowed from the reserve system \$111,000; and another little bank, entitled to borrow \$46,000, was loaned \$235,000 by the Federal reserve bank at Richmond.

These furnish a fair example of the operations of the smaller banks of this State. Here is a larger bank, entitled to borrow \$578,000 from its Federal reserve bank; it borrowed \$1,467,000. Here is another entitled to borrow \$468,000 as its quota of credits at the Federal reserve bank; to meet emergency it was loaned \$2,622,000. All of the member banks combined of South Carolina were entitled to borrow \$7,699,000; they borrowed \$21,105,000 during the period of falling prices.

Mr. POMERENE. Mr. President, does the Senator mean by that statement that that amount of credits were out at one time?

Mr. GLASS. I do; on each given date.

Mr. POMERENE. And I assume that that statement applies to each of the other illustrations which the Senator has given?

Mr. GLASS. It does.

Mr. DIAL. Mr. President, do these figures apply to conditions generally over the country or simply to these particular States or regions?

Mr. GLASS. They apply to the country; but the charge here has been that there was discrimination in the agricultural sections, and I am undertaking to show that that is utterly groundless.

CURSE OF TOO MUCH CREDIT.

Mr. President, not infrequently too much credit is a worse curse than too little. It allures individuals and corporations into the morass of financial disaster. Attempts to make too much money frequently result in losing all one has. Of course, some of us can see now what we could not see 18 months ago; but the one thing that clearly stands out is the fact that, had the banks of the country curtailed loans just before the drop in prices, as is mistakenly charged, instead of lavishly extending loans, as authenticated figures attest, thousands of people who are now in distress would be happy and content. For the good of borrowers themselves, the member banks and the Federal reserve banks too long delayed liquidation. They loaned too much money rather than too little; at least, that would be my criticism of their administration.

NEW SYSTEM NEEDED.

I quite agree, Mr. President, in the next place, that there is need in this country for a strictly rural-credits system, adapted to the peculiar wants and processes of the agricultural communities. Such a system conjoined with the existing Federal land-bank system, extending long-time seasonal credits, embracing crop preparation and production as well as orderly and advantageous marketing, would be of inestimable value to the farmers of the United States. This matter was being meditated when the advent of war diverted the attention and absorbed the activities of statesmen at Washington. We can not too soon renew consideration of the subject with a purpose to devise a system that will do for the farming community of the United States what the Federal reserve system immeasurably has done for the commercial and industrial interests of the country. But, Mr. President, you can not build up a long-time credit system by picking to pieces or by impairing the liquidity and the general efficiency of the existing commercial banking system. The two systems may successfully operate side by side, sympathetically and helpful, but the moment you undertake to transform one halfway into the other you will produce a financial prodigy, part fish and part fowl, which will neither swim nor crow.

Mr. POMERENE. Mr. President, in view of the statement which the Senator from Virginia has made with regard to an extension of the system of personal rural credits, I might add that there is now a joint commission composed of Members of the Senate and of the House who are studying that question. They have been taking some testimony on this subject, and I think next week they are to take testimony in the city of Atlanta.

Mr. GLASS. That, of course, I am glad to know.

WARNINGS NOT HEEDED.

Adverting, Mr. President, to the "cruel and murderous" policy of deflation which, as I have shown, never actually had any existence outside the vivid imagination of perplexed politicians, it has been said here that the alleged policy would have been sound in fact had it been applied gradually. I contend that no policy of deflation was applied for the period indicated; but if it be meant that ample warning was not given against a continuation of the wild orgy of speculation and of the alarming inflation of credits and currency at an angle at one period of 45 degrees, it can clearly be demonstrated that warning after

warning was given. The Treasury, time and again, literally implored people to desist from their inordinate extravagance, and the public press was filled with editorials of caution against the riot of expenditure.

The very first official function I performed as Secretary of the Treasury was urgently to insist on the continuance of the Money Committee, composed of patriotic, public-spirited New York bankers, to administer a large fund designed to restrict the rate of interest on commercial transactions to 6 per cent. Meanwhile call money was soaring as high as 30 per cent on speculative transactions. Many bankers insisted that money was worth what it would bring in a competitive market, and a distinguished ex-governor of New Jersey bitterly assailed the restrictive policy of the Treasury, which was, of course, merely in the nature of moral restraint and in no sense compulsory.

The members of this Money Committee served without compensation, submitting patiently to the violent condemnation of those who selfishly desired to tax commerce with a high rate of interest on borrowed money. I cite this incident to show that as early as in the fall of 1918 the public had warning that interest rates were being held in leash only by a resort to extraordinary expedients.

CONGRESS FAVORED DEFLATION.

In the late fall of 1919 the governors of the larger Federal reserve banks were invited to Washington, and were urged by the Secretary of the Treasury to warn member banks that speculative credits must be curtailed or legitimate commerce would soon be penalized and a condition presented which would shock the country. Even then we were discussing the advisability of increasing the rediscount rates of the Federal reserve banks, and House and Senate, impatient and peremptory, were sending up resolutions demanding to know what steps the Federal Reserve Board was taking or contemplating to check the frightful inflation of credits and currency. One of these resolutions barely missed being an explicit order. It was adopted unanimously by the Senate on May 17, 1920, and reads as follows:

Resolved, That the Federal Reserve Board be directed to advise the Senate what steps it purposes to take or to recommend to the member banks of the Federal reserve system to meet the existing inflation of currency and credits and consequent high prices, and what further steps it purposes to take or recommend to mobilize credits in order to move the 1920 crop.

The Treasury experts, advised by some of the most eminent bankers of the country, held the view that any appreciable increase in the rediscount rate of the Federal reserve banks would accentuate the difficulties of floating the Victory loans and greatly impede the certificate borrowings of the Government, amounting to billions of dollars. My personal view also was that speculative loans should first be curtailed before we began assessing higher interest charges against legitimate commerce.

All these things were conspicuously discussed in the public press, particularly in the financial journals of the country. But the various warnings went unheeded; speculation flourished; credits in greater degree expanded. The country was aghast at the range of prices and the high cost of living. England was in worse plight. The Bank of England advanced its discount rate to 6 per cent and in January, 1920, the larger Federal reserve banks, soon followed by other regional banks, advanced the rate here to 6 and later to 7 per cent. Did these advances in the rediscount rates serve as a warning that a day of reckoning soon must come? Did this action by the Federal reserve banks, approved by the Federal Reserve Board, and practically urged by resolutions of Senate and House months before, result in tightening the reins? One only has to examine the figures I have presented here to see that the inflation of credits still persisted; that the volume of the currency continued to increase; that even after commodity prices began to topple the Federal reserve banks made a desperate effort to impede the velocity of the fall. From January 1, 1920, to January 1, 1921, these reserve banks expanded loans to member banks in an amount approaching \$1,000,000,000. Yet, Mr. President, in the very face of this indisputable evidence, Senators berate the Federal Reserve Board and the Federal reserve banks with the utterly false charge of ordering and executing a policy of "murderous deflation." Such talk is wicked mummery.

PASSING THE BUCK.

Mr. President, Senators may wonder how this misconception got abroad about "the deflation of credits and currency." One way in which it got abroad was the willingness, first, of politicians, and then of local banks, to "pass the buck"—I believe that is the phrase—to the Federal Reserve Board and banks. Agitators advised the cotton interests of the South to hold their cotton for 50 cents. They held it; and instead of getting 50 cents it fell to 11 cents. When the slump came and disaster ensued, these evil advisers got from under their mistaken

advice by "laying it on the Federal Reserve Board." I have in mind now one of these agitators who advised the cotton planters of the South to hold their cotton for 50 cents. He has been maligning the Federal Reserve Board, although his own bank was extended nearly 300 per cent above its proper quota. Of course, he tells his victims that "the Federal Reserve Board did it."

In the fall of 1920, campaigning in Virginia, I learned that a bank in one of the counties where I was making a speech had refused credits to its customers and had told these patrons that it refused them credit because it "could not get any rediscounts at the Federal reserve bank at Richmond." It was a nonmember bank. It had no right to rediscounts at the Federal reserve bank. It had loaned \$96,000 for the purchase of automobiles, and had no more money to loan; and, not wanting to admit its plight, it told its borrowers it could not loan money because the Federal reserve bank—of which it was not a member—would not rediscount its paper!

I have here a form of notice sent out by a bank in an agricultural district to many of its borrowers, which reads as follows:

Your note for \$----- falls due -----
Our Federal Reserve Bank owns this note, having rediscounted it for us. As it has been renewed several times, they are insisting on a payment. It is absolutely necessary to arrange this note on the day of its maturity.

Yours, truly,

Cashier.

There was not a word of truth in that; and as soon as the Federal Reserve Board found that notices of this sort were being disseminated throughout that district by member banks it issued an order exposing the deception and expostulating against it.

I have here a letter from a business man of Tennessee, written to the governor of the Federal Reserve Board, saying:

On September 20 I offered to the Farmers' Bank of ----- \$2,250 of third and fourth Liberty loan bonds, as collateral for a 30-day \$1,000 loan; this they refused to grant, because they claimed they did not have the money and could not get it.

And he wants to know "why the Federal reserve bank is restricting credits in that way." Gov. Harding wrote him, in acknowledgment of the letter, saying:

While the Federal Reserve Board can not compel a Federal reserve bank to rediscount paper for a member bank which, in the opinion of its discount committee, is undesirable, I feel certain that the Federal reserve bank would cheerfully have rediscounted your note for the Farmers' National Bank with the bonds as security had it been offered.

Of course, it would have done it. That sort of deception by banks that do not desire to make loans has largely produced the impression throughout the country to which I have referred. Nonmember banks finding an excuse for not accommodating their patrons, and member banks not having the courage to refuse a loan, "pass the buck" to the Federal reserve banks of the country.

THE CHARGE OF "EXTORTION."

A great clatter has been raised about the alleged "extortionate" interest charges of the Federal reserve banks; but, as in other respects, a half truth only is told. The real facts are conveniently suppressed.

The "progressive" interest charge was not a feature of the original reserve act; it was put in about three years ago by Congress. It was intended by Congress as a penal provision. It was not designed to aid borrowing banks; it was intended to penalize any bank that should persist in borrowing more than its fair quota of the funds of a reserve bank, thereby depriving some other member bank of its fair basic line. If Congress did not want that done it should not have authorized it to be done.

But, Mr. President, this "progressive" interest charge was put into effect by but 4 of the 12 reserve banks. By these it was applied to comparatively few borrowing banks in their districts. These banks were incorrigible offenders against every requirement of cautious and safe banking. They were perpetually exceeding their allotted line of credits; they were incessantly appropriating more than their fair share of reserve bank funds. But the assailants of the reserve system suppress these facts. They fail also to tell those whom they mislead that the average rediscount rate charged by the Federal reserve banks against the great body of borrowing banks in the four districts where "progressive" rates were very occasionally applied was much below the rate charged by these borrowing banks against their own customers.

Take the case of the one little bank in the Atlanta district, the evil fate of which has so lustily been bewailed here and elsewhere. This bank was far below its lawful reserve for 11 months out of 12. It exceeded its basic line of credit nearly ten times. Ninety per cent of its capital was loaned on notes indorsed by its president. It seems to have outraged every rule

of sound banking. It was penalized under the act of Congress in order to restrain its excesses and to compel it to get back in line. It could not have complained fairly had it been put in the hands of a receiver. When it had been forced to abate its excesses the amount of the "progressive" rate was returned to it. I doubt if this should have been done.

But why pick out a few rare and extreme cases of offending banks like this and make it appear that the Federal reserve system is "extortionate," when its general interest rate to the great multitude of borrowing banks was not only moderate but far below the average rate charged business men by these borrowing banks? Why judge the system by the discipline administered to a few banks which persisted in "running amuck" of sane banking practices, and ignore the generous and beneficent treatment accorded the many thousands of banks throughout the Nation? Does not this very thing exhibit the enemies of the system in their nakedness? What evil motive could a reserve bank have to charge excessive rates when in no event can it pay its stockholding banks above 6 per cent in dividends? What unworthy prompting could the Reserve Board have in sanctioning excessive charges, when the board itself derives no single penny of profit from any transactions of the banks? Is not the utter foolishness of such talk deplorable?

A DESIGNING PHRASE.

It has been asserted by Senators that if the Federal reserve banks had extended as great a percentage of credits to the "country" banks as were extended to the member banks in the great central reserve cities—New York, Chicago, and St. Louis—there would have been a billion dollars more to loan on agricultural products. Mr. President, already I have pointed out that credit was not the urgent need of any rationally operated business interest in this country. The crying need was markets, not greater banking facilities. But let me expose the specious nature of this play upon the phrase "country banks," the evident purpose being to produce the impression that "country" banks necessarily engage in financing agricultural products.

As a matter of fact, every national bank in New England, outside of the city of Boston, is classed as a "country" bank. Every bank in the great State of New York, outside New York City, Albany, and Buffalo is classed as a "country" bank; and until recently all the banks in the great industrial city of Buffalo were "country" banks. Every bank in the State of New Jersey is a "country" bank, and every bank in the great industrial State of Pennsylvania outside Philadelphia and Pittsburgh is a "country" bank. And so nearly all national banks in the industrial State of Ohio are "country" banks and all in Illinois outside Chicago and Peoria and in Missouri outside St. Louis and Kansas City. Most of these banks are engaged in financing industrial enterprises and not agricultural products especially. Had they borrowed greater sums from their Federal reserve banks there is no assurance, indeed it is incredible to believe, that such funds would have been devoted to the use of agriculture. Senators who use this insinuating argument fail to state that, because of their larger reserve requirements, member banks in these great central reserve cities are obliged to borrow about twice as much to keep up their 13 per cent reserve as a country bank has to borrow to keep up its less than 7 per cent reserve. These Senators, with design, simply invoke the tyranny of a phrase to make it appear that farmers are the victims of discrimination, when facts and figures show it is not true.

PRINTING PRESS ECONOMICS.

Mr. President, there is one other aspect of this subject to which I think allusion ought to be made. I shall do that very briefly, because I do not want to deprive other Senators of an opportunity to discuss this problem in detail and to reply to anything I have said. If, as it may be, I have said anything that is inaccurate, I want to be corrected. If I have drawn any deductions which are not warranted, I want them exposed.

It has been said in some quarters that the Federal Reserve Board might have disregarded the reserve requirements of the Federal reserve bank act, and by doing so have issued other billions of dollars of notes and credits; and that is true. That is what England did, Mr. President, and her foreign exchange became dislocated, her trade for a long time was gravely impaired, and in some directions destroyed; that is what France did, and the currency of the nation was debased; that is what Germany did and is doing to-day, and the mark is worth hardly a half cent. That is the doctrine of Lenin—the printing-press doctrine—and look at the plight of Russia, where it takes a million rubles to buy 10 pounds of butter! At that rate it would take a trainload of printing-press "money" to buy a bale of cotton.

Yes, the Federal Reserve Board might have pursued the policy which has been suggested; but had it done so, instead of our country being the financial Gibraltar of the world it would have been drawn into the frightful maelstrom of currency depreciation and credit debasement. I can not conform my judgment to that of men who advocate the "printing-press" doctrine practiced by Lenin and under which in Russia to-day the material upon which rubles are printed is worth more as waste paper than it is as authenticated currency.

AN HISTORICAL PARALLEL.

Coming from a center of culture and familiar with the epochal events of history, you will recall, Mr. President, that several decades before the French Revolution the currency of France was the product of the printing press; and the business of the kingdom was thereby depressed beyond the imagination of men. Those in power enacted a law making it a penal offense for the farmers of France to discriminate against paper "money" in favor of coin of the realm.

The penalty was a heavy fine and long imprisonment in jail. Later the rulers, still thinking they might compel credit by legislation, amended the law with a view to effective enforcement; they made it a capital crime to discriminate between paper and metallic currency. Eventually the heads of many of these economic jugglers dropped into the basket—a just recompense of their folly and profanation of power. That is the kind of currency with which some Senators would have us flood this country; but I venture to think, if we should follow their lead, that the farmers of the South and West would soon shrink from it as they would from the drippings of a pest house.

It is a wise man that considers the purchasing power of money. There are superficial people who would rather receive a wage of \$5 a day, when it costs them \$6 a day to live, than to receive a wage of \$2.50 a day, when it costs them \$1.50 to live. One signifies ruin and the other betokens thrift; yet there are many people who fail to discriminate; who fail to understand the purchasing power of the dollar.

Mr. President, should we deplete our gold reserves and set the printing press in motion we would literally ruin the country. I know the junior Senator from Alabama thinks the printing press was invented to print "money."

ALLEGED EXTRAVAGANCE EXAMINED.

Mr. President, it has been a staple criticism in this Chamber that the Federal reserve banks are being operated in an exorbitantly extravagant way in the payment of salaries and general expenditures, and this charge has been amplified into the amazing statement that because the Government of the United States is the residuary claimant of all earnings of the banks after the disbursement of 6 per cent of the capital, these excess salaries and expenditures in building operations amounted to a theft by the Federal Reserve Board from the United States Treasury. I am no advocate of extravagant expenditures in either Government or private institutions.

I think had I been a member of the Federal Reserve Board, except in the direst necessity, I would not have agreed to expend one dollar in building operations at this time, because of the enormous profiteering of the building trades both by people who supply material and those who furnish labor. Investigations of the Lockwood committee in New York show appalling graft. They indicate a state of affairs which ought to land in jail many persons who now are going at large.

I hold no brief for the Federal Reserve Board on this point. It may be that some excessive salaries have been paid in the system. It may be that some expenditures have been too large and others may have been deferred. But we can arrive at a correct conclusion in such matters only by comparing relative facts. Let us see, then, how the expenses of the Federal reserve banking system appear in contrast with the expenses of the great central bank of the most thrifty nation on earth.

A FAIR CONTRAST.

The last official report of the Bank of France shows a total amount paid to the State out of the last year's profits of approximately 104,000,000 francs, or, at the old basis of exchange parity, something like \$21,000,000. At the same time, there was paid to stockholders by the Bank of France approximately 47,000,000 francs, or about the equivalent of \$9,500,000. The capital of the bank was 182,500,000 francs, or about \$36,500,000.

In the Federal reserve system for the year 1920, with a capital of approximately \$94,000,000, the payments to the Government amounted to something like \$60,000,000, while the balance was either paid to stockholders or carried to surplus account. In this way the stockholding banks received a total of about \$5,000,000, as against the \$9,500,000 paid by the Bank of France to its stockholders. It will easily be seen that the amount obtained by the Government of France from the opera-

tions of its great central bank, now nearly a century and a quarter old, was far less than obtained by the Government of the United States from the Federal reserve system, while the amount paid by the Bank of France to its stockholders was almost double what was paid by the Federal reserve system to its stockholders, who are the constituent member banks.

Mr. President, the Bank of France states the total of its expenses of administration during the year 1920, including depreciation, salaries, and pensions, at approximately 150,000,000 francs, or the equivalent, at old rates of exchange, of about \$30,000,000. For the year 1920 the expenses of administration of the Federal reserve system were reported in the annual report of the Federal Reserve Board as having been approximately \$30,000,000. When it is remembered, Mr. President, that the total loan and discount operations of the Federal reserve system, with 12 great banks and 23 branches, were in the neighborhood of \$85,000,000,000 in 1920, while the total discounts and advances, other than to the Government, of the Bank of France amounted at old rates of exchange to roughly \$12,000,000,000, a comparison between the cost of operating the two institutions may easily be drawn—by no means to the discredit of the Federal reserve system.

OFFICIAL SALARIES CONSIDERED.

Mr. President, I desire to supplement the foregoing general comparison of expenses between the Bank of France and the Federal reserve system with a brief reference in detail to the official salaries prevailing in the various Federal reserve banks with the official salaries in individual member banks of the various Federal reserve districts. Let us note the case first of the New York Federal Reserve Bank, against which criticism has been most violent. Its total annual salary account is \$509,800 for its 40 officers, an average of \$12,745, contrasted with an annual salary account of \$768,200 for 67 officers of one large member bank, an average of \$11,466.

Another large member bank in New York City with 82 officers has a total annual salary account of \$1,574,500, or an average of \$19,201 for each officer. The comparison with a kindred result might be extended to other individual banks in New York. The governor of the New York Federal Reserve Bank receives a salary of \$50,000, and I may say to the Senate that before he went with the Federal reserve system he was receiving a salary of \$60,000.

Mr. POMERENE. May I add, in this connection, without naming him, that I know of one of these presidents who is getting a salary of \$25,000, and he has standing open now two offers of \$50,000.

Mr. ROBINSON. Why does he not take one of them?

Mr. POMERENE. Because he wants to devote himself to the public service.

Mr. NORRIS. Mr. President, if the Senator from Virginia will permit an interruption, does the Senator think that a salary of \$50,000 is too much, or is it fair? Is the Senator in favor of paying a salary of \$50,000, or permitting it to be paid by the Federal reserve bank?

Mr. GLASS. I will say to the Senator that, in this particular time of stress, I would think it bad policy to pay the president of even so great an institution as the Federal Reserve Bank of New York as much as \$50,000. Furthermore, when it was first suggested to me, while I was chairman of the Banking and Currency Committee of the other branch of Congress, to fix the salary at that figure, I protested that the time was inopportune to pay a salary that large. I thought it should be deferred; I believed the bank would incur the very sort of criticism it has incurred.

But Senators must remember that a bank can not be conducted by hod carriers; you can not even run it with a Congressman in charge, or a newspaper publisher, as I am. You have to get expert banking talent and technical skill of the highest description to run a great bank like the New York Federal Reserve Bank, and you have to get it in open competition with great individual banks. The Senate should remember this in considering the matter. Two member banks in New York City pay their president \$100,000 per annum each; 3 member banks pay their president \$75,000 per annum; 1 member bank pays its vice president \$75,000; 1 pays the chairman of its board of directors \$65,000; 4 member banks pay their vice presidents \$50,000; and 22 other member banks pay their vice presidents all the way from \$25,000 to \$40,000. So that by contrast, Mr. President, the salary of the governor of the Federal Reserve Bank of New York, greater in volume of business transacted than the Bank of England or the Bank of France and of any five Federal reserve banks combined, is not so astounding as one might be led to suppose without any examination of the facts.

The Boston Federal Reserve Bank has a total annual salary expenditure of \$135,500 for 14 officers, an average of \$9,679, as contrasted with one member bank having 25 officers with a total salary expenditure of \$411,200, an average of \$16,448; another member bank with 21 officers has a salary account of \$298,000, an average of \$14,190. This comparison likewise might be extended to other member banks with a similar result. The governor of the Federal Reserve Bank of Boston receives \$25,000. One member bank of the Boston district pays its president \$75,000, another \$50,000, and another \$40,000. One member bank pays its vice presidents \$42,000. Many of them pay their vice presidents salaries ranging from \$25,000 to \$42,000. So that in Boston, as in New York, officials of the Federal reserve bank, doing vastly more business than any member bank, indeed vastly more business than many member banks combined, receive very much smaller salaries than many individual banks pay to their officers.

The Federal Reserve Bank of Philadelphia pays its governor \$25,000. One individual member bank in Philadelphia pays its president \$80,000; one other pays \$45,000; another, \$36,000; another, \$25,000; one pays its vice president \$40,000. The official salary account of this regional bank has an average much lower than the individual member banks of the district.

The Federal reserve bank at Cleveland pays its governor \$30,000. One individual member bank at Cleveland pays its president \$50,000; another pays its president \$36,000; another pays \$35,000; the vice presidents of various other Cleveland banks get in excess of \$30,000. The general salary account of this bank averages very much less than the salary account of the individual banks of Philadelphia.

The governor of the Federal reserve bank at Richmond gets \$18,000. The president of one member bank at Richmond gets \$25,000; and of another, \$25,000. The general salary account of the reserve bank at Richmond just about matches that of the various member banks.

The governor of the Federal reserve bank at Atlanta gets \$18,000. The president of one member bank at Atlanta gets \$20,000; another, \$17,500. The vice president of one bank there gets \$18,000. The salary account of the Atlanta Federal Reserve Bank averages very much less than the salary account of the individual member banks.

The governor of the Federal reserve bank at Chicago gets \$35,000. The chairman of the board of directors of one Chicago bank gets \$75,000 and another \$60,000, and the President of one Chicago bank gets \$50,000 and another \$36,000. Many vice presidents of individual member banks at Chicago get salaries running from \$25,000 to \$37,500. The average official salary paid by the Chicago reserve bank is about one-half the average official salary of the individual member banks.

The governor of the Federal reserve bank at St. Louis gets \$25,000. The president of one member bank at St. Louis gets \$50,000 and another \$45,000; one executive manager gets \$40,000 and another \$35,000. Several vice presidents get \$25,000. The average of official salaries for this reserve bank is much less than the average for member banks.

The salary of the governor of the Federal Reserve Bank of Minneapolis gets \$16,000. One president of the Minneapolis National Bank gets \$45,000; another, \$40,000; and several executive chairmen and vice presidents get salaries of \$25,000. The average official salary for this bank is a little more than half the average for member banks.

The governor of the Federal Reserve Bank of Kansas City gets a salary of \$20,000. The president of one individual member bank there gets \$26,000 and two \$25,000 each. The average salary at the St. Louis bank is very much less than at the individual member banks.

The salary of the governor of the Dallas Federal Reserve Bank is \$18,000. The salary of a president of one member bank is \$20,000 and the two vice presidents each \$25,000. The average official salary at the reserve bank is very much less than the average paid at member banks.

The Federal reserve bank at San Francisco pays its governor \$24,000. The president of two individual member banks gets \$50,000 and of another \$36,000. The average official salary is less than half at the reserve bank than at the individual member banks.

Mr. JONES of New Mexico. Mr. President—

The PRESIDENT pro tempore. Does the Senator from Virginia yield to the Senator from New Mexico?

Mr. GLASS. I hope Senators will let me hurry through, because I desire to conclude.

Mr. JONES of New Mexico. If the Senator does not care to be disturbed, I will not interrupt him.

Mr. GLASS. I yield to the Senator.

Mr. JONES of New Mexico. I merely wanted to inquire of the Senator if he thought there was any difference between the

responsibility of a bank which is dealing only with securities coming through and indorsed by other banks and that of a bank which is dealing with individual paper.

Mr. GLASS. I think when we consider that the president of the New York Reserve Bank and the board of directors thereof are directly responsible for \$5,000,000,000 in cash and securities, the greatest gold reserve that ever was mobilized since the world began to revolve on its axis, we must admit that the responsibility of those officers is infinitely greater than that of the officers of a dozen individual banks combined.

SALARIES FIXED BY DIRECTORS.

It must be understood, Mr. President, that these salaries are fixed by the board of directors of these respective Federal reserve banks, two-thirds of which directors are selected by the stockholding banks of each district and all of them citizens of the district. The Federal Reserve Board has the right of review with respect to these salaries, but it must be admitted that the regional board of directors, familiar with all the conditions, circumstances, and extent of labor involved, knows better than the Federal Reserve Board—knows vastly better than Congress—what are the actual requirements and what is a fair average compensation. At all events the Federal Reserve Board does not initiate these salaries, and to say that honorable men who constitute this board should be indicted by a Federal grand jury because they approve the considered judgment of the boards of directors of these regional banks is to make a declaration that should not enhance the reputation of a Senator for sanity or for temperate speech.

The salary of Gov. Strong, one-half that of several officials of individual banks in New York, was approved by the Federal Reserve Board on motion of the Secretary of the Treasury, Mr. McAdoo, concurred in by every other member of the board, the vote being unanimous. I realize that gentlemen may differ upon questions of expenditures, particularly with reference to official salaries, but it is monstrous to charge high-minded, patriotic men with theft from the Treasury when we disagree with their judgments.

ASTOUNDING MISCONCEPTIONS.

In this connection, Mr. President, let me show the Senate to what extent misconception and ignorance on these questions may go. Several weeks ago a Senator on this side in a burst of indignation exclaimed:

If the governor of the Federal Reserve Board is worth \$50,000, what is the value to the country of the President of the United States? What is the value of the Vice President?

Gov. Harding enjoys the luxuriant and luxurious privilege of fixing his own salary. That is a privilege which the President does not enjoy. It is a privilege that the Vice President does not enjoy. It is a privilege that no Senator enjoys, no Congressman enjoys, no admiral in the Navy, no general in the Army, no member of the Supreme Court.

W. P. G. Harding is the only man that I know of that has been given the power to fix his own salary and to fix the salaries of his subordinates.

Mr. President, I have not the remotest idea that the Senator who made this remarkable deliverance had the faintest purpose to misrepresent the Federal reserve banking system or to treat the governor of the Federal Reserve Board with derision. The Senator thought his premise was correct, hence the emphasis and feeling with which he denounced what seemed to him an extraordinary situation. As a matter of fact, a glance at the Federal reserve act would have shown him that Gov. Harding has no power to fix his own salary or the salaries of any of his subordinates. He can not, except in conjunction with other members of the board, fix the salary of a typist in his office! A glance at the law would have shown this indignant Senator that the salary of the governor of the Federal Reserve Board is definitely fixed by Congress and may not be altered by anything that Gov. Harding or the Federal Reserve Board may do. He would have seen that Gov. Harding's salary is not \$50,000. It is but \$12,000, so fixed by Congress, not a dollar greater than that of any other member of the board. Seeing these things, the Senator would not have tripped into the mistake of moralizing about evils that do not exist.

I have no intimate personal relations with the governor of the Federal Reserve Board; in no sense or degree am I his spokesman here. But out of my actual observation and knowledge I feel, in very decency, obliged to say to the Senate that I have seen this honorable public official during a fateful period work himself to the bone for his country. I have seen him do the Government's work night and day until his very life was in peril by reason of physical exhaustion and nervous prostration. I myself have driven him from the Treasury Building for a few hours of rest to avert utter collapse.

DEFAMATION OF PUBLIC OFFICIALS.

I now ask the Senate's attention to a statement even more astonishing than that which I have just confuted. Indeed,

Mr. President, it is a declaration made in this Chamber which should engage the very gravest attention; for, notwithstanding the ludicrous misrepresentations which it comprises, it carries an implication which, if true, affects the integrity of a great Government institution, and which, if false, affects the integrity of the Senate. I am one of those who can not conceive that the constitutional immunity granted Senators and Representatives in Congress was ever intended as a shelter for libel of public men or private citizens, leaving them no means of redress. Some time back the distinguished junior Senator from Alabama, according to the RECORD, said in this Chamber:

Mr. President, I am not advised as to whether or not any of the friends of the Federal Reserve Board were speculating in cotton at that time. The Senator from Georgia [Mr. Watson] reminded us the other day that they loaned to themselves in the system the sum of \$18,000,000.

Think of it—a board that can not loan a dollar to an individual or concern or corporation charged with having loaned to its own members \$18,000,000!

I continue reading from the statement of the junior Senator from Alabama:

I want to say just here, Mr. President, that if they invested any of that \$18,000,000 in speculating on the bear side of the cotton market in the month of August last year, they made a lot of money.

Do you know, Mr. President, how much money the man made who sold on the exchange 1,000 bales of cotton for the month of August, 1920? He made on that 1,000 bales \$45,000 in cash. The Federal Reserve Board knew what effect its deflation policy would have upon the cotton market. Those who knew that that policy was going to run wild in August last year made millions of dollars to the distress and great injury of the cotton farmers of the country. Between the months of June and December that policy cost the cotton farmers more than \$200,000,000 a month. Think of that, Senators! The deliberate and premeditated deflation policy of the Federal Reserve Board cost the cotton farmers more than \$200,000,000 a month between June and December of last year.

What was the value of the entire cotton crop of the country in 1920, may I ask the junior Senator from South Carolina [Mr. DIAL]? How much was it in the aggregate, approximately or roughly?

Mr. DIAL. I would say about \$2,000,000,000.

Mr. GLASS. I wanted to know, because a multiplication of the sum given by the Senator from Alabama by the number of months will make it appear that the cotton growers lost pretty nearly the entire crop.

Mr. President, the plain implication here is that members of the Federal Reserve Board had prostituted their sacred trust by using their positions for the purpose of speculating in cotton with the funds of the Federal reserve banks. If the charge is true, these public officials should not only be put in jail but they should be kept there. The alleged act would constitute a crime little short of treason. If the charge is not true, then the Senate should contemplate the injurious effect of such accusations upon its own reputation.

In the period to which reference is made by the Senator from Alabama the members of the Federal Reserve Board were David F. Houston, Secretary of the Treasury in President Wilson's Cabinet; John Skelton Williams, of Virginia, Comptroller of the Currency by appointment of Mr. Wilson; Charles S. Hamlin, Assistant Secretary of the Treasury under President Cleveland; W. P. G. Harding, governor of the board by designation of Mr. Wilson; Adolph S. Miller, a university president of distinction in California; and Edmund Platt, former Representative in Congress and member of the Banking and Currency Committee of the House from New York—all appointees of Mr. Wilson. The implication of crime is leveled by the Senator from Alabama against every one of these men without exception. Is there a Senator here who believes the implication that would impute crime to these honorable public servants? If the Senator from Alabama believes that the accusation which he suggests is not a libel against their names and character, if he thinks he can justify his amazing insinuations, it is his duty to the country to ask for a grand jury investigation of these gentlemen, who have always borne and now sustain a reputation among men for probity and integrity.

But, Mr. President, we do not have to await the verdict of the courts or the findings of a committee to see clearly the utter absurdity of some of these statements. The Federal Reserve Board, it is charged, loaned its own members \$18,000,000, which vast sum it is suggested they used to gamble in cotton after deliberately using their official powers to depress the price for their own profit. Perhaps there are cotton pickers on plantations of the South who may be deceived by such trumpery, but surely there is no Member of the Senate who does not understand how absolutely preposterous these accusations are.

The Federal Reserve Board, under the law, could not loan the President of the United States 25 cents; it could not loan the Chief Justice of the Supreme Court a dollar; it could not loan John D. Rockefeller a dime; it could not loan the United States

Steel Corporation or the Standard Oil Co. a penny. The Federal Reserve Board has not a dollar to loan and never had a dollar to loan.

No Federal reserve bank in the system can loan any individual or corporation in the United States a penny. The Federal reserve banks neither receive deposits from nor make loans to individuals or concerns or corporations. These banks are banks of banks and do business only with banks; so that if John D. Rockefeller, with all his millions, should desire to borrow money, he would be compelled to borrow it from a local bank; and the only way that the local bank could get a dollar from the Federal reserve bank in Rockefeller's district would be to indorse Mr. Rockefeller's collateral note, as that of any other person, and put it up as security for a credit at the reserve bank. The Federal Reserve Board would not necessarily have any part in or knowledge of the transaction.

Aside from this, Mr. President, no member of the Federal Reserve Board is permitted by law to own one dollar of bank stock or to have any pecuniary interest whatsoever or connection with the operation or profits of any banking institution; and every member of the board has to take a solemn oath to this effect. Moreover, under the law, the Federal reserve banks are strictly prohibited from loaning one dollar to member banks for speculative purposes. Thus the whole charge is so literally without foundation in fact, and so saturated with misunderstanding of Federal reserve banking processes and of the Federal reserve act itself as to render it comic if it were not pitiful.

IGNORANCE RUN MAD!

I venture to invite the attention of Senators and the country to another interesting discovery by the distinguished junior Senator from Alabama. On Friday of last week, in speaking to the Newberry case, the Senator said:

The Federal Reserve Board got an amendment to the Federal reserve act through a Republican Congress permitting them to set aside a certain percentage of earnings to be used in providing buildings and establishments for use in the service. They accumulated \$100,000,000 in a year. What do you suppose they did? Without asking Congress the Federal Reserve Board appropriated \$26,000,000 or thereabouts—to do what? To build a bank building in the city of New York in Wall Street.

Mr. President, that statement comprises a paragraph of eight printed lines in the RECORD. It contains six distinctive assertions; all of it is true except the six distinctive assertions. [Laughter.] All of it is true except (1) the amendment to the Federal reserve act was passed by a Democratic Congress, voted for by the Senator from Alabama, then a Member of the other House—

Mr. HEFLIN. I should like to see the RECORD.

Mr. GLASS. I have the RECORD. And was approved by Woodrow Wilson. So we can not make any Democratic politics out of that. The Senator's statement is true except (2) that the Federal Reserve Board did not accumulate \$100,000,000 or any other amount; except (3) that the Federal Reserve Board did not appropriate \$26,000,000 or any other amount; except (4) that the Federal Reserve Board can not under the law or the operation of the system appropriate one dime for any purpose; except (5) that no Federal reserve bank to cost \$26,000,000 is to be built anywhere; except (6) that the proposed new Federal reserve bank building in New York is not to be erected in Wall Street.

Mr. WADSWORTH. Aside from that, the statement is all right.

Mr. GLASS. It is all right with those six exceptions.

Mr. HEFLIN. I should expect the Senator from the State where the big bank building is being erected to agree with the speech of the Senator from Virginia.

Mr. GLASS. With these six exceptions the Senator's statement is true; and this signifies how much reliance may be put in the accuracy of statements made by the Senator from Alabama with respect to the Federal reserve banking system. His assaults are made up of fiction and are almost entirely devoid of facts.

CONGRESS SANCTIONED BUILDINGS.

It is true—and I hope Senators will mark this—that the Federal Reserve Board respectfully asked Congress to permit the Federal reserve banks to increase the amount of their surplus out of their earnings to an amount equal to 100 per cent of their paid capital. Congress exceeded the expectations of the board by having the increase apply to subscribed capital plus 10 per cent permanently to surplus. The board openly and frankly stated that the purpose of the request was, among other things, to provide the various regional reserve banks with better building facilities. Representative Phelan, a Democrat of Massachusetts, chairman of the Banking and Currency Committee of the House, presented and explained the amendment in that body. It was voted for unanimously.

The amendment was presented to the Senate by Mr. HITCHCOCK, a Democrat of Nebraska, acting for the Banking and Currency Committee of the Senate, and was unanimously agreed to here. The bill as passed was approved by Woodrow Wilson, President of the United States. It is now a law and has been for nearly three years.

MORE MISINFORMATION.

After first charging the reputable gentlemen who constitute the board of directors of the New York Federal Reserve Bank with being criminals, the Senator from Alabama proceeds:

Mr. President, I can not get away from these figures without looking at them once more. A bank building in Wall Street, ordered to be constructed by the Federal Reserve Board of seven men, is to cost around \$26,000,000. It seems to me to be surrounded and covered over with the atmosphere of graft.

At this point the Senator from Alabama was interrupted by the distinguished senior Senator from Georgia [Mr. HARRIS], who said:

I want to call the attention of the Senator to the fact that this \$26,000,000 building in New York will accommodate only about 500 employees, while the State, War, and Navy Building, which cost one-third that amount, accommodates several thousand employees.

Mr. HARRIS. Mr. President—

Mr. GLASS. I will ask the Senator to wait for a moment.

This opportune interruption of the Senator from Alabama by the Senator from Georgia, and the fine piece of information conveyed by the latter to the former, was an inspiring contribution to the discussion; and the Senator from Alabama with renewed zest exclaimed:

That is a good point that my friend from Georgia made. The thing gets worse the more you look into it. Five hundred clerks and stenographers and coin carriers in Wall Street, whose god is gold! This building will accommodate 500 people, as against buildings of less cost that accommodate thousands.

Mr. President, it fills me with wonder that Senators seek to discredit the greatest banking institution on earth by giving currency to statements having no more semblance of fact in their justification. I now yield to the Senator from Georgia, in order that he may tell me where he gets sanction for his statement to the Senator from Alabama that the proposed new bank building in New York will accommodate but 500 employees.

Mr. HARRIS. Mr. President, I wish to state that in reading the report of the Federal Reserve Board I observed the statement that in this building there were 512 men, as I remember, but afterwards in reading the letter from the governor of the Federal Reserve Board, which on yesterday was printed in the Record, I ascertained that there are 512 in one building, but there are more than 2,000 in all the buildings. That is how I made the error.

Mr. GLASS. The Senator does not for a moment imagine that I am suggesting intentional misrepresentation on his part? I do not believe he is capable of it; and, for that matter, I do not believe the Senator from Alabama has intended to misrepresent these things; he does not just know anything about them. I do not say that in any spirit of acerbity. It is not remarkable that Senators know little about this complex matter. It is a problem repellent in its very nature, and few men have the patience or the foolhardiness to bother with it; but I say that either Senator might have found simply by reference to the letter of the Federal Reserve Board, written in response to a resolution of the Senate, that the woman's café alone in this building will seat 530 persons; that the men's café alone will seat 530 persons; that the café facilities alone of this new building, designed to give the men and women employees decent accommodations and meals at cost, will take care of 1,060 people, or twice as many as these two Senators gave as the measure of the facilities of the entire bank building. Either of these Senators might have easily ascertained that this bank building is designed and planned to accommodate 5,000 employees, ten times the number they told the Senate and the country it would accommodate.

Mr. SIMMONS. Mr. President, does the Senator from Virginia mean that that number of people are employed in the Federal Reserve Bank of New York?

Mr. GLASS. Will be.

Mr. WADSWORTH. They are.

NO "MARBLE PALACE."

Mr. GLASS. I would like to be told by either of the Senators what sanction he has for the statement that this bank building is to cost \$26,000,000, and I would like to ask the Senator from Alabama what proof he has that the honorable men selected by the New York banks as their members of the board of directors of the reserve bank are in conspiracy with the honorable members of the Federal Reserve Board in Washington to commit the crime of graft?

Mr. HARRIS. Mr. President, the Senator has referred to the two Senators, and, as I am one of those whom he has in mind

in making that statement, I desire to say that I read to the Senate yesterday the exact cost of the building as set forth in a letter from the governor of the Federal Reserve Board. The building will cost over \$22,000,000, as I remember, and the furnishings will bring the total up to \$23,000,000. I think that is accurate.

Mr. GLASS. Oh, no; the Senator, I am sure, is mistaken, and I think I can show that he has misread the letter of the governor of the Federal Reserve Board.

Mr. President, has the Senate of the United States become a body in which the character of private citizens may thus be assailed without proof of wrongdoing; in which astounding charges may wantonly be directed against public officials who all their lives have enjoyed a reputation as honest men?

Mr. President, I should like to put in the Record—I will not weary the Senate by a recital of the figures—statistics showing the unimaginable volume of business transacted by the Federal Reserve Bank of New York. That institution, as I indicated a while ago, houses \$5,000,000,000 of gold and securities. It moves every working-day in the year an average of \$180,000,000 in cash and \$1,940,000,000 in securities. Its discounts and advances aggregate \$50,000,000,000, and so on.

The PRESIDENT pro tempore. Without objection, the matter referred to by the Senator from Virginia will be printed in the Record.

The matter referred to is as follows:

The Federal Reserve Bank of New York is the largest bank in the country in resources, in size of its staff, and in daily turnover. It does about one-third of the entire transactions of the Federal reserve system. Its present staff is 36 officers and 2,775 clerks, exclusive of the Buffalo branch. The volume of its operations for 1920 was as follows:

- "Discounts and advances, 180,462 items, aggregating \$50,539,428.847.
- "Acceptances purchased for New York and other Federal reserve banks, 106,237 items, aggregating \$2,428,000,000.
- "Federal reserve notes and other paper money handled and counted, 558,397,400 pieces, aggregating \$2,291,785,688.
- "Shipments of currency and coin, 67,405 shipments.
- "Checks collected, 87,036,424 items, aggregating \$55,325,112.827.
- "Notes and drafts collected, 563,814 items, aggregating \$1,994,713,245.
- "Telegraphic transfers of funds, 147,302 transfers, aggregating \$17,021,509,734.
- "Balances settled through gold settlement fund, \$48,840,900,000.
- "United States Government checks and warrants paid, 10,712,243 items, aggregating \$2,437,759,148.
- "Government bond department transactions, 47,797,417 pieces, aggregating \$6,955,101,000.
- "Total certificates of indebtedness department transactions, including issues and redemptions, \$4,897,841,000.
- "Securities held in custody for United States Treasury and member banks, \$100,759,404,785."

The cost of operating departments handling United States Government transactions is about \$800,000 per annum, a large part of which used to be paid by the Treasury, but since July 1, 1921, it is all absorbed by the bank.

The bank holds about \$5,000,000,000 in cash and securities stored in 11 vaults located in five separate buildings. Some of these vaults do not afford sufficient protection, but no others are available. The average value of cash and securities withdrawn and replaced in the various scattered vaults daily is, cash \$180,000,000, securities \$1,940,000,000. A daily average of 368 transfers of cash and securities are made through the streets and the corridors of office buildings at great risk of loss.

RELYING ON OLD ESTIMATES.

Mr. GLASS. Now as to the cost of this building: I have here an official statement which shows that Senators have been misled by estimates prepared a year ago, in March, 1921. It was an outside estimate of cost. Some Senators absurdly think that the "estimated" cost of a bank building in New York curtails rural credits in the State of Alabama. The estimated cost in March, 1921, of the building at New York was \$17,990,000, from which must be subtracted the price that the bank will receive for its annex building, now being temporarily occupied, and which will be abandoned and sold when the bank goes into the completed building. From this extreme estimate, over a million dollars has been saved on one item and hundreds of thousands of dollars on other items. Over a half-million dollars alone has been saved on the estimated cost of vaults; by the expenditure of \$75,000 in expert engineering investigations, half a million dollars was saved by these "grafters" on the board of directors of the Federal Reserve Bank of New York.

I might detain the Senate by a description of this building which has been spoken of as a "marble palace."

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

The PRESIDENT pro tempore. Does the Senator from Virginia yield to the Senator from New York?

Mr. GLASS. I do.

Mr. CALDER. Just to permit me to say that if the same savings are obtained in the other departments of the building, it will mean that the building will cost less than \$18,000,000 instead of \$26,000,000.

Mr. GLASS. Precisely.

Now, let us look at this thing relatively. Let us determine the reasonableness of it by contrast.

The bank building of the Illinois Merchants' Trust Co. in Chicago, exclusive of real estate, under contract, is to cost \$10,781,000; and if the contract had been let when these estimates of cost were made for the New York building, it is estimated that the cost of this Chicago building for an individual bank, doing not one tithe of the business of this great reserve bank in New York, would have been over \$14,000,000.

The cost of the reserve bank at Richmond, measured by the resources of the bank, is less than that of the combined individual bank buildings of Charlotte, N. C., or of Lynchburg, Va., my town, of 40,000 inhabitants.

The New York Federal Reserve Bank, even at this outside estimate per cubic foot, would cost but \$1.09, whereas the United States Assay Building just constructed in New York under authorization of the Congress of the United States will cost \$2.04 per cubic foot.

The charge to the Government of the architect for the New York Federal Reserve Bank, covering his services for a five-year period with all of his multitude of assistants, was the same as his charge to the Government for the assay building in New York.

Senators know perfectly well that nearly all, if not all, the eminent professional architects of this country belong to the American Institute of Architects. They have a standard charge, and any man who goes below that charge will be turned out of the institute. The New York Reserve Bank paid the standard charge. It could not have gotten a competent architect for any less money. The plans were competitive. While the bank is not to be built in Wall Street, as Senators blatantly declare, it can not be built in a sage field or a Long Island swamp. It must be located in a business center, and accessible sites in New York cost more than vacant lots in Virginia or Alabama.

The latest estimate of the cost of this building, if the percentage of savings in other items is as great as the savings already made, will be \$12,836,000 and not \$26,000,000; and the plans show that very little marble will be used in its construction. The description of it as "a marble palace" is mere distortion and in no degree approaches the truth. The construction is very plain, and to my personal knowledge the present New York bank building is frightfully inadequate; any Senator who will go through that enormous establishment and see its congested condition, in rented quarters, with the gold reserves and the securities of the member banks of that great district and of the Government located in five insecure buildings must admit the exigent need of a new building, for of the 3,700 employees 1,200 reacted to tuberculosis tests.

Mr. WADSWORTH. On account of overcrowding?

Mr. GLASS. On account of overcrowding. The business of the bank is being conducted to-day in open and flagrant violation of the health requirements of the State of New York.

WHOSE MONEY IS IT?

Some Senators say, with the best intent on earth, that if this had been the money of the New York bank it would have been a different thing, but it was "the money of the people." So was the money expended by this Illinois bank for a new building derived from the people; and the money to be expended on this New York bank by sanction of Congress itself is no more "the money of the people" than the money to be expended on the Chicago bank. The funds of neither bank belong to "the people" in the sense that they are common property.

Senators should want to be fair. I am sure the Senator from Nebraska [Mr. NORRIS] does. He spoke more of real sense on the pending proposition here yesterday in five minutes than some Senators have spoken on it in five months. Let us see to whom this money belongs.

As previously said, the board recommended to Congress that the reserve bank be permitted to increase their surplus for the express purpose of providing these building facilities. The Congress, as I have said, not only granted the request of the board, but it went much further than the board asked. It is this surplus fund which is being invested in this bank building. To whom does it belong? By act of Congress, by authority of law, it belongs to the Federal Reserve Bank of New York, which is owned by the stockholding banks of New York. It is the usufruct of the enterprise, the industry, the thrift, and labor of the business men of that Federal reserve district. If this money were not applied to this purpose it would be invested in some other way. Not a dollar of it could go to Alabama or to Virginia or to any other State. Not a dollar of it could be taken by the people of any other section of the country for any purpose, because the people of no other section contributed a dollar to this fund. It

does not affect credits anywhere on earth. It does not withhold from agriculture or commerce or industry or any enterprise one dollar. On the contrary, it gives work to unemployed; it puts money in circulation for materials; it gives a decent, necessary building to house the greatest bank on earth.

Whose money is it?

I will say to the distinguished Senator from Nebraska [Mr. NORRIS] in no event could one dollar of this surplus go into the Treasury of the United States. Even if it were to go there it could not be loaned out; it could not be used to erect public buildings for the Government anywhere; it could not be used to prevent wild mismanagers of banks from committing suicide. It could only be used, under the division of profits provision of the act, to increase the gold reserve behind Treasury notes or to liquidate an inappreciable part of the public debt. What a fiction it is to imagine that rural credits have been restricted by mere estimates of what this great bank building will cost!

A FINAL MISREPRESENTATION.

Mr. President, there is one other item of the speech delivered by the eminent Senator from Alabama which is more or less personal and with which I did not care to have anything to do. It is a quarrel primarily between him and the governor of the Federal Reserve Board. It does not concern me; it does not concern this problem, except that the statement made by the Senator may influence the prejudices, if not the reason, of some Senators here.

On Friday of week before last the Senator said:

W. P. G. Harding voted the Republican ticket in 1920, as I have said here before. Before Senator Warren G. Harding was elected President, he—Gov. Harding—was bowing and smiling like a Democrat, and after Senator Harding was elected President he bowed and smiled like a Republican.

What difference does it make, in the discussion of this question, how Gov. Harding voted? I have a faint idea, recalling the election returns, that a few other Democrats voted the Republican ticket in the last presidential election—a few.

Mr. CARAWAY. And have been ashamed of it ever since.

Mr. GLASS. Mr. President, I would like to leave my friend from Alabama with one accurate statement to sustain his position, but I take leave to read into the RECORD a letter written me on January 7 by the governor of the Federal Reserve Board, in which he says:

MY DEAR SENATOR GLASS: I have just read in the CONGRESSIONAL RECORD of this morning the remarks made by Senator HEFLIN on the floor of the Senate yesterday concerning me. I feel that it is hardly necessary to assure you that the slurs upon me, stated mildly, are false. I do not claim to be infallible, as far as judgment is concerned, but I do assert that I never made any improper use of my official position. I did not go home to vote in November, 1920, for the reason that I could not spare the time. The election occurred just at the time when the strain on the Federal reserve banks was greatest and I was tied down to my desk arranging interbank rediscounts. * * * I knew that there was not the remotest possibility of my failure to vote having the slightest effect upon the election results in Alabama. * * *

Sincerely, yours,

W. P. G. HARDING.

Mr. HEFLIN. If the Senator will permit me, I will state that under the laws you do not have to go home to vote. You can vote by mail.

Mr. GLASS. Yes; that is true, and thus I am prompted to say that there was one paragraph in this letter from Gov. Harding I purposely omitted to read and did not care to read. I would not now state it but for the provocation offered by the Senator from Alabama. Gov. Harding states in his letter that he was not particularly eager to go home to vote or to send a ballot by mail, because he would have had to vote for the Senator, and he did not want to vote for the Senator.

Mr. HEFLIN. I am not surprised at that statement or the statement of the Senator who is defending his record.

Mr. GLASS. I am not defending Gov. Harding's vote or failure to vote. I am not defending anybody's record. I am correcting misconceptions and combating misrepresentations concerning the greatest banking system on earth.

A FARMER ON THE RESERVE BOARD.

With respect to the pending measure, I have no objection to a trained, resourceful farmer on the Federal Reserve Board, and never had any. I myself am a farmer. The original Federal reserve bill as presented by me to the House of Representatives provided that the Secretary of Agriculture should be ex officio a member of the Federal Reserve Board. Were we to eliminate from the galaxy of great statesmen the names of those who tilled the soil there would not be left enough outstanding figures to make us proud of the country. In my own State, for example, we would eliminate George Washington, Thomas Jefferson, Patrick Henry, John Marshall, Madison, Monroe, and other great men of the farm.

When we provided that the Secretary of Agriculture should, ex officio, be a member of the Federal Reserve Board we had two sound reasons for the requirement. We thought a political

element should be introduced into the organization of the system—I do not mean a partisan political element; I use the term in its broad sense. We did not want to erect a financial Frankenstein which might never be reached by the people for correction of evil policies or the arrest of financial tyranny.

We felt also that the Secretary of Agriculture would be a man of exceptional force, acquainted with the requirements of scientific agriculture, and might exercise a wholesome influence in the deliberations of the board.

That was the House bill; but the Senate in its wisdom excluded the Secretary of Agriculture. I think now it might be a good thing to substitute the Secretary of Agriculture on the board for the Comptroller of the Currency. That would preclude the expense of an additional member; but I shall not be intractable about the proposition to increase the membership with a view to getting a farmer on the board.

Frankly, however, I find myself in agreement with the Senator from Nebraska [Mr. NORTON], who in his opening remarks said, in effect, that anyone who is simple enough to suppose that this proposed legislation is going to create a revolution in the policies of the Federal reserve banking system—that putting on a farmer is going to bring the millennium to the agricultural interests of the country—will find himself sadly deceived.

CONCLUSION.

Mr. President, I know perfectly well that, compared with the great men from my own State who have adorned high positions in the service of the country, I do not rank as much of a figure in public life; but I fervently thank Heaven that no man may truthfully say I ever misrepresented things to my constituents or practiced the arts of a deceiver. I have tried to render service in the 20 years I have been in Congress. If I have failed, it is my fault; and never shall I undertake to excuse my delinquency by telling the people of Virginia things that are not true about measures upon which I have been called to pass. I try to inform myself and to act with intelligence and composure. I am not afraid of consequences, because I would rather retain my self-respect than to occupy a seat in this or any other body for the balance of the limited time I have to live.

In this connection I may recall that in the comedy by Euripides, called "The Demi," all the demagogues in hell, one by one, are made to come up and pass in review. At last, when Pericles is named, a character in the play exclaims:

And here, by way of summary, now we've done,
Behold, in brief, the heads of all in one!

God knows I would rather in the day of judgment take my place with outcasts than to have any honest person say of me in respect of a vital and pregnant problem of government what was here said of this Athenian palterer. Any Senator who discovers his own likeness in the picture is at liberty to appropriate the analogy.

Mr. HEFLIN. Mr. President, we have listened at some length to one of the reputed authors of the Federal reserve banking system. I want to state in the outset that I have never criticized that system. On the contrary, I have always said that the system was a splendid one. I helped to pass the measure that brought it into being. It is the product of the genius of former Secretary of the Treasury William Gibbs McAdoo, the Senator from Virginia [Mr. GLASS], the Senator from Oklahoma [Mr. OWEN], and other Senators on this side.

I am a firm friend of the system. I have criticized and condemned the perversion of it from the ends of its institution, and I shall continue to do so. The Federal Reserve Board has been maladministered since the spring of 1920. I repeat in the presence of the distinguished Senator from Virginia that the Federal Reserve Board's deflation policy was a murderous policy, and I hope in the brief time that I shall speak to-day to call attention to some things that will sustain that contention.

I could not quite understand the strange and premeditated attack made upon me by the Senator from Virginia. He read his statements from the pages of a prepared speech, and therefore made the attacks deliberately. I wonder what man or set of men prevailed upon the Senator to make such a speech.

Mr. President, many of the things that the Senator from Virginia said regarding me sounded as if they emanated from one W. P. Harding, governor of the Federal Reserve Board. The Senator from Virginia [Mr. GLASS] has the unique distinction of being the only Senator from the South who will defend the Federal Reserve Board's destructive deflation policy. There is not a single Senator here from an agricultural State in the West who will indorse and approve, as does the Senator from Virginia, the deadly deflation policy of the Federal Reserve Board. The men to whom I refer believe in a fair deal for the agricultural and live-stock industry. They are men who could not be induced to approve a deflation policy that

has produced dire distress and financial disaster among the farmers and cattlemen of the South and West.

I want to read a line from the hearings before the Joint Committee on Agriculture of the House and Senate in December, 1920. The Federal reserve bank at Richmond issued an order saying that the thing to do was to deflate as rapidly as possible. Representative BYRNES, of South Carolina—than whom the farmers have never had a better friend—questioned Gov. Harding before that board, and said, in substance, "Governor, does not your board sanction these orders?" Gov. Harding undertook to evade and dodge. He said: "Why, they frequently issue the orders before we know about it." I whispered to Mr. BYRNES: "Ask him if the Federal Reserve Board does not approve them before they become official," and Gov. Harding answered in the affirmative. "Then the board is responsible for and must sanction these orders before they become effective and official?" "Yes, sir."

What more do you want in the way of proof that they instituted a deflation policy?

Mr. GLASS. Mr. President—

Mr. HEFLIN. The bank at Richmond said that the thing to do was to bring it about as quickly as possible, and the governor of the Federal Reserve Board admitted that the board had to approve all the orders fixing the policies of the system; and that is what I am complaining about—the deadly, murderous deflation policy that denied men money with which to carry on their business; that drove men mad; that made them commit suicide. There are many of them dead to-day, men who were driven to take their own lives because of the deflation policy that the Senator from Virginia has defended for more than three hours in this body.

The PRESIDING OFFICER (Mr. McNARY in the chair). Does the Senator from Alabama yield to the Senator from Virginia?

Mr. HEFLIN. I yield to the Senator for a brief statement. I do not want to yield for a speech. He has spoken for three or four hours.

Mr. GLASS. I have made one speech to the Senate in two years. I should be perfectly willing to contrast that with the record of the Senator from Alabama, who has made 40 speeches in 2 weeks. If the Senator does not want to be interrupted, I shall not interrupt him. I yielded to him.

Mr. HEFLIN. All the speeches that I have made have been on the side of the people. The Senator yielded to me once or twice briefly, and I said I did not want to interrupt him, because I was going to reply to his speech. I am going to make another speech. I am not going to speak now more than 25 or 30 minutes. I want to yield the floor to some other Senators who desire to speak. I am going to reply to the Senator's speech at length very soon. If he had given me notice that he was going to make the character of speech that he has made, I would have been ready to reply to-day at length.

The PRESIDING OFFICER. Does the Senator from Alabama yield to the Senator from Virginia?

Mr. HEFLIN. I yield briefly to the Senator for an interruption.

Mr. GLASS. Mr. President, I merely wanted to suggest to the Senator from Alabama that if the Federal reserve bank at Richmond issued an order of deflation, the Senator can very easily establish the fact that that order was carried out if he will give to the Senate figures showing that deflation took place under that order. I have given to the Senate figures showing that so far from the Richmond Federal Reserve Bank having deflated its credits and currency, it increased them \$20,000,000 during the period of falling prices.

Mr. HEFLIN. I dispute the figures of the Senator from Virginia; and I will quote against him, in time, figures from the former Comptroller of the Currency, another Virginian, who has dared to fight the Wall Street money power and expose the infamous deflation policy of the Federal Reserve Board. It is time for plain talk.

The Senator from Virginia has in his inspired attack upon me invited plain talk, and I always try to accommodate gentlemen under such circumstances.

Now, Mr. President, let me read a little further from a bulletin or order from the Richmond bank:

It is a recognized function of the Federal reserve banking system to exercise control over the volume of credit and currency.

Here they claim to have control over the amount of money and credits in the United States. Listen to that again, Senators:

It is a recognized function of the Federal reserve banking system to exercise control over the volume of credit and currency.

That is what we have been discussing, and I charge that in their efforts to bring about deflation they contracted the currency, deflated credits, and literally murdered the business of

the South and the West. The Federal Reserve Board is responsible for that policy. The Richmond bank was but doing what the Federal Reserve Board wanted done. This is from the same bank and doubtless another inspired order from the Federal Reserve Board:

It is recognized to be unsafe to go further with commodity prices at such a dangerous height.

What did they mean by that statement? Did they not intend to beat down the price of wheat, and beat down the price of corn, and beat down the price of cattle, and beat down the price of cotton? What else could they mean? Here they are talking about doing the very thing they did do later, contracting the currency and deflating or denying the credits needed.

If all the banks in this district will earnestly and conscientiously endeavor to limit credits—

And so forth.

This is a part of another order or bulletin indorsed by the Federal Reserve Board, which now denies that it tried to deflate credits.

Mr. President, I am not going to detain the Senate now to go through this document from which I read, but I wish to say in passing that the trail of the deflation serpent is over it all.

The Senator from Virginia [Mr. GLASS] has a very touchy disposition with regard to this Federal reserve system. He acts as though it were his individual offspring and private personal property. It angers him for anyone to dare to criticize even the foolish and dangerous administration of it. The Senator from Virginia is magnificent, he is wonderful, in certain lines. The Senator has never been very much in close touch and sympathy with the masses of the people. He is a scholarly man, a great student of books. He is good on theoretical things, but I fear he lacks the common touch that Kipling speaks of, and his speech has convinced me that the distress and suffering of the people of the South and West have failed utterly to arouse his sympathy. When I heard him say in his speech that the Federal Reserve Board's policy had saved agriculture in the South and West I said, "God grant us deliverance from such a plan of salvation." Mr. President, it was not salvation; it was ruination and damnation of the worst kind. Here is what they did—just what this bank says. They sent them this as a starter:

If all the banks in this district will earnestly and conscientiously endeavor to limit credits—

Mr. President, they started this thing, and it ran away with them, and business suffered on every hand as a result of it. The power that inspired and started it intended to profit by the distress and misfortune of millions of people.

The Senator says:

I undertake to show to the Senate that there was no discrimination against agriculture.

Well, let us see whether there was or not. Let me read you a telegram just received:

RICHMOND, VA., January 17, 1922.

409. J. THOMAS HEFLIN,

United States Senate, Washington, D. C.:

In proof of the charges of favoritism toward New York City banks and gross discrimination against the country districts by Federal reserve, I ask your attention to the following established facts:

(1) In January, 1920, records show that one big speculative institution in New York City received from reserve system twice as much money as the system was lending at that time on agricultural and live-stock paper to all the 9,000 member banks in all of our 48 States.

(2) That as late as February, 1921, the reserve system was lending to one bank in New York City three times as much money as eight Federal reserve banks were at that time lending on agricultural and live-stock paper at all their member banks in 28 States and parts of 5 other States, covering about two-thirds of the entire country.

(3) In the autumn of 1920 national banks in New York City were borrowing in proportion to their total loans and discounts three times as much from the Federal reserve system as all the 7,600 country national banks in the entire United States were borrowing at that time.

(4) The actual contraction or reduction in accommodations granted by all 12 Federal reserve banks from October, 1920, when Members of Congress, farmers, and business men were imploring the Reserve Board to relax their pressure, to November, 1921, amounted actually to about \$1,800,000,000.

Other abundant evidence of discrimination and favoritism can be furnished if they are needed.

JOHN SKELTON WILLIAMS.

There is a complete answer in a few words to the speech of the Senator from Virginia by a big, brave, and able Virginian who deserves the praise and gratitude of all the American people for the great service he has rendered and is still rendering. Oh, Mr. President, the spectacle which we have witnessed here to-day is a strange and curious one. The Senator from Virginia [Mr. GLASS] seemed to take delight in attacking me personally while the enemy of agriculture, the boss of the Federal Reserve Board, Gov. Harding, smiled his approval down upon him from the gallery. I could not help feeling that he was trying to please the head of the Federal Reserve Board.

If I know my own heart, I am trying to do my duty so that the people whose Government this is will feel that I am faithful to the oath that I took when I came here as United States Senator.

The Senator said on yesterday, "We have no central banking system; it is a regional system." Certainly; but, Mr. President, they have converted it into a central system, and it is now operating exactly as Wall Street wants it to operate, and Wall Street favors it as it now operates.

The Senator from Connecticut [Mr. McLEAN], a Republican, is chairman of the Banking and Currency Committee, and he and the Senator from Virginia are in exact accord; both of them indorse the deflation policy of the Federal Reserve Board. The Senator bitterly opposed and tried to kill the Federal reserve banking system when the bill creating it was up in this body, and yet on yesterday, when the Senator from Virginia assailed me and those from the South and West who had dared to fight the control of the money supply and credit of the country by the money lords of Wall Street, the Senator from Connecticut came over and whispered words of sweet commendation and entire approval into the eager, listening ears of the Senator from Virginia. Aye, and that is not all, Mr. President. The Senator from New Jersey [Mr. FRELINGHUYSEN], who lives not a great distance from Wall Street, came over and offered his felicitations. This will give you an idea of the interests that condemn my position and approve the position of the Senator from Virginia. When I am taking a position that certain greedy and selfish interests of the East oppose, I know I am right, and right is right, as God is God.

The Senator from Nebraska [Mr. NORRIS] who sits before me, a genuine friend of the farmer, remembers that when we had Gov. Harding before the Joint Committee on Agriculture, he dodged and evaded. The Senator himself tried to bring out answers to questions a number of times, and Gov. Harding slipped and slid in every way that he could to keep from giving a frank answer to the questions asked, and finally when Congressman BYRNES, of South Carolina, one of the ablest and best Representatives who have come from the South while I have been in Congress—a fearless and brilliant young statesman—questioned him, and the Senator from Nebraska was presiding, Gov. Harding seemed to get excited, and to the surprise of everybody present said, in substance, "What are you trying to do? Am I on trial?" And the Senator from Nebraska and the Senator from Iowa [Mr. KENYON], who are present here to-day, and others, told him that there was nothing improper in the question and to go ahead and answer it. He became angry. Senators, is that the way for a big, clean-handed and level-headed man to act; a man who was being called upon to tell the lawmakers of the Nation the truth and the whole truth about a matter that vitally affected the whole American people? What was he doing that for? Was he trying to get away from those inquiries? I think so. The Senator from Virginia is in close touch with the governor of the Federal Reserve Board. He wields such influence over him that he was able to make him quit his desk during the time he was carrying on his deadly deflation policy and go out of the office and get some fresh air. I submit to the Senate and to the country it would have been better for the farmers and all the people of the South and West if the Senator from Virginia had kept him out in the fresh air all the time. I hold that a man who carries out a policy that will make men kill themselves is himself guilty of the crime of murder.

The Senator from Virginia has taken it upon himself to assail me for resenting the injury done to the people of my State by Gov. Harding and the Federal Reserve Board. This man Harding is from my State and I would rather defend him than criticize and condemn him. If it were not for the awful and fatal record he has made I would delight to stand here and defend him; but I do not care from whence a man comes, and whether he is a Democrat or Republican; whenever a man betrays a public trust and uses the power placed in his hands to inflict injury upon the masses of the people, I am going to cry out against it.

The Senator from Virginia said I spoke frequently and that he speaks seldom. It is necessary for somebody to speak frequently under conditions that have been and are now upon us. One day some weeks ago I quoted a few lines that went like this:

Keeping quiet when we should talk
Makes cowards out of men.

Never in the days of President Jackson and Thomas H. Benton was the money power so completely lodged in the hands of greedy Wall Street financiers as it is to-day under the management of the present Federal Reserve Board.

They can not—they dare not—dispute the facts in John Skelton Williams's telegram. I take his statement against them

all. I know that no special interest, that no sinister influence, can reach him. He is a big, brave, and brainy man. He is a Virginian who has the ability and disposition to live up to the best traditions of his great Commonwealth. But for him we would never have known about all of this crookedness and subservience of the Federal Reserve Board.

Yesterday I heard the Senator from Virginia reading about how the silk industry of Japan broke down. Gov. Harding has already said the same lame things in his interviews and speeches, and how a little sugar concern in Cuba had financial troubles, and that that caused our Federal reserve system to stand with fear and trembling—a system that had defied the combined powers of military autocracy; financed the World War; floated \$20,000,000,000 of bonds; loaned \$10,000,000,000 to the Allies; and then came home, stalwart, strong, still boasting of her strength; and when she saw the little silk industry of little Japan totter she commenced to cringe with fear, and when she saw the sugar industry of Cuba trembling she, too, trembled here. Such a charge against that system is unwarranted. It is untrue. This whole thing was caused by the Federal Reserve Board's dangerous and deadly deflation policy. The Federal Reserve Board wanted something or somebody to place the blame on, and it laid it on a little silk industry in Japan and a little sick sugar concern down in Cuba.

No Member of Congress was deceived by those false reports. They all knew that the banking system that had financed the World War could finance this country in time of peace. That deflation policy was a crime against the legitimate business of the country. Do you know why we revived the War Finance Board? We revived it purely and wholly because the Federal reserve banking system, under the deflation policy of the Federal Reserve Board, was not functioning properly. The Federal Reserve Board favored putting the War Finance Corporation out of business. If the Federal reserve system had functioned as it did before these men got to trucking to hold their jobs, and listening to the siren whispers of Wall Street, we would not have had the hard times that have so sorely afflicted our people. Let me read you a statement from a banker in New Jersey, an ex-governor of the Commonwealth of that State:

EDITOR MANUFACTURERS' RECORD:

In reply to your communication, in which you quote a remark of mine, to the effect that "much of the business depression is due to destructive liquidation forced by the controlling banking element," and asking me for a letter thereon, I beg leave to say:

When the Federal Reserve Board announced its policy of curtailed credit and of deflation, confidence was impaired and the natural inclination was to sell. Where everybody was selling, naturally nobody was buying, and as a consequence prices declined as rapidly in six months as they did in six years after the Civil War.

Think of that, Senators. Does not that look like we had deflation with a vengeance? The Federal Reserve Board deflated more in six months following the World War than was permitted in the six years following the war of 1860.

Mr. DIAL. Mr. President—

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

Mr. HEFLIN. I yield to my friend, briefly.

Mr. DIAL. I rather think the Senator is wrong in stating that the Federal Reserve Board wanted the War Finance Corporation put out of existence. I know, as a matter of fact—I want to say in justice to everybody—that some members of that board did not want it put out of existence.

Mr. HEFLIN. The governor of the board appeared before our committee against it, as did the Secretary of the Treasury, Mr. Houston.

Mr. DIAL. I know that some members of the board did try very hard to keep that organization in existence. John Skelton Williams was one, and there were other members of the board, too. I will not take up the time to go into that.

Mr. HEFLIN. The governor of the board, Mr. Harding, was in favor of putting it out of commission, and it was put out of commission. No member of the Federal Reserve Board appeared before our committee to render us assistance in reviving the War Finance Board.

The Comptroller of the Currency, John Skelton Williams, in a letter under date of December 28, 1920, to the governor of the Federal Reserve Board, Gov. Harding, estimated the shrinkage in values somewhere between twelve and eighteen billions of dollars. Think of that, Senators!

Are you not astounded at those figures? But the Senator from Virginia talks about men who stand here and undertake to defend the rights of the southern people and the western people, the farmers and the cattlemen, and he refers to them as demagogues. How shall we refer to such critics—as the tools and handy instruments of Wall Street? Who is it that inspires this attack upon men who dare to stand here and

speak for what they know is right? No man in this body or out of it can make such insinuations against me without having plain and pointed talk given to him.

Mr. GLASS. Mr. President—

The PRESIDING OFFICER. Does the Senator from Alabama yield to the Senator from Virginia?

Mr. HEFLIN. I yield briefly to the Senator.

Mr. GLASS. Mr. President, in my speech I referred to an ex-governor of New Jersey who severely assailed the policy of the Secretary of the Treasury in continuing a money committee in New York to keep down the interest charges on commercial, agricultural, and industrial paper to 6 per cent, and who declared that money was worth what money would bring in competitive markets. I now state that that gentleman who wanted money to bring what it was worth was Gov. Stokes, from whom the Senator is reading.

Mr. HEFLIN. Mr. President, I am quoting Gov. Stokes on another proposition, going to the main evil of the deflation policy.

Or, as he puts it, I read from Gov. Stokes:

Property values in this country, which have apparently melted away in the last 12 months (prior to December 28, 1920), represent a sum far greater than the total gold supply of the world at this time.

Yet the Senator is astounded that men on this floor will challenge such an infamous policy as that which brought this condition about.

This caused a tremendous cancellation of orders—

Says Gov. Stokes. Listen to that, you Senators representing eastern manufacturers—

and the protesting of foreign bills of exchange against shipments while the latter were deteriorating in foreign harbors. The demoralization which grew out of this hasty, forced liquidation not only checked the wheels of industry but it piled up frozen credits in banks and caused a tremendous loss to these institutions. Thus the movement at its very inception defeated its object. It didn't liquidate at all; it simply froze. It did more. It stopped business employment and wages.

The Senator from Virginia referred to the woolen business of 1920 on yesterday. Listen to this—I read from Gov. Stokes:

The American Woolen Co., in a nation-wide full-page advertisement, stated that when the banking elements, through the Federal Reserve Board, gave notice of curtailment of credit and deflation, cancellation of orders poured in, their mills were necessarily stopped, and men thrown out of employment.

That is the deadly, destructive work that lies in the trail of the Federal Reserve Board's deflation policy. Further, the governor says:

An instance under my personal observation: The proprietor of a woolen mill that had operated continuously since its inception, mostly day and night shifts, as soon as he read the announcement, came to my desk and said: "This is extremely unfortunate and will result in business paralysis."

Business men realized that this action on the part of the Federal Reserve Board meant ruin to legitimate business.

But the Senator from Virginia says, "Where is the proof and where are they who cry out against this policy of the Federal Reserve Board?" Here is a banker and an ex-governor of his State telling what the deadly effect of this thing was upon the woolen business mentioned by the Senator from Virginia. I read further from the governor:

In a few days he had a million dollars' worth of orders canceled on him, and his mill stopped operating for the first time in its history.

Then the Senator from Virginia is surprised that a man will get up here and dare to criticize the Federal Reserve Board's policy and insinuates that those who do so are demagogues. If they are, God grant that their tribe may increase in this body. If they are demagogues, what are those who plead for the protection and perpetuity of such a policy but the tools and agents of Wall Street?

I read further:

These are only illustrations of the natural result that follows from banking interests interfering in functions outside of their proper jurisdiction. The banker has a right to say to the applicant, "You may have no more credit." He has no right to say to him out loud, so the whole country can hear and be frightened, "You have got to sell your goods."

And that is the policy that I am objecting to. They struck down the cotton producers; they clubbed the grain producers; and they robbed the cattlemen, and they did not deflate retail prices to the consumer. Why? One day during that time cotton was selling at 9 cents a pound, and I paid 25 cents that very day for a cotton collar. At that rate, a bale of cotton made into collars would bring more than \$1,000, but the farmer received only \$45 for it. Talk about deflating? Gov. Stokes is right. Again he said:

It did not deflate all along the line; this was the unfairness of the proposition and the cause of industrial depression. It was utterly unfair to the producer, the farmer, and the manufacturer or the merchant that they should deflate their product, unless they were guaranteed a deflation all along the line.

Were we not entitled to ask that the same deflation policy imposed upon us should be imposed against everybody? What happened? The farmer and the man and woman of moderate means were forced to sell their Liberty bonds under that drastic deflation policy. They sold them for \$85 on the \$100. Down and down and down they went. Where are they now? They are out of the hands of the small bondholders and climbing up in price on Wall Street. The money kings of the country bought them, as the Federal Reserve Board's policy forced them out of the hands of the small bondholders of the country.

What else did Gov. Stokes say?

It may have a right to extend or refuse to extend credit. There their functions cease, but even if it is contended that the banks have this right, the method of enforcing it was most unhappy. It was founded upon the theory that the way to restrict credits is to raise interest or credit rates.

There is where they waylaid and struck business down. Oh, Mr. President, in the heyday of the system when the rediscount rate was 3 per cent, honest business could acquire all the money that it needed by going to a member bank or an outside bank going to a member bank and rediscounting its paper, going home with its money, and serving the financial needs of the locality, and everything moved smoothly. But when they raised the rediscount rate to 7 per cent, the legal rate in my State was 8 per cent, just 1 per cent higher than the rediscount rate, and that one act of the Federal Reserve Board prevented many, many loans in my State. It made the margin of profit so small in the interest allowed in my State that the board prevented people who needed money from getting it. Not only that, but the local banker could not get it from the Federal reserve banking system in the agricultural sections of the country.

A man sick and suffering needs a doctor to come to his rescue. His life is at stake. They say the doctors' fees have gone up by leaps and bounds. They are very high. He says, "I did not need the doctor when I was well. I need him now very badly, for I am sick, and the fees are so high that I can not pay him and he will not come because he knows I can not pay him." That is the attitude in which the Federal Reserve Board puts the farmer and banker in the agricultural sections of the South and West.

Gov. Stokes said, further:

Could any principle be more absurd or more vicious? And yet that is practically the banking policy that prevails to-day in regard to the restriction of credit. There is not the slightest excuse for raising interest rates in order to restrict credit; not the slightest justification.

This last statement is in contradiction of the statement of the Senator from Virginia, that the governor of New Jersey wanted the interest rate to go as high as it pleased.

Mr. WATSON of Georgia. Mr. President—

Mr. HEFLIN. I yield to my friend the Senator from Georgia.

Mr. WATSON of Georgia. I should like to relate briefly a little incident that I think may be informing to the Senator from Virginia and also to the Senator from Alabama.

Mr. HEFLIN. I shall be glad to hear it.

Mr. WATSON of Georgia. For the last 40 years I have been doing business, either personally or through a little State bank of which I am the president, with the Georgia Railroad Bank, one of the finest institutions in the South, as many Senators here know. It has never been difficult for me to get money from that bank, either for myself or for the McDuffie Bank, a State institution of which I am president.

At the time the papers were carrying statements that the Federal Reserve Board had declared that farm paper must be called in and no further credit extended on farm paper the McDuffie Bank was carrying \$70,000 of farm paper, and we wanted to get some money for the benefit of our customers and the benefit of the bank. We made the application as usual to the Georgia Railroad Bank, and we were told in reply that the bank would lend to the bank on the personal indorsement of the directors, but it would not lend to the McDuffie Bank on any farm paper whatever. Then the bank at my instance made application to a well-known bank in New York, which is not a member of the Federal reserve system, and we obtained the money at once.

Mr. GLASS. Mr. President—

Mr. HEFLIN. Yes; I yield briefly.

Mr. GLASS. If the Senator from Georgia [Mr. WATSON] will obtain and put in the Record any order issued by the Federal Reserve Board or any Federal reserve bank to decline to grant credits on farm paper, I should be infinitely obliged to him. If he will do that or if he can do that there will be some point to the episode which he has related.

Mr. WATSON of Georgia. I did not say that I could produce a bulletin from the Federal Reserve Board. I did state, however, and am prepared to prove, that announcement was made

in the papers that this policy of deflation had been adopted, and that immediately thereafter the Georgia Railroad Bank, after having loaned to the McDuffie Bank for the last 14 years on farm paper, declined to lend in response to this application, but would lend on the personal indorsement of myself and the other directors.

Mr. GLASS. I will say to the Senator that no such order ever emanated from the Federal Reserve Board or from any Federal reserve bank, and any newspaper publication to that effect was totally inaccurate. The Senator was not present when I showed that bank after bank would say to a customer to whom it did not care to loan money that the Federal reserve bank would not rediscount the paper, when the Federal reserve bank would have rediscounted the paper.

Mr. DIAL. Mr. President—

Mr. HEFLIN. Mr. President, so far as I am concerned, I will accept what the local nonmember banks and the member banks said about being forced to refuse loans or to call loans. The Federal Reserve Board is still trying to cover up its tracks and hide its part in this great crime.

The case cited by the Senator from Georgia could be multiplied hundreds of times in the cotton belt alone. The Federal Reserve Board have browbeaten banks, and they have intimidated banks in a quiet way until they are afraid to speak out against the dangerous policy of this tyrannical board. I know of a Senator in this body now who has a long letter from a banker telling him how this thing has worked and begging him not to use his name. Senators, are the legitimate banking institutions of this country to be humiliated and hampered by this bold and brazen board?

I repeat, the sooner the President of the United States can remove this discredited Federal Reserve Board the sooner he will greatly gratify a hundred millions of people.

I yield to the Senator from South Carolina for a question.

Mr. DIAL. I merely wish to ask the Senator from Georgia whether the bank to which he referred a while ago, the McDuffie Bank, is a member of the system?

Mr. WATSON of Georgia. Not at all.

Mr. DIAL. Why do they not join it? They then could borrow money.

Mr. WATSON of Georgia. Because the McDuffie Bank likes to be independent.

Mr. HEFLIN. They do not have to join in order to get money. This system loans money to a bank outside. A member bank will loan to a local bank that is not in the system. A member bank, however, charged one bank in my State that I know about 8 per cent. That was charged by a member bank in Atlanta. The rediscount rate is now, I believe, 5 per cent, and the legal rate is 8 per cent in my State. And yet the Senator from Virginia talks about extending aid to the farmers. It is either wilful deception or pitiful ignorance, I do not know which.

I wish to complete this quotation from Gov. Stokes. He said:

The way to restrict credit is to refuse to extend it, instead of charging 8 or 10 or 20 per cent. The latter burdens the country with an unnecessarily high credit cost, always a handicap on business and enterprise.

Credit can be restricted by the banks with the rediscount rate at 4 per cent just as readily as it can be with the rediscount rate at 8 per cent or higher, and if the present banking fraternity can not restrict credit by refusing to grant it, their Macedonian cry to high-interest rates to come to their rescue is a confession of incompetency.

Mr. GLASS. Mr. President—

Mr. HEFLIN. I yield to the Senator for a brief statement.

Mr. GLASS. Can not the Senator see from Gov. Stokes's own statement that Gov. Stokes favored the individual banks restricting credit by refusing to grant credit?

Mr. HEFLIN. Yes; but not by putting up the rediscount rate.

Mr. GLASS. What is the difference?

Mr. HEFLIN. He wanted to be honest and just tell the man, "I will not lend you any more money."

Mr. GLASS. Exactly; and that is what the Senator from Alabama complained about.

Mr. HEFLIN. I am complaining about the raising of the rediscount rate for the purpose of preventing loans. The Federal Reserve Board came up and said at the very time the people needed money most the interest or rediscount rate is raised from 3 to 7 per cent. That was a terrible and a murderous blow to the agricultural sections of the country.

In other words, the Federal Reserve Board used a system or an instrument created for the purpose of saving business in the time of need to strike down and destroy legitimate business.

Mr. GLASS. Will the Senator be kind enough to enlighten me, if not the balance of the Senate, by stating and putting in

the RECORD when the rediscount rate of any Federal reserve bank was 3 per cent?

Mr. HEFLIN. It was that before they raised it.

Mr. GLASS. It never was 3 per cent in any bank.

Mr. HEFLIN. What was it?

Mr. GLASS. From $4\frac{1}{2}$ to $4\frac{1}{2}$ or $4\frac{1}{2}$ or 5 per cent. It never was 3 per cent.

Mr. HEFLIN. I beg to differ with the Senator.

Mr. GLASS. It never was, at least so far as I know. The Senator may know.

Mr. HEFLIN. It was 3 per cent at some of the Federal reserve banks. I want to call the attention of the Senator again to what he said, that no discrimination had been shown against agriculture. They charged $4\frac{1}{2}$ per cent rediscount rate in New York, $5\frac{1}{2}$ per cent in the cotton belt, and $5\frac{1}{2}$ and 6 per cent in the grain belt, and as high as 20, 30, and $87\frac{1}{2}$ per cent in the agricultural sections. I think now they have reduced the rate to 5 per cent at the Atlanta bank, and they charge us 5 per cent in our distress, while they let the gamblers in Wall Street have money at $4\frac{1}{2}$ per cent.

Mr. GLASS. I will state to the Senator from Alabama, if he will permit me, that the rediscount rate at the New York bank was raised on June 1, 1920, while it was raised at the Atlanta bank, which ministers to the wants of Alabama, on the following November 17, 1920.

Mr. HEFLIN. They failed to let us have needed money down there long before that. Yes, Mr. President, they raised the rediscount rate in Wall Street in New York, and then what happened? With this club in the hands of the Federal Reserve Board, seeing the storm coming, money sought the center of Wall Street and went there where a high interest rate could be obtained. Call money ranged from 12 per cent to 20 per cent and 30 per cent and as high as 200 per cent. Of course, it would go out of the little places in the country to where the speculative interests would pay the highest rate of interest.

Again I say that that deflation policy was a destructive one and constituted a crime against the country. It drained the country of its idle cash. That is another fruit of this policy of the Federal Reserve Board, and "by their fruits ye shall know them."

Mr. GLASS. But the Senator was proceeding to say that the rediscount rate of the Federal reserve banks was first raised in his territory against the farmers and last in Wall Street.

Mr. HEFLIN. Not at all.

Mr. GLASS. Whereas just the reverse of that is the fact.

Mr. HEFLIN. The Senator from Virginia did not understand me at all. I never said what he has stated. I said they charged 4 per cent and $4\frac{1}{2}$ per cent in New York and charged 5 per cent and $5\frac{1}{2}$ per cent in my section of the country. If that is not discrimination, then I am no judge of what the English language means. I say that in due deference to my theoretical and scholarly friend, the Senator from Virginia, who takes occasion to defend the inexcusable and indefensible deflation record of Gov. Harding and his board.

Mr. FLETCHER. Mr. President, will the Senator yield to me for just a brief statement?

The PRESIDING OFFICER. Does the Senator from Alabama yield to the Senator from Florida?

Mr. HEFLIN. I do.

Mr. FLETCHER. Gov. McCall, in an article some time ago—and I can furnish the article if it is desired—stated the fact, which, I take it, can not be questioned, that—

During the year prior to the close of September, 1921, there had been a contraction in the currency notes of about \$800,000,000, and in the total bills, meaning Government bills and rediscounts of the banks, there had been a shrinkage of nearly \$1,700,000,000, or more than half of the total amount.

Then he says:

The result was chiefly effected by the autocratic enforcement of high interest rates against the banks upon their rediscounts, and this was reflected by still higher rates charged their customers by the banks.

Mr. HEFLIN. That sustains my contention, Mr. President.

Mr. GLASS. May I inquire who makes that statement?

Mr. FLETCHER. Ex-Gov. McCall, of Massachusetts.

Mr. GLASS. As a matter of fact, the figures of the banks themselves show that for that period the expansion was nearly a billion dollars and that there was no deflation.

Mr. FLETCHER. The question in my mind is, since the power exists in the Federal Reserve Board to limit circulation and to limit the note issue by raising the rate on rediscounts, whether it would not be proper and wise so to amend the act as to require some sort of notice to be given and some sort of hearing to be had before they autocratically and without any notice whatever raise such rates.

Mr. HEFLIN. I agree with my friend from Florida. That should be done. Ex-Gov. McCall is right. We know that needed

credits were denied and that certain interests profited by the distress produced.

Mr. GLASS. That is a question of operation. What I am pointing out to the Senator from Florida is that the figures which he has read must necessarily be inaccurate unless the official, authenticated figures given by 12 Federal reserve banks and the Federal Reserve Board are inaccurate, for their official figures show that for the very period mentioned by the Senator from Florida the increase in credits and currency approximated a billion dollars.

Mr. HEFLIN. Mr. President, the Senator from Florida hits the nail squarely on the head. The shrinkage or contraction, the drawing in of the money which had been serving the needs of the people or the refusal to supply it in sufficient amounts caused distress and failure in business. There must be water to turn the wheels of a mill, and if the water is shut off the mill stops. That is what happened under the murderous deflation policy of the Federal Reserve Board.

Mr. SMITH. Mr. President—

Mr. HEFLIN. I yield to my friend from South Carolina. A better friend the farmers of the South have never had in this body.

Mr. SMITH. Mr. President, I went to headquarters before coming to the Senate this morning and asked the Comptroller of the Currency to ascertain directly and officially from the Federal Reserve Board and elsewhere just what are the actual facts in reference to this matter. One of the questions I propounded was as to the actual amounts discounted for member banks by each of the 12 reserve banks for the years 1920 and 1921, and the total for the fiscal year. I will merely read one or two of the answers. It is shown that in 1919 the New York Federal Reserve Bank rediscounted \$788,194,000; in 1921 they rediscounted \$213,000,000. In 1919 the Richmond Federal Reserve Bank rediscounted for member banks \$108,661,000, and for the year ended December 28, 1921, rediscounted \$94,426,000, a shrinkage of discounted paper of something like \$20,000,000. The Atlanta Federal Reserve Bank seems to have increased its rediscounts, which were \$90,000,000 in 1919 and \$94,000,900 in 1921.

If the Senator from Alabama will allow me, I shall take Chicago, the center of the great stock industry. In 1919 the Chicago Federal Reserve Bank rediscounted \$260,599,000, and during the year ended December 28, 1921, \$196,000,000. The Kansas City Federal Reserve Bank, which is located at another stock center, rediscounted \$100,433,000 in 1919 and \$67,717,000 in 1921. The Federal reserve bank at Dallas seems to have increased its rediscounts. I call the attention of the Senate to these figures, including the total for all the 12 Federal reserve banks, which I will now give: In 1919 they held rediscounted paper for member banks to the amount of \$2,194,878,000, whereas on December 20, 1921, they held \$1,179,833,000, a shrinkage of a little over a billion dollars in that time.

Mr. HEFLIN. That is another piece of testimony sustaining my contention. Mr. President, we did not need any credits in 1919. Cotton was moving freely and selling for 40 cents a pound, and it is unfair to compare credits granted in 1919, when we did not need them, with 1920, when we did need them.

Mr. GLASS. Mr. President—

Mr. HEFLIN. I yield to the Senator.

Mr. GLASS. I merely wish to call the attention of the Senator from South Carolina to the fact that the figures presented by me in my remarks were furnished me by the Federal Reserve Board and are the official figures for the various Federal reserve districts.

Mr. SMITH. I will state, Mr. President, that the figures I have quoted were brought to me by a clerk from the comptroller's office this morning, and were furnished by the reserve board. The figures embraced in the table I have are official figures, and I should like in my own time, Mr. President, to place them in the RECORD.

Mr. HEFLIN. Mr. President, I thank my friend from South Carolina for the suggestion which he has made and for the figures he has given. They are in line with the suggestions and figures of the Senator from Florida [Mr. FLETCHER]. Those two Senators know how the people of the South have suffered and are suffering now. I want to state for the benefit of the Senator from Virginia just how this deflation policy affected the individual farmer in my State. The farmer with 10 bales of cotton at 40 cents a pound had \$2,000 worth of cotton. Under the deflation policy of the Federal Reserve Board the price of that cotton was decreased by July, 1921, to an average price of \$45 a bale, or \$450 for the 10 bales, so that three-fourths of the value of the farmer's cotton crop was destroyed in 12 months, and the price was forced down and down, far below the cost of production—a loss of \$1,550 to one farmer

on 10 bales of cotton. Does the Senator from Virginia, whose State produces practically no cotton, quarrel with me for fighting to relieve my people from the cruel bondage of such a board? Whether he does or not makes but little difference with me, for I propose to continue to fight for what I believe is right in this body. Whether men are influenced by suggestions from Wall Street or elsewhere, I do not know, but I am getting weary of the charge that Senators are demagogues because they dare to stand in this body and plead for justice to the masses of millions in distress at this very hour in the South and West because of the deflation policy inaugurated by Gov. Harding and his Federal Reserve Board—Gov. Harding, who smiled down from the gallery upon the head of the Virginia Senator [Mr. GLASS] as he undertook the impossible task of defending the indefensible deflation policy of the Federal Reserve Board.

The Senator from Virginia read from a letter of Gov. Harding the statement that one reason he did not go home to vote was that he did not want to vote for me. I was the Democratic nominee for the Senate, and if he had been a good Democrat he would have wanted to vote for me.

Gov. Harding, in the letter to the Senator from Virginia, does not deny the charge that he supported the Republican ticket in the national election of 1920. Here is the editorial of the Washington Times, April 12, 1921:

Although Gov. Harding is a Wilson appointee, he did everything consistent with his office to further the Republican cause at the last election. This attitude has dispelled prejudice arising out of the fact that he was inducted into public life under Democratic auspices.

There it is, and the governor of the Federal Reserve Board has never denied it.

The service that he rendered the Republican Party through his deadly deflation policy cost the Democratic Party hundreds of thousands of votes. He did what the Republicans wanted done, and they are retaining him in office because he has been their obedient servant. The deflation policy that he carried out and his retention in office have cost the American people billions of dollars.

I condemn and repudiate the deflation policy of Gov. Harding and his board. I say to the Senate again that a Federal Reserve Board that, in times like these, will sanction the erection of a bank building in New York involving the expenditure and handling by certain people of \$20,000,000 is covered all over with the suspicion of graft. That is my opinion stated again, and I am responsible for my statements here and elsewhere.

Mr. President, a board that will inaugurate a deflation policy, as the Federal Reserve Board did, and carry it out over the protests of the South and West, as the Federal Reserve Board did, is not worthy of the confidence of the people; and when at the same time it orders or permits a bank building constructed in New York at a cost of eighteen or twenty million dollars, which is more money than the Capitol, the Senate Office Building, the House Office Building, and the State, War, and Navy Building combined cost, am I to be told that there is no graft in it? It is time to talk plainly. If some little hickory-nut headed agent had started anything like that, it would have been said that he intended to steal something. Why not talk plainly about crooks higher up. The country is in no humor to fool with these men. I make bold to suggest that it smacks of graft.

The Senator from Virginia undertakes to whitewash this man who wanted to deny to southern Senators an audience in the fall of 1920. The Senator from North Carolina [Mr. OVERMAN] called on him with a delegation, but Gov. Harding, of the board, said that he did not have time to listen, and an effort was made to switch off the Senator; but the Senator said, "You will hear me," and he forced the governor to assemble the board. That is the man I am talking against, Gov. Harding.

Mr. OVERMAN. Mr. President, the governor of the board said that he had heard enough—that is, the truth about it—and I went before the full board and secured an audience.

Mr. HEFLIN. The Senator from North Carolina secured an audience anyhow, in spite of the statement of the governor of the board, who was hostile to him and to the southern interests. The same thing applies to the West.

Let me show what happened to the farmers in my State, from which Gov. Harding also comes. The farmers of Alabama made 660,000 bales of cotton in 1920; at 40 cents a pound, or \$200 a bale, they would have received \$132,000,000 for their crop. Under the deflation policy of the Federal Reserve Board, however, the price was reduced to 9 cents a pound, or to \$45 a bale, so that the return from the whole crop was only \$29,000,000, representing a loss to the farmers of my State alone in 12 months' time of \$102,300,000. Then the Senator from Virginia wonders that I dare arraign and indict the Federal Reserve Board. I do indict it, and the Senator from Virginia can say that it is pitiful ignorance or what he pleases,

but that does not deter me. I have been fighting for common honesty and plain justice in public affairs all my life. There are some Senators who do that; there are Senators who break their silence and dare plead for the people, who do not reserve themselves and preserve their strength to fight the battles of the money power in a pinch.

In November, 1920, right in the heart of the crop-moving season, the Federal reserve banks were lending to two banks in New York City, conspicuous for their speculative activities, \$250,000,000. During the same month in 1920 the entire amount loaned by six Federal reserve banks on "agricultural" and "live-stock" paper in 18 States was only \$15,642,000. So the two banks in New York were borrowing from the Federal reserve banks \$234,358,000 more than all the agricultural interests and live-stock interests of 18 States in the Union were able to obtain. The amount being loaned to the agricultural and live-stock interests in those 18 States was \$4,358,000 less than the farmers of one State, the State of Alabama, paid for their fertilizer bill, in 1920, \$20,000,000.

Mr. President, Senators can get up and occupy the floor and have the smiling approval of the Federal Reserve Board governor from the Senate gallery. Our good friend from Connecticut [Mr. McLEAN], who tried to kill this Federal reserve banking system, comes over and whispers honeyed words into the ear of the Senator from Virginia, and falls upon his neck with loving manifestations of approval. The Senator from New Jersey [Mr. FRELINGHUYSEN] comes over and expresses his commendation, and the Senator from Virginia throws out his chest and feels happy that he has won their approval. He is welcome to it as far as I am concerned.

Mr. President, I want to show you what the papers say. I want to show you what a banker in my State wrote me about Gov. Harding. Here is what this banker said:

Last year when we were struggling with the destructive deflation propaganda, and about the time when you kindly came here to help in the fight against the powers that be, Gov. Harding took a circle through the South making speeches and excusing the reserve banks for their lack of interest in and care for the welfare of the people who are feeding them and the world, and stated in Atlanta that it was not the function of the reserve banks to aid farmers in holding their products. Within two hours after this speech was made cotton fell \$10 a bale and would have gone lower had it not been for a rule of the exchange.

I know more about him and his policy than the Senator from Virginia knows, and I do not intend that he shall intrude himself into the affairs of the people of my State and assail me in defense of a man whose deflation record I repudiate and the honest business men of the country repudiate. He and the board have lost the confidence of the honest business men of America. That is plain talk, but it is the plain truth.

Mr. OVERMAN. Mr. President, will the Senator yield to me?

Mr. HEFLIN. I will.

Mr. OVERMAN. I have been receiving numerous letters, some from bankers, great bankers in the country, asking me to keep their names out of the public prints, and not let it be known that they are afraid of the Federal Reserve Board. Can the Senator tell me why they are afraid of them?

Mr. HEFLIN. I made reference to something like that a while ago. I have had them myself. They are afraid of them because of the dictatorial and arbitrary powers exercised by that board.

"We understand that you are making complaint to HEFLIN and OVERMAN and ROBINSON and SMITH and FLETCHER and TRAMMELL and WATSON and HARRIS and others who dare to fight for their people in distress and demand a square deal. We understand you are writing to them." They do not want their names used because they are afraid something like that will come to them from the board or its friends. Why, this board is as egotistical and jealous of its ruinous policy as the Senator from Virginia is of his part in the authorship of this act. Anybody who criticizes it is a demagogue.

Mr. President, the Senator from Virginia looks down with pity upon one of us who dares to criticize the infamous deflation policy of the Federal Reserve Board. He seems to think that beside him upon this question there is none other. I am reminded of the story of Bill Burton and Tom Gowan. They were running for Congress, and Bill was in the House. He threw out his chest, and said: "Why, I presided over the constitutional convention of my State. My decisions were heralded the country over. I was regarded as a great parliamentarian. When the legislature assembled, following the ratification of the constitution, I was first speaker of the house of representatives. I presided over its deliberations. I was regarded everywhere as a great authority upon parliamentary procedure. When I went to Congress, and old Champ Clark got into a tangle, he called me to the chair, and I presided, and helped him out of the tangle, and the papers praised me the country

over, and after I had settled the thing and walked down out of the chair, the Members of the House all applauded me, and thanked me for getting them out of the tangle, and yet I, even I, have got to contend with a man here for reelection to the House. I resent it."

Tom Gowan got up and said: "Ladies and gentlemen, I dreamt last night that I died and went to heaven, and when I walked in Solomon was presiding over the courts of glory, and old Pericles and Solon and Cicero were taking part in the debate; and I saw an archangel appear by Solomon's side and whisper something into his ear, and a troubled look came over his face, and Solon arose and asked: 'What means this troubled look on the face of Solomon?' The archangel said: 'Bill Burton, the great parliamentarian from Virginia, has arrived, and Solomon has got to give up his place.'" [Laughter.]

Mr. President, I make no application of this story. It makes its own application. Now, Mr. President, we are going to fight on and on until we get a real farmer on the Federal Reserve Board. We are going to provide for this thing in the law.

Mr. GLASS. Mr. President—

The VICE PRESIDENT. Does the Senator from Alabama yield to the Senator from Virginia?

Mr. HEFLIN. Yes; I yield.

Mr. GLASS. I call the attention of the Senator from Alabama to the fact that neither his facts nor his figures agree with my facts and my figures. My reading of history teaches me that Pericles went to hell, and his that he went to heaven. [Laughter.]

Mr. HEFLIN. Mr. President, I had rather take the chances of Pericles for eternal bliss than to have the chance of the members of the Federal Reserve Board or anybody here who defends their deadly deflation policy. [Laughter.] Why, Mr. President, Pluto's infernal region is full of fellows better than some of these. [Laughter.]

Now, let me read a line from an ex-governor of North Carolina: to let the Senator from Virginia know that he did not know what he was talking about and that while there are some of us who do not know as much about the technique of the banking business that he refers to, but who know a great deal more about the practical uses of money and credit amongst the masses of the people. Let me read from ex-Gov. Bickett. We had him before our committee, and here is what he swore:

One thing we call attention to is the present policy to call loans.

Listen! This was in December, 1920.

I happen to know that down in my State of North Carolina there is a disposition, and the bankers say it is because of instructions approved by the Federal Reserve Board, to call loans.

Ah, Mr. President, I am not reading from statistics fixed up by the Federal Reserve Board. I do not accept some of them. I accept John Skelton Williams's statement against the Federal Reserve Board and all their defenders.

Let me read a little further. This is from the ex-governor of North Carolina—a good man. I know him. He says that loans were called, and the bankers said that the Federal Reserve Board is working this policy.

He continued:

Gentlemen of the committee, the situation with us in the South is more than distressing. It is tragic.

Yet the Senator from Virginia says that the policy of the Federal Reserve Board saved agriculture in the South—saved it! God deliver us from such saviors! If the Federal Reserve Board's policy has saved us, we denounce and repudiate such salvation.

Mr. GLASS. Mr. President—

The VICE PRESIDENT. Does the Senator from Alabama yield to the Senator from Virginia?

Mr. HEFLIN. I do.

Mr. GLASS. May I suggest that the Senator from Alabama apparently does not understand the significance of his own information and of the documents from which he is reading. Gov. Bickett was talking in December, 1920, when cotton was down to 11 cents. The damage had then been done. That was practically the end of the period of falling prices; but the Senator does not seem to understand that.

Mr. HEFLIN. Mr. President, again I differ with my good friend the genial financial genius from Virginia. Practically done then! Why, men killed themselves in the spring of 1921 and in the summer of 1921. Our people are yet in the throes of distress under this system of the Federal Reserve Board.

I admit that the fight that I and others have made here has forced them to reduce their rediscount rate, and we have saved the Government several million dollars on that bank building in New York, and before we get through with them we are going either to stop it, save more, or put somebody in the penitentiary.

The Senator from Virginia can not rise up here and white-wash men whose tracks are covered over with suspicious acts and crooked doings. Why, they raised their own salaries in the New York bank to thousands and thousands of dollars, and when we pinned the Senator down and asked him if he thought \$50,000 was a proper salary to be paid to one man he had to change front. But they raised their own salaries and they raised their clerks' salaries from \$1,200 and \$1,600 to \$12,000 and \$16,000. It was unjustified, and I think there is something crooked about that. That is my thought. I am responsible for my thoughts, and I think the majority of the people will agree with me. You can not take the people's money and handle it like that.

Mr. President, they are building a gymnasium and a swimming pool. The Senator from Virginia is in favor of establishing swimming pools in New York City and gymnasiums for the elite up there. Let them swing and whirl and then plunge in the pool and swim, while the farmer says, "Mary, I have stood this strain as long as I can. I have been to the bank to-day. I can not get any more loans. I am tied up. I have lost all that I made in 1920 and all that I made in 1921. My debts are hanging heavy over my head. What am I to do?" I call that to the attention of the Senator from Virginia when they expend \$20,000,000 or \$26,000,000 or \$27,000,000 to build a bank palace in Wall Street, in the great city of New York, and raise the salaries of clerks from \$1,200 and \$1,600 and \$1,800 to \$12,000, \$16,000, and \$18,000. Shame on them! And I repeat the bank deal is covered all over with the atmosphere of graft.

Mr. EDGE and Mr. GLASS addressed the Chair.

The VICE PRESIDENT. Does the Senator from Alabama yield; and if so, to whom?

Mr. HEFLIN. I can not yield for any speech.

Mr. EDGE. Will the Senator yield for just a moment?

Mr. HEFLIN. I yield to the Senator from New Jersey just for a question.

Mr. EDGE. Mr. President, we have just 20 minutes before the 5-minute rule goes into effect, and I know that the chairman of the Banking and Currency Committee, the Senator from Connecticut [Mr. McLEAN], wishes to speak directly to the bill upon which the Senate will vote an hour later. I am just wondering if it is not possible for the Senator from Alabama, at least, to give the Senator from Connecticut an opportunity to discuss the measure. He can not discuss it after 3 o'clock.

Mr. HEFLIN. I thank the Senator for calling the matter to my attention. I had intended to quit sooner, and I will do it in three minutes.

Mr. GLASS. Mr. President, may I interrupt the Senator for just a moment?

Mr. HEFLIN. Just for a minute.

Mr. GLASS. It will not take a minute. I want to say to the Senator that the shoe factories in my town in Virginia provide a swimming pool for their employees. The cotton mills of the great Riverside Cotton Corporation in Danville, as my colleague knows, provide cafeterias and assembly halls and swimming pools for their employees.

Mr. HEFLIN. Yes; I know that, Mr. President.

Mr. GLASS. And the Senate of the United States provides a marble-bound swimming pool for the Members of this body. Is it possible that the Senator from Alabama does not believe in people washing?

Mr. HEFLIN. Oh, Mr. President, I am exceedingly fond of it. That is the reason why I am working on the Senator from Virginia. [Laughter.]

Mr. President, I want to tell the Senator from Virginia that when the cotton mills build swimming pools and cafeterias, they are doing it out of their profits, honestly earned. When the bank of New York builds this building, it is doing it out of the blood money wrung from the people of the South and West through high rediscount rates. I want to say to him again that the Government of the United States, in providing a swimming pool for Senators, spent less for that building, this Capitol Building, the House Office Building, and the State, War, and Navy Building than the cost of the building which the New York reserve bank is putting up in New York City out of the blood money they wrung from the South and West. That, too, is plain talk, but the time has come for plain talk. I am going to keep faith with my friend from New Jersey [Mr. EDGE], who reminded me that the time for voting is fast approaching. Let me read what the New York Commercial of September 16, 1920, among other things, said:

Gov. Harding frowned upon the proposal that additional credits be provided as a means of holding cotton in warehouses beyond the usual marketing period in order to insure better prices.

The Federal Reserve Board's policy broke the price of cotton and then it refused to aid us in holding for a price that would cover the cost of production.

Their deflation policy broke the price of cotton in seven weeks \$45 a bale, or \$45,000 on a thousand bales.

The Senator from Virginia referred to what I said in a former speech about the friends of the Federal Reserve Board speculating in cotton on the bear side at that time. I said then, and I repeat now, that if their friends were speculating in cotton on the bear side, that they made in seven weeks on 1,000 bales of cotton \$45,000. I repeat that Gov. Harding and the other members of the Federal Reserve Board knew exactly the effect that their deflation policy would have upon the cotton market.

Do you blame the cotton farmer for wanting to hold cotton for a price that would yield a profit? We tried to obtain loans on cotton so that we could hold it until the price would at least cover the cost of production, but the Federal Reserve Board refused to permit us to have such aid and our cotton farmers were robbed of millions and millions of dollars.

Mr. President, I do not intend to consume any more time. I will include these statements in my speech:

[From page 5936, CONGRESSIONAL RECORD, Aug. 22, 1921.]

Former Senator Gronna, at the December meeting, has this to say: "Let me say this: I dislike very much to be a witness before this committee, but let me tell you what happened in St. Paul the other day. Since you have brought this up, I think I might just as well tell the truth.

"We had over a hundred head of large cattle which we shipped to St. Paul. We found the markets demoralized, and we wanted to ship them to Illinois and feed them. We could not get a loan of \$1 on those cattle.

"Mr. THOMPSON. Whom did you go to, Senator?"
"Senator GRONNA. We went to the people right there in St. Paul and Minneapolis, and they said they were not advancing a dollar on cattle. The ninth Federal reserve district does not furnish any money to the producers of the country.

"I just want that to go in the record, that the country is not being supplied with money. The feeders and purchasers of cattle are not being furnished with money."

[From the CONGRESSIONAL RECORD of Oct. 14. Speech by Senator HEFLIN, delivered Oct. 12.]

Mr. Alexander Smith, of Atlanta, attorney for the assaulted banks, said:

"In view of the statement yesterday by the governor of the Federal Reserve Board, that these things were not being done with his knowledge and consent, I wish to introduce an original letter from Mr. E. P. Tyner, assistant cashier of the Federal Reserve Bank of Kansas City, dated December 3, 1919, containing this paragraph:

"Our action in adding the entire State of Missouri to the par list was taken at the request and with the approval of the Federal Reserve Board at Washington," etc.

Moreover, it was testified by Mr. Clairborne, of the Whitney Central National Bank of New Orleans:

"You (Congress) then refused to create a central bank in Washington, but what you have to-day is really a central bank in Washington. They are attempting to make out of these local boards boards which must submit absolutely to what Washington says. Those boards are not permitted to act for themselves; they get their instructions and advice from Washington."

"It is even worse than that, for this man has not only overruled the Congress of the United States by forcing on the country a central bank in defiance of orders not to; he has not only set himself up as an arbiter of prices and by deliberate intent broken the markets and pursued a policy which Abraham Lincoln denounced aforetime as dishonest and criminal.

Gov. Harding must get out! No man against whose actions the Supreme Court has rendered a decision couched in language probably never before used before that august tribunal can remain at the head of our national banking system.

The Supreme Court of the United States has rendered a decision against certain acts of the Federal Reserve Board in language so strong that we doubt whether any decision ever uttered by that august body has been couched in words so vigorous.

[From Manufacturers' Record.]

The business of the country has been robbed to enrich the coffers of financial institutions over the protests of many far-seeing and honorable bankers. The profits that Gov. Harding has sought to explain can not be explained. They stand as an immutable evidence of the poverty of his financial direction.

The Federal reserve system financed the war; it could not finance the peace. So is the record written; so is it written in shame. Out of our vast resources flowed in endless streams the means to drive back the Hun. Then almost overnight Gov. Harding and his associates decided that the onslaught of approaching economic disaster should not be financed; that the reservoirs should be closed; and decided on a course of action that facilitated disaster. The law itself provided for extraordinary use of credit in case of just such a situation as the country faced, permitting a lowering of the necessary reserves. Gov. Harding refused to take advantage of that provision. He turned his back on it and faced the other way. What is a reserve for? To be used, of course, when need arises. That is just when Gov. Harding refused to use it. He hoarded the Nation's lifeblood and would not let it circulate.

Last summer, aware of the approaching disaster, John Skelton Williams, then Comptroller of the Currency, pointed out that \$2,000,000,000 in additional credit could be extended without imperiling the reserve position.

And yet the Senator from Virginia blames me for criticizing and condemning the Federal Reserve Board governor whose deadly deflation policy has wrought so much financial disaster and business ruin in the country. The Senator from Virginia told us that cotton was 37 cents per pound in July, 1920, and 11 cents a pound in July, 1921. Now I want to tell the Senator that that was a loss of 26 cents per pound, or \$130 a bale. This

constituted a loss on one crop of 12,500,000 bales in 12 months of \$1,625,000,000, and still the Senator defends the deflation policy of the Federal Reserve Board.

Mr. McLEAN. Mr. President, I realize that it is utterly impossible to discuss the real subject before the Senate within the time limit. I have no doubt that Senators have made up their minds with regard to the measure, as very few Senators are present this afternoon; but I shall endeavor to the best of my ability, in the few minutes I have, to bring to the attention of the Senate some of the reasons why I do not believe the proposed legislation will be of any benefit to the farmer, and in the brief time I have I want to discuss the proposed legislation as a friend of the farmer.

The Senator from Alabama [Mr. HEFLIN], who has just concluded, when he refers to me puts me in the bankers' column. He insists that I am a banker. This is an illustration of the happy-go-lucky way in which the Senator from Alabama arrives at his conclusions of fact. I am not a banker. I have never been a banker. I have never had any official connection whatever with a bank. I do not know that I ever went into a bank unless it was to get a check cashed, or to deposit one.

I thank the Senator from Nebraska [Mr. NORMAN] for his analysis of this legislation, as he is a true friend of the dirt farmer, and because I deem it to be very accurate and very complete. If he is right in his statement, and most certainly he is, that this legislation would be of no benefit whatever to the agricultural interests, it seems to me folly to write it into the statute books. I regret that the Senator from Nebraska intimated that he might not vote as he shoots; that notwithstanding the fact that the legislation would be of no benefit to the farmer he might vote for it as a protest.

If he listened to the masterly presentation of the operations of the Federal Reserve Board which has been given to the Senate by the Senator from Virginia, I can not understand how he can vote for it as a protest, because, it seems to me, that, if the Senator from Virginia is right, Congress ought to adopt resolutions thanking the Federal Reserve Board, because, in spite of the obstacles of the World War and the malicious attacks of its enemies, they have established the Federal reserve system upon foundations so sound that nothing but interference on the part of Congress can shake them.

But, Mr. President, time is flying, and, as I have said, I want to call the attention of Senators who represent the great agricultural interests of the West to my view of the effect of this legislation upon them.

It seems to me that we ought to look at it in a sane and sober light, and not increase the membership of the Federal Reserve Board unless an increase would accomplish something, because it must be conceded by all that a board of 8 members invites deadlock, and deadlocks would be most unfortunate in that high court of finance, and if 7 competent men are not capable of transacting the business which comes before that board, 17 will not be competent.

Mr. President, let us admit that the food producer is of first consequence, that he is hard hit and that Congress should do all in its power to help him. The only condition I would impose upon our effort is that it shall be intelligent. We all know the cause of the farmers' troubles. When the war came, the public treasuries of the world bid against each other for food. In the United States every back yard was converted into a garden and every field cultivated to its utmost. The farmers in the East, who had long been driven out of stock and grain production by their western competitors, began to raise wheat, corn, hogs, cattle, and sheep. They were told that it was a patriotic duty and they were told the truth. In the West, grain acreages increased rapidly and prices kept pace with the increase. We loaned our allies ten billions of dollars, a very large portion of which was spent in this country for food and other war supplies. In the years 1915, 1916, 1917, 1918, and 1919, our exported surplus was enormous, yet prices remained sky-high because of the abnormal demand founded in the fear of world starvation. Congress as late as May, 1920, was deluged with petitions for relief from high prices. The Senate instructed the Banking and Currency Committee to inquire into and report their cause. Men who are now damning the Federal reserve system for its failure to sustain prices were in 1920 insisting that the Federal Reserve Board was responsible for the extortionate prices that the American people were compelled to pay for food and shelter and clothing. The truth is, the war gassed us stay-at-homes with easy money and then shell shocked us with high prices, and the worst offender of all was the Government. The war ended as most wars do, and the country went into the hospital for the inflated, as all countries must that have contracted this disease, and the only known cure for inflation is deflation. The food producer got his dose

first, because food being the prime necessity always will be over-produced and hoarded in times of war. For illustration, let us take one of the principal food fats—lard. The hog being prolific by nature and lard being easily kept, it was the first important food product to take the inflation cure. Lard was a drug in the market a full year before wheat or cattle or corn felt the decline.

My recollection is that within a month after the war closed lard went to 19 cents a pound or less. It was not until late in the summer of 1920 that prices of other foods began to indicate the approach of a buyers' market. The cost of their production was heavy, and it was perfectly natural for the farmer to want to sell his produce at a profit. The farmer must save his capital if possible. Six months' paper secured by agricultural products was eligible for rediscount by Federal reserve banks, consequently member banks could take this paper and they did take it in very large totals. In some of the Western States 75 per cent of the loans in 1920 were made to farmers for the purpose of carrying their crops until they could be sold at a profit. But prices kept falling. We may say now that both banker and farmer should have realized the futility of attempting to prevent the inevitable, but that was too much to expect of human nature then. The farmer and everybody else hoped against hope that some miracle would interpose to prevent the lowering of prices below cost of production. The farmer had his bills to pay and his family to support. He must have capital for the coming season. It is easy now to see that if he had been compelled to sell his products early in the autumn of 1920 he would have been much better off, and that the six-months' agricultural paper which he thought would be his savior turned out to be an expensive luxury. The farmer found himself paying interest upon a debt secured by stuff that was constantly decreasing in value, and he wanted something done that would save him from insolvency. Practically he wanted help if help could be had. The first safe and sure thing lay in giving him reasonable protection against foreign competition, consequently the emergency tariffs were enacted. Then it occurred to him that there was a shortage of food in Europe and Congress should authorize the use of Government credit through the machinery of the War Finance Corporation in securing an orderly foreign market for his goods. This was done. An unsafe thing to do in normal times, but in a crisis chances must be taken, and they were taken.

The War Finance Corporation supplemented the banks, and almost unlimited credit was thus provided to assist in the orderly marketing of agricultural products. Still prices continued to fall, and the Secretary of Agriculture now tells us that the condition of the farmer has gone from bad to worse, until 25 per cent of the farmers are insolvent. So serious is the situation that the President has called another consultation of the agricultural specialists to see what can be done. If we are to render further intelligent assistance, we must bear in mind a lot of things. We must remember that farming, with all its hardships and drawbacks, is the profession which secures the largest degree of individual independence with the smallest amount of capital. If the farmer wants an hour or a day off he can get it and he is answerable to no one but himself. There is no profession that has within its daily routine so great a variety of healthful exercise for brain and body. Historically it is the most respected of all callings. From Abraham down the husbandman has been the pillar of state, the defender of law and order and justice. Moreover, the farmer and his family go hungry last. For these and many other reasons the profession has been crowded wherever land has been available, and it is perfectly natural that with our limitless and fertile acres competition should be active and at times destructive of profits. Since the introduction of modern farming implements we have produced in normal years much more than we could consume. We may lament that the number of farmers is decreasing, but we must remember that to-day one man with the aid of machinery can cultivate as many acres as three men could cultivate when I was a boy. These considerations must be taken into account by farmers as well as lawmakers. On the other hand, it is true that scientific and economical cooperation in the distribution and sale of foods has not kept pace with the increase in production. The farmer has faced not only a sellers' market at times but a market that has been manipulated to his disadvantage. Cooperative selling requires confidence in the cooperators. This is not easily attained where competition is active and the quality of the product varies. The individual farm hazard is great, depending upon the weather, freedom from blights and destructive pests.

The farmer's profit and loss account is subject to all manner of risks over which he has no control, and the man who shares this risk by lending him money expects and should receive a

higher rate of interest than would be exacted on a safer loan. The lender of money is as human as the borrower and entitled to a square deal. The last thing any man wants to hear about himself is the whole truth. But the whole truth is the only thing that will help banker or farmer. The Senator from Kansas [Mr. CAPPER] tells us that the agricultural interests of the country are able to produce \$22,000,000,000 worth of products in a year. He did not tell us what effect such production would have on prices. But never mind about that. I want to say to him that half that total sold at a profit of 10 per cent would in one year furnish all the capital needed to supply the farmers with all the credit they would need for legitimate purposes. Let me mention another thing that I am afraid is true: In 1919 the Senator from Iowa introduced a "blue-sky law." The same gentlemen who are now in Washington representing the agricultural interests appeared before the Banking and Currency Committee in support of that law. They urged its enactment upon the ground that the farmers were investing their large profits in get-rich-quick schemes, mines without minerals, and oil wells without oil. My recollection is that some billions of dollars had gone into these Iowa things from the farmers' pockets in the years 1916, 1917, 1918, and 1919. Others were speculating in real estate. I do not like to "twit on facts," but we all know that periods of depression are due to periods of extravagance and speculation. The specialist in industrial diseases does not like to tell his patients this, especially if he is a Member of Congress. I mention it in passing because I want the farmers of America to take and hold the position they are entitled to; but if they do it, they must remember that economy and self-reliance are at the foundation of all moral and material advancement, and it will not do any harm to have this fact mentioned while we are searching for more popular but useless substitutes.

Of course, some men lose their health without fault of their own, some men lose their savings without fault of their own, but as the world runs, speculation and extravagance are at the bottom of hard times just as thrift and willing service are at the bottom of good times. We must expect that good and bad times will follow each other with the regularity of the seasons, and they will continue to follow each other as long as seasons come and go. Bad times are quite as normal as good times, and more so with the farmer, and this ought not to be. When times have been especially good for a period they will be especially bad for a period. During and after every great war we have had times as well as bad. One thing that human nature can not endure and will not have is monotony. The only normal thing in this world is constant change. Rising and falling prices write the romance and tragedy of trade. Rising prices please the seller, falling prices please the buyer. Inflation brings joy to the debtor, deflation to the creditor, and each will have his day in spite of kings or Congress. Congress has lent a willing ear to the farmer in the present crisis. We have raised the tariff for the farmer. I voted for it, insisting at the time that the benefits of protection if limited to a class would result in little or no benefit to that class. No doubt it has saved the sheep and cattle men from utter ruin, but that is not enough. The farmer must remember that the American eagle can not fly with one wing. The billions of dollars worth of produce raised by the 6,000,000 farmers of the country must be sold to those who produce other things, and unless the products of others can be sold at a profit the farmer will find himself without a market. If the farmers had been wisely led, they would have insisted upon reasonable protection for their best and major customer, the American consumer of food. We revived the War Finance Corporation for the purpose of enabling the farmers to market their surplus in an orderly manner. This bill passed the Senate without a roll call, yet the friends of the farmer did not agree as to its effect. The Senator from Alabama [Mr. HEFLIN], who claims to be a leading specialist in the cure of agrarian ailments, insisted that the bill was a delusion and a snare, and that it stabbed the farmer in the back. Other Senators, equally proficient in the art of restoring lost credit, agreed with him. I do not think this measure stabbed the farmer in the back. It is my opinion that it did not stab him much of anywhere. If used to peg prices it will defeat its own purposes and bring wide disaster. As a temporary measure, used in a crisis like the present to enable the farmer to sell his surplus abroad, it is defensible and will be a benefit. In other words, its justification will entirely depend upon its administration.

Mr. President, it is now 3 o'clock.

The VICE PRESIDENT. The Senator has until 5 minutes past 3.

Mr. McLEAN. I note in the publications issued by organized labor that the credit of the Government has been used by the

War Finance Corporation for the benefit of the Sugar Trust and other predatory interests and Samuel Gompers insists that it might better be used for the maintenance of a living wage for the mechanics of the country. This view of the operation of the bill simply indicates what is bound to happen when the Government plays favorites with the public purse. Other minor remedies have been crystallized into law in the interest of the suffering farmer, but put them all together and we find the patient no better according to the testimony of his friends. What the farmer ought to have is credit where it is wisely required at a rate of interest fairly commensurate with the risk. With this in view Congress created the Federal land bank system, whereby a farmer can borrow \$10,000, pledging his land as security, the money to be used in stocking his farm and raising at least one crop. But this in the opinion of those who represent the farmers here in Washington is not doing enough. We must lend the farmer \$25,000 to begin with, procured in the first instance by Government instrumentalities in the shape of 5 per cent nontaxable bonds, then we must lend him such additional sums as he may need for such periods as he may desire and take his live stock and other farm products as security. Why not? Similia similibus curantur. The way to secure riches and happiness for the farmer is to get him into debt to the extent of \$10,000, then make it \$25,000 on his real estate, then when this is gone lend him as much as he may need to raise and market his crop. This cure will work first-rate provided the farmer who takes it dies a bachelor and without dependents before his first note becomes due and the lender of the money enjoys losing it. It has all the merits of the methods of Messrs. Ponzi and Wallingford.

I supported the Federal farm loan act because I know that farmers may wisely borrow at times, and I believe that they should be accommodated at reasonable rates. The young man just starting out, if he is made of the right stuff and has no capital, is justified in borrowing enough for a modest start. The man who has met with misfortune and must have temporary assistance should have it without extortion. But for the Government of the United States to invite multiplicity of encumbrances of the magnitude and kind urged by some of the gentlemen who represent the agricultural interests can not be approved by any real friend of the farmer. The small farmer finds competition fierce enough under existing conditions. If we raise the loan privilege to \$25,000 on land and as much more as may be required on personal property, and by this method invite a large increase in the annual production of food, it will not help the farmers now in the business who find themselves faced with an unmarketable surplus. I am a firm believer in cooperative rural credits, and it may be that Congress can wisely help along this line. I mean crop and cattle raising credits extending for a year or more. But these credits should not be given the rediscount privilege. The Federal reserve banks should be kept clear of long-time chattel mortgages. Moreover, these mortgages can best be handled by cooperative credit unions in the States. State legislatures are close to conditions and the necessities of each section. The centralization of all authority in Washington is devitalizing to the States and demoralizing to the citizen. It is bound to play favorites and incur unnecessary expense and delay. It is absurd to say that an industry that can add twenty-two billions a year to the capital of the country can not furnish the few millions necessary to sustain the required agricultural credits in the great States of the West. Again, one remedy that will help the farmer more than any other will be found in cooperative marketing. The Senator from Kansas [Mr. CAPPER] is entirely right in urging this cure, and Congress should remove all obstacles that stand in the way of the sale and distribution of food products without waste and in a manner that will prevent ruinous competition.

I am opposed to monopoly and I am just as vigorously opposed to ruinous competition in labor or in the sale of the products of labor. Any effort that will put a fair share of the money which the consumer pays for his food into the pockets of the producer should be encouraged by Congress. But the farmer, in the experience he will have along this line if his experiments meet with success, will learn that the least the Federal Government has to do with his business the better off he will be. When the farmers of the country learn the lesson of legitimate cooperative marketing, learn to rely upon themselves in an honest endeavor to prevent the glutting of markets and the extortion of the speculators, they will spew the nipple of paternalism out of their mouths and tell Congress to keep out of their sunshine. First of all they will learn that low rates of interest accompany low prices. They will learn that when you undertake to fix the price of credits by law you will fix the price of everything upon which credits are based. Ex-Senator

BURTON, one of the ablest men in the country, now a Member of the House, recently published a book entitled "Crises and Depressions." I wish every Member of this body could read it, and especially the chapter which deals with prices of goods and their effect upon interest rates. Throughout history high interests and high prices for goods and low interest rates and low prices have come and gone together in lock step. Any intelligent student of the subject must see that nothing else is possible.

When the junior Senator from Alabama and the senior Senator from South Carolina secure low interest rates by act of Congress they will have low prices for their cotton whether they want them or not. When cotton went to 40 cents a pound the discount rate was at its highest, and if cotton ever reaches 40 cents a pound again the discount rate again will be high.

Mr. President, if Congress had the power to accomplish the ultimate object sought in this bill and the proposed amendments, the cotton grower in the South would be the first to suffer. No bank in the Federal reserve system would remain there any longer than would be necessary for it to get out. The credit merchants of the country are as completely the slaves to the law of supply and demand as any other class of merchants. The competition among the banks is fierce and constant. Any arbitrary regulation of the interest rate below its market value would destroy the credit structure of the Nation. The bank would have to quit just as cotton growers would have to quit if Congress should arbitrarily fix the price of cotton below its cost. Other cures for the diseases now affecting the agricultural interests have been suggested by Members of this body, indicating a mastery of the subject quite equal to that displayed by the junior Senator from Alabama. I have not the time to read these bills, but their object is to bring prosperity to the farmer by increasing the quantity and cheapness of money to meet the need of the farmers. Start the printing presses, and start the men for State prison who decline to swap double eagles for pieces of paper 7 inches long by 3 inches wide. Why not? What is the use of paying interest to the bankers? What is the use of paying interest to anybody? Money making is a governmental function, in the opinion of the authors of these bills. Why not make it, and make folks take it in exchange for goods and labor just as they have done in Russia, and when we find ourselves starving to death perhaps Russia will send us bread enough to save the children—the adults will not be worth saving. Mr. President, printing a promise to pay dollars on green paper does not add to the wealth of the world. The Senator from South Carolina wants lower rates of interest for the farmer on the long-time accommodations which he must have. These rates are to be secured by putting a farmer on the Federal Reserve Board. The Senator from South Carolina is always frank. He wants a farmer on the board to act as the representative of the agricultural interests. In other words, he wants a man on the supreme court of finance who is prejudiced in favor of a certain class, and he wants him because he will exercise his authority in obedience to that prejudice. In the first place, the Federal Reserve Board can not and should not have control over interest rates charged the farmer by member banks. But never mind such inconsequential objections. If a farmer is to be put on the supreme court of finance, which class of farmers will pick the man? This is an important consideration. There are as many classes of farmers as there are trades, and their interests clash and are wide apart.

The cotton grower wants high prices for cotton and low prices for wheat. The wheat grower wants high prices for wheat and low prices for cotton. The cattle raiser wants low prices for grain and cotton and high prices for meat. The sugar producer wants high prices for sugar and low prices for grain and meat and cotton. The dairy man wants high prices for milk, butter, and cheese and low prices for cotton and sugar and grain. The orchard man wants high prices for fruit and low prices for sugar and meat and grain and cotton. Which interest, which class will the President recognize? And what will the other classes do when they find themselves hoist by their own petard? Mr. President, I could spend hours arguing the utter folly of this proposal of the Senator from South Carolina, and I could spend hours depicting the danger of class legislation in general, but I can not believe that it is necessary. Because of the enormous increase in the industrial activities of the Nation, their ever growing complexity, and the attendant temptation of one class to take advantage of another, Congress has created 50 or more bureaus, commissions, and boards, and has vested them with power to secure, if possible, equality under the law. The sole excuse for these organizations has been the hope of America that they would aid in preserving and

perpetuating the general welfare of the American people. Members of these boards may enter any counting room and market place in this broad land for the purpose of securing information which will enable the Executive to punish monopoly, unfair competition, adulteration, and so forth. I repeat, these boards and commissions and bureaus have been created and multiplied to the end that equal rights may be enjoyed by all and special privileges by none. If our bureaumaniacs had any other purpose in piling up this mountain of officialdom, they have not disclosed it up to date. But we are told that the time has now arrived to tear down the temple of democracy and stick up a tent in its place, a tent as full of holes as a skimmer, and under which the farmer will be the first to get wet. You can not make me believe that the American farmer once he understands the purpose of this legislation will fail to grasp the serious mistake he is making. The junior Senator from Kansas does not agree with me apparently. He wants a farmer on the Federal Reserve Board in order that the demand of the National Farm Bureau for long-time loans may be realized.

Mr. President, I have already pointed out the reasons why this can not be done without destroying the Federal reserve system. As everyone knows, this system was created for the purpose of providing an elastic currency. A currency that will contract as well as expand must be based on short-time, self-liquidating, solvent paper. All the authorities will tell you, all experience has taught, that an asset currency to be safe must be based upon paper representing goods sold to be paid for on a day certain. A system so based will always furnish a full supply of currency to meet the legitimate needs of trade. The reserves of the national banks mobilized in the 12 banks of the Federal reserve system would be exhausted at the very time they were most needed if they were used as the basis for long-time loans based on growing crops, or cattle, or other goods in process of manufacture, unsold and with no assurance as to market or value. The slightest depression in prices or any uncertainty as to future markets would seriously disturb the whole credit fabric, and currency based on such security must expand until irredeemable and worthless, or forced liquidation must be resorted to at the very time when it will do the most damage. Russia is worth untold billions in potential wealth, yet Russia's promises to pay based upon the entire wealth of the nation, present and prospective, is worthless to-day. We can not avoid a similar fate if we follow a similar course, and why should the farmers' crops and stock be the first to be sacrificed in times of stringency? These long-time loans may be made by banks or by credit organizations created for that purpose. To use such loans as a basis for currency, as a basis for promises to pay gold dollars on demand, is absurd, and it will first destroy the man whose property must first respond. That is precisely what happened in 1921. I repeat, it was the six months farmers' paper based not upon products sold but upon products unsold and for which there was no market that stayed liquidation beyond the safety point. Surely the farmers do not want to repeat that experience. The farmer wants accommodations for a year or two years or three years perhaps. The man who wants to borrow money for a year must borrow that money from some one who has money to lend for a year. If the commercial banks have not sufficient funds for this purpose without sending the paper representing these loans to the Federal reserve banks to be used as a basis for currency, if additional machinery must be established by Congress, let us act intelligently and establish an independent system of rural credits that will help the farmer instead of making him the first victim whenever the market shifts from the seller to the buyer. And, finally, let me say that the fundamental fault of these schemes advocated by farmers is that they take into consideration the needs, desires, and feelings of the borrower only.

If we can agree that lending money would be impossible until somebody has first saved it, if we can bear in mind that bankers can not create capital and can not lend it until somebody has created it and saved it and has left it with them for safe-keeping, we shall be in a state of mind to legislate wisely with regard to this all-important subject and not otherwise. The banker has troubles enough to keep his ledger ready for the qualified examiners under the most favorable conditions. He knows what it will mean to him and his depositors and his community should he let his sympathies run away with his judgment and his bank become insolvent. Surely the man who economizes and scrims and saves money and puts it in a bank for safe-keeping against a rainy day is entitled to as much consideration by the banker as the man who comes into the bank to borrow that money. The hard-working farmer or merchant or mechanic or clerk or anybody else who by self-denial and good judgment saves money feels as bad when he

loses it as does the man who loses it for him, and in my opinion he is entitled to be heard when Congress proposes to load the dice against him. It is for this reason that I have felt it to be my duty to tell both sides of the story.

The Federal reserve system may have its weak spots. In my opinion it would have been more efficient and less expensive with fewer banks. Five banks would have been much more efficient than 12. I think the members of the Federal Reserve Board should be entirely free from executive control or influence. We have the greatest respect for our Secretaries of the Treasury, past and present. We have every reason to expect that no Secretary of the Treasury in the future will unduly use his power as chairman of the Federal Reserve Board to further the interests of class or party, but, Mr. President, this high court of finance, the highest in the world, should be delivered from possible temptations of that sort. The Bank of England has endured for more than two centuries and grown in strength with the passing years largely because it has been absolutely independent of all governmental interference with its legitimate functions.

The members of the Federal Reserve Board should be chosen because of their commanding integrity and unquestioned fitness for the duties which they must perform. The President, under the law as it now reads, can constitute the board entirely of farmers if he chooses. There is no reason why he should not do this if his selections are qualified to interpret and administer the Federal reserve act, but whoever is chosen for this responsible position, be he farmer, banker, merchant, manufacturer, or economist, should be chosen because he is honest enough and knows enough to administer the law impartially, and for no other reason. Of the 30,000 banks in the country less than one-third have joined the Federal reserve system. I am informed banks that have joined are getting out. I am told that the primary reason why so many banks are unattracted by the Federal reserve system is the well-founded fear of congressional meddling. Every bank in the country ought to belong to the Federal reserve system. That was the hope of its founders, but Congress can not compel the outside banks to come in or keep the member banks from going out. Certainly no bank will join the system or remain in the system unless you leave with it absolute freedom of contract with its customers, and no bank will remain in the system or come in if it is to be subjected to constant pressure by officials who with the best of motives urge or advise unsafe and unsound banking practices. As I remarked the other day, there is no governmental function where grave errors can be more easily made or less easily remedied than in the attempt to provide money for everybody whenever he thinks he needs it. The members of the Federal Reserve Board have been subjected to constant and severe criticisms for a year or more, and it is my candid opinion that the members of the board deserve great praise for their forbearance. Being human, they have probably made mistakes, but their record as a whole is a remarkably good one. The wonder is that with all the obstacles that have been put in its path by the Great War and the persistent attacks of its critics, the Federal Reserve Board has not only saved the new banking and currency system from its misinformed but very active enemies but has established it upon foundations which only Congress can disturb. I hope Congress will now and in the future strengthen these foundations and not destroy them, and it is for this reason that I ask the Senate at this time to refrain from enacting laws which are condemned by the Federal Reserve Board and its advisory council and by every impartial student of the subject. In any event, as chairman of the Committee on Banking and Currency I feel it to be my duty to urge caution in the consideration of legislation affecting the banking and currency system of the country and place the responsibility for hasty and ill-advised and dangerous legislation where it can be identified, to say the least.

The VICE PRESIDENT. The Senator's time has expired. The question is on the amendment offered by the Senator from Georgia [Mr. HARRIS] to the committee amendment.

Mr. NORRIS. Let us have it reported.

The VICE PRESIDENT. The Secretary will read the amendment proposed by the Senator from Georgia to the amendment of the committee.

The READING CLERK. Add at the end of the committee amendment:

The Federal Reserve Board shall have no authority hereafter to enter into any contract or contracts for the erection of any building of any kind or character, or to authorize the erection of any building, without the consent of Congress having previously been given therefor in express terms.

Mr. NORRIS. Mr. President, I wish to make a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state it.

Mr. NORRIS. Is the amendment offered to the committee amendment or to the substitute proposed by the Senator from South Carolina?

The VICE PRESIDENT. It is offered to the committee amendment.

Mr. NORRIS. My parliamentary inquiry is this: Could not the Senator from Georgia withdraw his amendment and wait until the Senate had determined as between the committee amendment and the substitute that is going to be offered, I understand, and then offer his amendment after the committee amendment has been perfected? In other words, if his amendment is offered now to the committee amendment and the committee amendment is stricken out by the substitute, his amendment, of course, would go with the committee amendment.

Mr. MYERS. Mr. President, I would like to suggest at this time that I believe the more usual and better method is first to perfect the committee amendment as a majority of the Senate may want to have it perfected and then vote as between it and the substitute.

Mr. NORRIS. I understand that is what we are probably doing, but my question is, would it not be in order to offer the same amendment after we have voted as between those two?

The VICE PRESIDENT. The Chair understands that it would be in order.

Mr. HARRIS. I have no objection to voting on the amendment of the Senator from Minnesota, provided I can have a vote on my amendment afterwards.

Mr. KELLOGG. I understand the Senator from Georgia is willing to accept this modification of his amendment:

Provided, That nothing herein shall apply to any building now under construction.

Mr. HARRIS. I am perfectly willing to accept that.

Mr. NORRIS. I would like to suggest to the Senator that he withdraw his amendment temporarily until we can determine as between the other amendments what is going to be adopted.

Mr. HARRIS. I am willing to withdraw it.

The VICE PRESIDENT. The amendment of the Senator from Georgia is modified in accordance with the suggestion of the Senator from Minnesota, and, as modified, it is withdrawn by the Senator from Georgia.

Mr. KELLOGG. I ask leave to correct the original amendment. There was a mistake in the printing. As originally introduced it was correct. On page 4, line 8, change the word "five" to "six." I ask that it be corrected.

The VICE PRESIDENT. The amendment will be so corrected.

Mr. MYERS. Mr. President, with a view to perfecting the committee amendment before we shall vote on a choice between it and the substitute offered by the Senator from Minnesota [Mr. KELLOGG], I move that the committee amendment, the bill as reported out of the committee and recommended by the committee, be amended by striking out of line 3, on page 3, the word "different," and further by inserting between the words "commercial" and "industrial," in line 3, on page 3, the word "and"; and further by striking out of line 4, on page 3, the word "and," and inserting in lieu thereof the words "interests and of the," so that particular clause would read:

In selecting the five appointive members of the Federal Reserve Board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of the agricultural, commercial, and industrial interests and of the geographical divisions of the country.

That would add the word "agricultural" to the words "commercial and industrial" already in the Federal reserve act, and would make it plain that the agricultural, commercial, and industrial interests are each and all to be represented in the composition of the Federal Reserve Board. The way the bill now reads, as amended and reported by the committee, is simply that the different agricultural, commercial, industrial, and geographical divisions of the country shall be recognized. It seems to relate merely to geographical location and not to those interests. The amendment I propose is intended to make it plain that not only are commercial, industrial, and agricultural interests to be recognized, but as well the geographical divisions of the country.

If the committee amendment should be amended in that way, it would certainly result in agricultural representation on the Federal Reserve Board, as well as commercial and industrial representation, and I believe would answer the purpose better and would be better and fairer than the substitute offered by the Senator from Minnesota [Mr. KELLOGG], because it would save adding another member to the board. I believe agriculture should be represented on the Federal Reserve Board, as

well as commerce and industry, both of which are now provided for by the present law. Agriculture has just as much right to representation as commerce and industry. It is just as important. However, I can see no reason for increasing the membership of the board. It is unnecessary and inadvisable. Therefore, if this amendment to the committee bill now offered by me be adopted, as I hope it may be, I shall then vote for the committee bill in preference to the substitute offered by the Senator from Minnesota.

Mr. CALDER obtained the floor.

Mr. HARRIS. Mr. President, will the Senator yield to me?

Mr. CALDER. Certainly.

Mr. HARRIS. We are discussing some very important matters at this time. Will the Senator allow me to suggest the absence of a quorum?

Mr. CALDER. I trust the Senator will not insist upon the point of no quorum. It would take up 10 or 15 minutes time and we only have until 4 o'clock to discuss the pending bill.

Mr. President, I wish to congratulate the country and the Senate upon the splendid address of the Senator from Virginia [Mr. GLASS], who has given an exposition of the operations of the Federal Reserve Board and of the Federal reserve system that the country needed and which has been most informing, I am sure, to the Members of this body. I know that I can say nothing to add to what he has stated and what the chairman of the Committee on Banking and Currency [Mr. McLEAN] has said. They made it clear that this institution has done a wonderful service to the country, particularly during the war, and that it was one of the things that did most to make it possible for us to go through the war without serious financial difficulty.

In the few moments which I have at my disposal I wish to ask permission to insert in the RECORD two articles from the Wall Street Journal, one dated December 29 and one January 10. In the one of December 29 reference is made to a statement made by the junior Senator from Alabama [Mr. HEFLIN] concerning the president of the American Cotton Association, Hon. J. S. Wannamaker. He stated that the Wall Street Journal had maligned Mr. Wannamaker, which the paper goes on to prove is not true. Then in the editorial of January 10 it quotes from a letter of Mr. Wannamaker, denying the fact that the Wall Street Journal had commented improperly upon him.

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

[From the Wall Street Journal, Dec. 29, 1921.]

REFERRED TO THE JOURNAL OF COMMERCE.

Once again the Wall Street Journal has been brought to trial. This time the prosecuting attorney was the honorable Mr. HEFLIN, Senator from Alabama, and the forum was the floor of the United States Senate.

Mr. HEFLIN was laboring to convince the Senate that the Federal Reserve Board should have a farmer in its membership, presumably to instruct the others in banking. To prove his contention he launched into an attack upon the Wall Street Journal. The substance of his charge was that—

"Not long ago the Wall Street Journal leveled a very bitter criticism against the president of the American Cotton Association, Hon. J. S. Wannamaker, an honored citizen of South Carolina, a great American patriot, and a man of unimpeachable integrity. The Wall Street Journal charges that he carried on a propaganda for the purpose of deceiving the public and deceiving the Agricultural Department as to the statistical position of cotton and as to the acreage to be planted in cotton for the year 1921. I denounce the attack as unwarranted and the article as untrue."

This last sentence sounds like the challenge of the king at arms, at an English coronation—and means as much. Then again:

"Let me call the attention of Senators to an article appearing in the Wall Street Journal. It reads: 'The Journal of Commerce received frequent press dispatches from him [referring to Mr. Wannamaker], usually filed as press matter and offered prepaid. So long as they seemed rational and trustworthy they were used, generally with some condensation, but long ago their tone became so abusive of reputable textile leaders who disagreed with him, and his assertions were so palpably biased and absurd that further dispatches were refused and he was forced to turn to other papers less discriminating in their columns.'"

Of course, such a criticism of Mr. Wannamaker by the Wall Street Journal is sufficient to convince anyone that the financial system of this country is not safe until a farmer—reversing the example of Cincinnati—leaves his plow and assumes direction of the banking business of the richest country on earth. The prosecutor is so convinced of this that nine times he specifically names the Wall Street Journal as the criminal who would return Wall Street "to the time when it can control the money supply and credits of 100,000,000 people."

But the defendant pleads "not guilty." It objects to the admission of this evidence as incompetent and irrelevant. It invokes the rule of law that secondary evidence can not be given, and that when evidence from a document is to be given the paper itself must be produced. The Wall Street Journal is on file in the Congressional Library and is accessible to the prosecutor. Let him produce his evidence, if he can. The Wall Street Journal never published one line or one word of the stuff here charged and "quoted."

There is an old rule of evidence which says, "False in one, false in everything." The Senator made serious charges against the Federal reserve. Do they, too, stand on the same foundation?

Mr. CALDER. In view of the editorial of December 29, the following from the same publication of January 10 is very interesting:

[From the Wall Street Journal, Jan. 10, 1922.]

BUT SUPPOSE THE SENATOR APOLOGIZES?

Here are some paragraphs from a letter written by President J. S. Wannamaker, of the American Cotton Association:

"I have been advised that in a recent speech delivered by Senator HEFLIN, of Alabama, in the United States Senate, he took occasion to attack the Wall Street Journal for articles and editorial which appeared in the Journal of Commerce on December 6.

"I very deeply regret that Senator HEFLIN should have made this unfortunate error in his address. We look upon the Wall Street Journal as a strong and forceful friend of the cotton-growing interests and read the various issues of your paper with deep interest and commendation.

"We beg to assure you of our full indorsement of the policy of the Wall Street Journal and again wish to express our deepest regret that Senator HEFLIN should have made the error of naming the Wall Street Journal in his speech when he should have specifically referred to the New York Journal of Commerce."

This is excellent so far as it goes, but the apology should come from Senator HEFLIN. He knows that the Journal of Commerce is published in New York, but there is another daily of the same name, reputation, and standing published in Chicago. The name of the paper, therefore, would not convey to his rural readers the offensive "Wall Street" connotation. How simple, therefore, to ascribe the quotations to which he objected to the Wall Street Journal, and so kill two birds with one stone. The device is not new.

When any decent newspaper does an injustice to a citizen, whether a Senator or a shoeblack, it gives him honorable amend, with a publicity equal to the original injury. But southern chivalry, as personified in Senator HEFLIN, does not apparently extend to correcting his false imputation upon the Wall Street Journal on the floor of the United States Senate, where the utterly unjustifiable attack was made.

Mr. Wannamaker must see that his apology does not cover the needs of the case. Senator HEFLIN's speech was largely a defense of Mr. Wannamaker and the American Cotton Association. The influence of that institution and its president, therefore, should be directed to bringing to Senator HEFLIN a sense of manliness, as they are understood by gentlemen, not merely in the South but anywhere.

Mr. CALDER. Mr. President, I wish also to have printed in the RECORD a statement issued by the War Finance Corporation on January 6 indicating the loans they had advanced to co-operative associations, to banking and financial institutions, and to exporters.

These sums during the calendar year 1921 totaled \$196,000,000. Of that sum, Mr. President, only \$300,000, or less than one-half of 1 per cent, was loaned to individuals or banks in the State of New York. The great State which last year paid more taxes than 30 other States put together took advantage of this institution only to the extent of one-half of 1 per cent. The figures are very illuminating and indicate that through the War Finance Corporation vast sums of the people's money were loaned to the agricultural interests of the country. It is worthy of note, Mr. President, that the managing director of this corporation is Mr. Eugene Meyer, jr., a resident of New York and Wall Street banker. While the farmers of New York State have not taken advantage of the opportunities offered by the War Finance Corporation, I want to go on record as commending its work. I urged its revival and believe it has justified the confidence I had in it.

The VICE PRESIDENT. Without objection, the document referred to by the Senator from New York will be printed in the RECORD.

The document referred to is as follows:

[Statement for the press.]

WAR FINANCE CORPORATION.
January 6, 1922.

Eugene Meyer, jr., managing director of the War Finance Corporation, to-day made public the following statement regarding the advances approved by the corporation from January 4, 1921, when it resumed operations, to December 31, 1921, inclusive:

1. Advances to assist in financing exports under sections 21, 22, and 24 (par. 2), approved from Jan. 4, 1921, to Dec. 31, 1921, inclusive.¹

Commodity:	Amount.
Grain	\$6,172,166.35
Tobacco	3,591,369.77
Cotton	33,422,373.21
Canned fruits	400,000.00
Meat products	1,000,000.00
Condensed milk	1,000,000.00
Textile products	250,000.00
Sheet steel	180,000.00
Copper	145,000.00
Sugar-mill machinery	359,866.36
Agricultural machinery	500,000.00
Railroad equipment	2,925,000.00
Lumber	1,000,000.00
Total	\$50,946,375.69

¹ Section 21 was added to the original War Finance Corporation act by the act of March 2, 1919, and sections 22 and 24 by the agricultural credits act of August 24, 1921.

² Does not include advances aggregating \$26,425,460.44 originally applied for and approved under section 21 for export purposes, and subsequently withdrawn by the applicants and resubmitted and approved as advances for agricultural purposes under section 24. Of the total amount \$38,269,905.92 represents advances approved subsequent to August 24, 1921.

2. Advances to banking and financing institutions and cooperative associations for "agricultural and live-stock purposes" under section 24 (par. 1), approved from Aug. 24, 1921, to Dec. 31, 1921, inclusive.³

(a) By commodities:	
Cotton	\$23,154,200.52
Grain	20,327,833.65
Live stock	31,740,348.72
Sugar beets	8,104,000.00
Rice	2,250,000.00
Canned fruits	300,000.00
Dried fruits	1,250,000.00
Peanuts	1,097,700.00
General agricultural purposes	56,857,674.78
Total	\$145,082,039.67

(b) By States:	
Arizona	2,739,500.00
Arkansas	1,050,000.00
California	3,863,348.59
Colorado	3,517,736.85
Florida	163,000.00
Georgia	3,190,500.00
Idaho	721,975.00
Illinois	2,477,000.00
Indiana	290,000.00
Iowa	15,029,341.95
Kansas	2,021,146.02
Kentucky	210,888.56
Louisiana	1,399,399.77
Minnesota	18,527,463.80
Mississippi	417,838.19
Missouri	5,408,586.64
Montana	3,708,352.50
Nebraska	5,048,724.38
Nevada	248,000.00
New Mexico	2,015,259.50
New York	300,000.00
North Carolina	2,725,000.00
North Dakota	6,160,656.16
Ohio	345,000.00
Oklahoma	6,366,644.27
Oregon	1,910,916.76
South Carolina	4,523,073.00
South Dakota	7,109,099.50
Tennessee	5,060,000.29
Texas	16,759,450.87
Utah	7,919,975.00
Virginia	2,637,700.00
Washington	5,459,333.65
Wisconsin	1,856,500.00
Wyoming	3,280,068.42
Total	\$145,082,039.67

3. Summary of advances for export and agricultural purposes under sections 21, 22, and 24, approved from Jan. 4, 1921, to Dec. 31, 1921, inclusive.

To cooperative associations	\$53,400,000.00
To banking and financing institutions	133,928,806.47
To exporters	8,699,608.89
Total	196,028,415.36

Mr. CALDER. I wish now to call attention of the junior Senator from North Carolina [Mr. OVERMAN] to a letter which that Senator read into the RECORD recently. It was a very interesting document, written by Mr. John Skelton Williams, and having to do with a criticism of the Federal reserve bank at New York. In that letter Mr. Williams quoted Scripture. The quotation was taken from an interview which apparently occurred between the Queen of Sheba and King Solomon. The quotation given by Mr. Williams is from First Book of Kings, tenth chapter, sixth and seventh verses, and reads, according to his revised version:

It was a true report that I heard in mine own land of thy acts.
Howbeit I believed not the words, until I came and mine eyes had seen it; and, behold, the half was not told me!

I am sure that the junior Senator from North Carolina, who is himself a great Bible student, would never have even brought the attention of the Senate to this matter if he had not had it called directly to his attention. As quoted by the Senator from North Carolina the sixth verse reads:

And she said to the king, It was a true report that I heard in mine own land of thy acts.

The two verses as they actually appear in Chapter X, First Book of Kings, are as follows:

6. And she said to the king, It was a true report that I heard in mine own land of thy acts and of thy wisdom.

7. Howbeit, I believed not the words; until I came, and mine eyes had seen it; and, behold, the half was not told me.

Then this was left out—

thy wisdom and prosperity exceedeth the fame which I heard.

Mr. Williams has a remarkable faculty for supporting his arguments by the use of half truths, or 10 per cent truths, and

³ Section 24 was added to the original War Finance Corporation act by the agricultural credits act of August 24, 1921.

⁴ Includes advances aggregating \$26,425,460.44 originally applied for and approved under section 21 for export purposes and subsequently withdrawn by the applicants and resubmitted and approved as advances for agricultural purposes under section 24.

he does not hesitate to suppress all facts and figures which would tend to disprove his statements. He uses only those which suit his immediate purpose. It seems that even when he quotes from the Bible he does not hesitate to expunge words from the text in order to suit himself. In order to draw a parallel between the alleged extravagance and magnificence of the Federal Reserve Bank of New York with that of Solomon, he undertakes to change the meaning of the verses quoted by leaving out the portion which refers to the wisdom of Solomon. He is, of course, unwilling to concede that there has been any wisdom or judgment whatever in the administration of the Federal reserve system.

It may be interesting to quote a part of Chapter X which precedes the two verses above quoted:

1. And when the Queen of Sheba heard of the fame of Solomon concerning the name of the Lord, she came to prove him with hard questions.

3. And Solomon told her all her questions; there was not anything hid from the king, which he told her not.

4. And when the Queen of Sheba had seen all Solomon's wisdom, and the house that he had built—

Then she uttered the words which appear in verses 6 and 7. Senators who have seen the building which the Federal Reserve Bank of New York is constructing for the adequate accommodation of nearly 3,000 employees who conduct its routine operations and for the custody of its enormous amounts of cash and securities are in a position to determine whether the construction of such a building is an act of folly and extravagance or whether the directors are wise in providing not only for immediate needs but allowing a margin for future expansion.

It is rather extraordinary to attempt to support a statement by making a distorted quotation from the Bible. In some cases such a practice would lead to startling results. For instance, how would the Ten Commandments sound if they should be quoted with the word "not" omitted in every case?

The VICE PRESIDENT. The Senator's time has expired.

Mr. OVERMAN. Mr. President, the point in the Biblical quotation to which the Senator has referred is, "The half has not been told." That is the point, but the Senator from New York has not seen it. The half was not told until I obtained from the Federal Reserve Board itself and read here a report showing actually what the building referred to is to cost. Notwithstanding the fact that Congress has turned over to the Federal Reserve Board every subtreasury building, they propose to construct buildings involving vast expenditures, when the Government has been getting along with these subtreasury buildings for 50 years. However, the Senator from New York has not seen the point in the statement. Whether or not the quotation was entirely accurate, the half had not been told, and it was not told until a report in writing was made here by the board itself, a copy of which I have in my desk.

Mr. CALDER. Will the Senator permit me to reply in his time?

Mr. OVERMAN. Yes.

Mr. CALDER. The half was not told. The country nor the Senate did not know of the splendid workings of this fine system. The Senator's inquiry, the Senator's statement, and the reading of the letter of Mr. Williams brought forth the information. We have had it to-day from his friend and my friend, the Senator from Virginia [Mr. GLASS], and the Senator from Connecticut [Mr. McLEAN].

Mr. OVERMAN. The report shows that this building was to cost over \$19,000,000, though the Federal Reserve Board had under its control all of the subtreasury buildings which the Government could give them, and in which the business of the Government has been conducted for 50 years.

Mr. KELLOGG. I offer an amendment as a substitute for the committee amendment.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Montana [Mr. MYERS]. The amendment proposed by the Senator from Minnesota may be received at a subsequent time.

Mr. EDGE. Mr. President, before the vote is taken I merely wish to say the brief word that is permitted within the space of five minutes. Of course, there is but one object intended by the proposed substitute, and that is to provide that the farming interests shall have a representative on the board. That is admitted, I believe, by the sponsors of the bill. In order to accomplish that, the membership of the board is to be increased by one additional member, at a cost of \$12,000 per year, and I presume it is the understanding that a farmer will be named to fill the place so created.

While I concede very readily that the bill in its present form is a great improvement over the mandatory feature as presented in the former amendments, still my objection to the bill is that

in effect—and, in my judgment, this can not be questioned—it constitutes a step in the direction of that type of class legislation which seeks to have classes represented on important Federal boards. In my judgment, such an innovation or policy in the final analysis can not be for the best interests of the country. I do not care how many farmers are on various boards, but their selection should be through merit and not compulsory.

I think the Senator from Nebraska [Mr. NORRIS] was entirely correct in his criticism, although it may have been reached from a different premise, as to what possibly would be the actual result if this bill should become a law and a farmer should be named as a member of the Federal Reserve Board. What the farmers want, in my judgment, is more credit along proper, established, accepted banking lines, rather than simply a minority member of the Federal Reserve Board. I am quite sure that the board, acting according to their judgment along the line of a proper financial policy, could not do more than they have endeavored to do during the past two or three years in the effort to extend credit to the farmer. The board should be of supreme standing, acting from a judicial standpoint, uninfluenced by wishes of party or class.

Far better to do away with the Federal Reserve Board in its entirety and permit the regional boards to control the situation than to divide it up into classes.

More farmer representatives among the directors of the reserve banks would be far more useful than on the central board.

I think it has been stated, even by those who purport especially to represent the farmer, that the trouble was at times they were given too much credit, and to-day they are suffering to a great extent because of the debt thus created. The Commission on Agricultural Inquiry, which has been in session for some little time, have issued a preliminary report in which they have, I think, very wisely proposed a real plan of common-sense business credit, whereby live-stock dealers and farmers in all the different lines of agriculture may secure credit from the land banks for from six months to three years, as it is absolutely necessary they should have. We all are convinced of that, and they can thus secure credit without upsetting the present well-established, correct, and proper practices and policy of the Federal Reserve Board, which has stood all tests.

When their credits come within the six months' period of the Federal Reserve Board, under this proposed scheme, as I understand it, the member banks can rediscount their paper, and, during the time intervening, the two years or two years and a half, the issue of debentures upon actual stock or actual products will be provided for. That is common-sense banking, involving as it does borrowing on actual existing products.

In my judgment I think there will be scant satisfaction in simply having a farmer on the Federal Reserve Board; with no other type of Federal boards have we adopted the idea of having represented any special interest, be it farming or manufacturing or commercial business of any character. I think it is a step in the wrong direction, and, in the final analysis, will rise to plague its sponsors. As I have said, I do not believe that it will give the farmer as a class one particle of direct benefit, but it will break down the system and give support to the idea that we must have special classes represented on boards appointed under the Federal Government.

This country, Mr. President, in my judgment can never prosper to a maximum degree if we resort to class legislation. The country only goes ahead when the farmer, the banker, the commercial man, and every class of citizens operate together, recognizing their mutual interest—and there must be mutual interests—understanding and endeavoring jointly to meet each other's problems and establishing and operating and administering their various responsibilities along those lines. We can trust the President of the United States, whoever may be President, to name men to constitute boards qualified to carry out the responsibilities of those boards; but the proposal here means a breaking down of the system which has heretofore prevailed, a departure from a set policy and the establishment of a precedent destructive and un-Americanlike in the extreme.

Mr. McKELLAR. Mr. President, I wish to occupy the five minutes allotted to me in behalf of an amendment which I have offered and which, if adopted, would be numbered section 3. The proposed amendment reads as follows:

And the notes, drafts, and bills of exchange of factors making advances exclusively to producers of staple agricultural products in their raw state shall be eligible for such discount.

Mr. President, strange as it may seem, the paper of cotton factors in my State and in other States in the South is not eligible to rediscount in the Federal reserve banks. The amendment proposed by me merely makes such paper eligible. For instance, if a firm in the city where I reside, although it may be one of the strongest business firms in Memphis—and there

are many such firms in that city—happen to be cotton factors, their paper is ineligible for rediscount. I am quite sure that it was never intended that such should be the case, and the amendment intended to be proposed by me merely corrects that omission.

I desire to call the attention of the Members of the Senate to the fact that the amendment has been referred to the Treasury Department and also to the Federal Reserve Board. I wish to read the letter of the Secretary of the Treasury indorsing the amendment. It is addressed to me, and reads as follows:

MY DEAR SENATOR: I received your letter of May 7, 1921, inclosing a copy of S. 1615, a bill to amend section 13 of the Federal reserve act in respect to the notes, drafts, and bills of exchange of factors dealing exclusively with producers of staple agricultural products in their raw state. The Treasury does not offer any objection to the bill in this form.

Very truly, yours,

A. W. MELLON.

I also read a letter from Gov. Harding, of the Federal Reserve Board, addressed to the Senator from Connecticut [Mr. McLEAN], chairman of the Banking and Currency Committee:

MAY 9, 1920.

HON. GEORGE P. McLEAN,

Chairman Committee on Banking and Currency,
United States Senate, Washington, D. C.

MY DEAR MR. CHAIRMAN: I have received your letter of May 6, in which you request the views of the Federal Reserve Board with regard to Senate bill 1615, the purpose of which is to amend section 13 of the Federal reserve act by inserting a provision to the effect that "the notes, drafts, and bills of exchange of factors dealing exclusively with producers of staple agricultural products in their raw state shall be eligible for discount."

The board desires to point out that in its judgment the phraseology of the proposed insertion would be improved if the words "making advances" were substituted for the word "dealing" in the seventh line of the bill, and the word "to" were substituted for the word "with" in the eighth line, so that the insertion would read "and the notes, drafts, and bills of exchange of factors making advances exclusively to producers of staple agricultural products in their raw state shall be eligible for such discount."

In my letter to you of December 19, 1920, expressing the board's views with regard to Senate bill 4537, which was intended to make eligible for rediscount the paper of cotton factors and commission merchants, it was pointed out that the paper was finance paper, rather than commercial or agricultural paper, since the borrower used the proceeds to make loans to his customers. The bill now under consideration—Senate bill 1615—is open to the same objection upon principle, but in view of the narrow scope of the bill under its restricted language, the Federal Reserve Board will offer no objection to it if amended as herein suggested.

Yours, very truly,

W. P. G. HARDING, Governor.

Mr. President, the bill has been amended in strict accord with the views of the Federal Reserve Board and of the Secretary of the Treasury. It was written by Gov. Harding, of the Federal Reserve Board.

Mr. McLEAN. How has it been amended?

Mr. McKELLAR. It has been amended so as to read precisely as he points out that it should read. I read it:

And the notes, drafts, and bills of exchange of factors making advances exclusively to producers of staple agricultural products in their raw state shall be eligible for such discount.

Mr. McLEAN. Without security?

Mr. McKELLAR. It is precisely in the words of the governor of the Federal Reserve Board, and precisely as approved by the Secretary of the Treasury.

Mr. McLEAN. The Senator knows that some of this paper runs for years, and that the Federal Reserve Board is opposed to that paper unless it is secured, and I know of no way under heaven in which it can be secured.

Mr. McKELLAR. I shall be glad if the Senator will not take any more time than necessary during my five minutes.

I want to say that this is the only class of paper that is now discriminated against. An enormous amount of business is done in this way. Great productions are obtained, agricultural products are brought forth, through this kind of paper; and in my judgment there is no reason in the world why it should be discriminated against.

The VICE PRESIDENT. The Senator's time has expired.

Mr. McKELLAR. I ask that the amendment be adopted.

Mr. NORRIS. Mr. President, I think the proposed amendment of the Senator from Tennessee [Mr. McKELLAR], and the objection made by the Senator from Connecticut [Mr. McLEAN], illustrate the danger that the Senate is liable to get into and that the House gets into and that we have gotten into in the past through passing anything in regard to any change of the Federal reserve system that the board is willing to accept.

The Senator from Tennessee, in arguing for his proposition, argues that it has been changed so as to meet the objections of the board; and the Senator from Connecticut, in his opposition, argues that it has not been changed to meet all of the objections of the board. There seems to be only one idea: Anything that can be proposed in the way of an amendment that the

board will approve goes through. The only thing that Congress finds out is whether the board wants it or whether the board does not want it.

Mr. McKELLAR and Mr. McLEAN addressed the Chair.

Mr. NORRIS. Both of the Senators can talk at once if they want to, but I am not going to stop.

If the board wants it, we make a law of it. If the board does not want it, we kick it aside; and that is illustrated by the opposition, technically correct, made by the Senator from Virginia in connection with what I said. I had stated, in substance, that the Federal reserve bank in New York—I did not use the words "New York," but any of these banks—in using enormous sums of money were using money that was not theirs; that it belonged to the people of the United States; that it had been contributed by those who had been compelled to borrow money from banks, and therefore that these officials were occupying the position of a trustee, and that it was much worse for them to use this money recklessly and extravagantly than though they owned it themselves. The Senator from Virginia called my attention and the attention of the Senate to the fact that technically I am wrong about that. Technically, it is the money of this bank. Congress passed a law that made it the money of this bank. In other words, it was money that had been contributed by the borrowers, that came as a matter of fact from the people, and that under the general law would have become the property of the United States Government and gone into the Treasury had it not been that Congress passed a law that made it technically the property of these reserve regional banks.

The Senator from Virginia was right as a matter of technical legal procedure; and the reason why he was right was because, at a certain time, there came into the Senate and into the House a little bill that was backed up by the Federal Reserve Board, and nobody said anything except what they are saying now: "Does the Federal Reserve Board want it?" The answer was: "Yes; the Federal Reserve Board wants it." Therefore Congress passed it, it became a law, and now we have it thrown into our teeth when we call attention to the fact that they are extravagant, and it is said: "It is none of your business; it is our money, anyway. You made it our money by the act which you yourselves passed."

While that is fresh, while the ink is hardly dry on the paper that takes down the denial of my proposition made by the Senator from Virginia, here comes the Senator from Tennessee and it is all illustrated over again. "Let us change this law." "Well, what do the Federal Reserve Board say?" If they say it ought to be changed, we change it. If they are opposed to it, it must not be changed. They are the ones that are doing it.

Mr. President, this technicality does not do away with the responsibility resting upon these officials in regard to this money. In reality, it is a trust fund yet, as sacred as any trust fund that was ever administered by the guardian of a widow or an orphan. For that reason we ought to guard it with jealous care; and we ought also to remember that we ought to be careful about letting the Federal Reserve Board legislate in regard to their own business, their own duty, and the law that controls them in the management of our banking and financial institutions, because we shall again find ourselves later up against the charge, "Why, here; you have passed a law yourselves giving us that power."

The VICE PRESIDENT. The time of the Senator from Nebraska has expired.

Mr. McLEAN and Mr. GLASS addressed the Chair.

The VICE PRESIDENT. The Senator from Connecticut.

Mr. McLEAN. I will yield to the Senator from Virginia if he desires to discuss this long-time paper.

Mr. GLASS. Mr. President, I want to say just a word with respect to what the distinguished Senator from Nebraska [Mr. NORRIS] has said.

I had supposed in the 20 years I have been here, during which period the Senator from Nebraska also has been here, that whenever a problem came up relating to any department of the Government it was the practice of the committee to which the bill was referred to refer that bill to the department for its comment and an expression of its judgment as to the judiciousness of the legislation proposed. If it affected the War Department, the bill would go to the Secretary of War; if it affected the Navy Department, it would go to the Secretary of the Navy, and so on, that Congress might be apprised of the opinion of those who were charged with the duty of familiarizing themselves more intimately with the facts, and that Congress might, therefore, act upon such information.

I agree that Congress should not be entirely controlled in its activities and in its determination of matters by the judgment

of any of the departments; but certainly it is no offense for the Federal Reserve Board, upon request—and it was upon request—of the Banking and Currency Committee of the Senate, to give its judgment respectfully upon these matters. That is what was done with respect to the bill of the Senator from Tennessee; and surely the Senator from Nebraska, in his reasoning and judgment, does not criticize the Federal Reserve Board for complying with the request of the Banking and Currency Committee for its opinion.

Mr. NORRIS. Oh, no; I have no intention of doing so.

Mr. GLASS. I frequently differ from the judgment of the Federal Reserve Board; I frequently do not do what it wants done, and do somethings that it does not want done; but we ought to have its judgment upon things with which it is familiar.

Mr. McLEAN. Mr. President, I shall occupy only a minute in regard to the amendment offered by the Senator from Tennessee.

That is an old controversy. It has been in Congress for three or four years. I understand that the Federal Reserve Board, upon certain conditions, recommend that this paper be made eligible for rediscount, but it must be secured. I know of no way in which it can be secured. These cotton factors may not own a pound of cotton. It does not represent a sale of anything. They may hold this cotton for years.

The amendment goes to the very basis of the Federal reserve system; and I do not think it is wise to use a simple amendment like that offered by the Senator from Minnesota [Mr. KELLOGG], to add a member to the Federal Reserve Board, as a vehicle upon which to graft an amendment of the character of that offered by the Senator from Tennessee, which goes to the very foundation of this system.

Although this is the silly hour, and anything is likely to happen here, I sincerely hope that that amendment will not be adopted.

Mr. DIAL. Mr. President, I am a great advocate of economy, and I believe in its practice both in public and in private life. I am satisfied that the building we have been talking about will cost entirely too much, and that the salaries paid are entirely too high; but my chief criticism is about the unwisdom of carrying on building operations while material and labor are so high. I think the board showed very poor judgment.

The Federal Reserve Board has been criticized here to-day on the ground of being opposed to the refunctioning of the War Finance Corporation. I feel that in justice to all parties I should state some facts that have come within my own observation.

In June, 1920, I appealed to the then Secretary of the Treasury to restore the War Finance Corporation. This he declined to do. Congress adjourned on the 5th of June, I think, that year. I came back to Washington, and was later appointed chairman of a committee by the American Cotton Association. I visited the Secretary of the Treasury and the members of the Federal Reserve Board on various occasions, and made every effort within my power to get the War Finance Corporation restored. I thought I could see that our product in the South would continue to decline. In justice to the members of that board, I must say that Mr. John Skelton Williams did everything in his power to get the then Secretary of the Treasury, Mr. Houston, to let the corporation refunction; and Gov. Harding also joined and aided me most materially in trying to get Mr. Houston so to act. Gov. Harding wanted it to function under governmental agencies, such as we later provided for here in the Senate. I feel that it is due him to make that statement. The trouble was that the President of the United States at that time was ill and could not be approached, and the Secretary of the Treasury was unalterably opposed to allowing that institution to operate any more.

In fact, he wanted to wind it up, but was persuaded by Senators not to do so, but to leave it, so that if necessary to have it operate again he could put it back into action. So he was constantly opposed to it all the time until Congress passed an act requiring it to function again. We have received great benefits in our part of the country from that organization.

I am glad this controversy is about over. I hope we will get together and support this Federal reserve banking system. I feel that the Federal reserve banking law was one of the greatest laws, perhaps the greatest law, passed in this country in 50 years. If it had not been for that system, I am satisfied that practically everybody and every institution in my part of the country would have been in bankruptcy a long time ago.

I do not favor some of the conduct of those charged with the administration of the law. Certainly the prices of our products declined too rapidly; but I have not time to go into that now. I say that as a system it is a great system, and I am glad that

we are now about to get together. I hope we will all be happy and pleased and come to the rescue of this law; and not only that, but that the banks all over the country will join the system.

The junior Senator from Georgia [Mr. WATSON] complains about his bank not being able to get accommodation. If his bank and other banks in the country would join the system, or become eligible for loans under the system, there would be no trouble whatever in their getting a reasonable amount of money, on proper paper, at all times.

Mr. HEFLIN. Does not the Senator know that in a number of instances the farmers could not get loans?

The VICE PRESIDENT. The time of the Senator from South Carolina has expired.

Mr. SWANSON. Mr. President, I hope the Senate will adopt the amendment which has been offered by the Senator from Tennessee [Mr. McKELLAR], and I am satisfied that if the Senate could understand the advantages which would flow from that amendment it would adopt it. For several years this class of paper was eligible for discount at the Federal reserve banks. About a year ago it was declared not eligible on account of an interpretation of the law; that is, the law said loans could be made on such paper for agricultural purposes but that the loan must be made directly to the person.

I am familiar with the handling of cotton in Norfolk, which will illustrate my point. I appeared before the board and tried to get that interpretation modified in connection with the cotton business in Norfolk. For several years the factors there had made advances to farmers for freight. They would get the cotton in Norfolk, would keep it until they got a shipload; they would make these advances, and after they got the shipload they would export the cotton. The paper they took was declared ineligible. The banks said that they could not discount that paper further, under their interpretation of the law. It had been discounted for several years.

This amendment is drawn in accordance with the suggestion of the Federal Reserve Board as to a measure that would make that class of paper eligible. It still must be good. The cotton factor of Norfolk goes to the member bank and puts his paper there, on which he has made advances to these agricultural people, the bank indorses it and sends it to the Federal reserve bank in Richmond and gets it discounted, and the refusal to accept that kind of paper has done a great deal to retard the distribution of crops by factors.

At the time this paper was declared ineligible, I appeared before the Federal Reserve Board with a committee from Norfolk composed of cotton commission merchants, who pointed out the difficulty that exists in the distribution of cotton unless the old custom were continued.

This is an amendment approved by the Federal Reserve Board. They have written a letter saying that it is all right, saying that they have no objection to it, and the Secretary of the Treasury approves it.

Mr. McLEAN. If it is properly secured.

Mr. SWANSON. The Senator is entirely mistaken about that. This does not waive the security. The cotton factor advances the freight. He takes the paper, indorses it to a member bank, the member bank approves it, indorses it, and sends it to Richmond, and this does not alter the security at all. With the note is filed a receipt for the cotton that is in a warehouse in Norfolk. To illustrate it, a man makes an advance on 10 bales of cotton. He advances the freight. He advances the money paid to cover it. He takes the note with that collateral, goes to the member bank in Norfolk, that member bank sends it to Richmond, and there is no waiver of security. The man must give his individual note, supplemented by this additional security, with the security of the member bank. That class of paper has been held eligible for several years, but after the interpretation given by the attorneys for the Federal Reserve Board, they said that under the terms of the act it was not eligible.

This amendment is to correct that evil. The Federal Reserve Board and the Secretary of the Treasury recommend it, and I see no reason why this right should be denied any longer.

Mr. KELLOGG. Mr. President, I want to speak but one or two moments. I hope all of these amendments will be rejected. There has not been time and there will not be time to properly discuss them. Nobody knows what effect they will have. This very amendment illustrates what I mean. The Senator from Connecticut says it would require them to accept the paper without security. The Senator from Virginia says not.

I will not stop to discuss it further, because I do not wish to take the time of other Senators; but here is another amendment, offered by the Senator from Georgia, covering two or three pages, which changes the law as to discount, regulates the rate of interest, and requires that they should be the same in all

Federal districts, a subject which has not been considered by the committee, has not been considered by the Federal Reserve Board, or anybody else, as far as I know.

Mr. McLEAN. It has been considered by the Federal Reserve Board, and they are unanimously opposed to it.

Mr. KELLOGG. I will ask that the letter handed me by the Senator from Connecticut be printed as a part of my remarks. There being no objection, the letter was ordered to be printed in the RECORD, as follows:

FEDERAL RESERVE BOARD,
Washington, January 11, 1921.

DEAR MR. CHAIRMAN: I acknowledge receipt of your letter of the 6th instant, inclosing copy of proposed amendment by Senator HARRIS to the amendment proposed by Senator SMITH to Senate bill 2263 to amend the Federal reserve act.

The Federal Reserve Board is unanimous in the view that the proposed amendment is unwise. It proposes to amend various paragraphs of the Federal reserve act so as to require that all discount rates in effect at the Federal reserve banks should be the same and that the interbank discount rate should also be the same for each Federal reserve bank.

Paragraph (b) of section 11 of the Federal reserve act already provides that the Federal Reserve Board shall fix the rates of interest to be charged by Federal reserve banks in rediscounting the discounted paper of other Federal reserve banks. No Federal reserve banks are at the present time rediscounting with other Federal reserve banks, but hitherto in fixing discount rates for these interbank transactions the board has adhered to two principles: (1) A borrowing Federal reserve bank should not be permitted to rediscount with another Federal reserve bank at a profit; and (2) a Federal reserve bank should not be required to lend indirectly to member banks in another district, by means of rediscounts for the Federal reserve bank of that district, at a rate of interest lower than that charged its own member banks. As the discount rates of a borrowing Federal reserve bank have rarely been lower than those of a lending bank, the application of a rule to these principles has usually resulted in having the borrowing Federal reserve bank pay to the lending bank the same rate of discount as the borrowing bank had itself charged its member banks.

The Aldrich bill provided that discount rates should be uniform throughout the country and should be fixed by the central board in Washington. Some of the earlier drafts of the Federal reserve bill provided also that rates should be uniform and that they should be fixed by the Federal Reserve Board for each Federal reserve bank. The proposed amendment of Senator Harris adds to the text of paragraph 2 of section 13 of the Federal reserve act, after "the Federal Reserve Board to have the right to determine or define the character of the paper thus eligible for discount, within the meaning of this act," the words (lines 15 and 16, p. 2 of the bill) "and to fix rates of discount which shall be the same for every Federal reserve bank." At the same time the proposed Harris amendment, following the language of paragraph (d) of section 14 of the Federal reserve act authorizes the Federal reserve banks "(d) to establish from time to time, subject to the review and determination of the Federal Reserve Board, rates of discount to be charged by the Federal reserve bank for each class of paper, which shall be fixed with a view of accommodating commerce and business" (lines 16 to 20, p. 3 of bill). The Acting Attorney General of the United States in December, 1919, rendered an opinion to the effect that the Federal Reserve Board, under its power of review, has the right to fix the rate of discount to be charged by a Federal reserve bank, without awaiting the initiative of the board of directors of the Federal reserve bank. In view of this, it seems unnecessary to amend section 13 of the act to authorize the Federal Reserve Board to fix the rates of discount.

What the board objects to particularly is the provision that discount rates must be the same for every Federal reserve bank. Presumably the object of the proposed amendment is to prevent the establishment of higher rates by Federal reserve banks located in agricultural districts than prevail in those banks located in districts which are mainly industrial or commercial. In the board's opinion, based upon actual experience, the proposed amendment if adopted would operate in such a way as to be especially harmful to the very districts which it is designed to aid; that is, the districts in which the banks habitually borrow from other banks in financial centers.

In many of the States rates of interest ranging from 7 to 12 per cent are permitted by law, either as the legal rate or as the contract rate, and some States have no restriction upon the rate of interest that may be charged. In all States except those which have a maximum rate of 6 per cent the average rate charged by member banks to borrowers has always been greater than the average rate of discount charged by the Federal reserve bank.

During the last half of the year 1920 and in the early months of 1921, the Federal Reserve Banks of Boston, New York, and Chicago had a flat discount rate of 7 per cent, charged on all classes of paper. At the same time the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, St. Louis, Kansas City, and San Francisco maintained a 6 per cent rate. For a part of the time the Federal Reserve Banks of Dallas and Atlanta had a normal 6 per cent rate, but had also the progressive rate, just as the Federal Reserve Banks of St. Louis and Kansas City did. Later on the Federal Reserve Banks of Dallas and Atlanta abolished the progressive rate and substituted a 7 per cent flat rate, but it is interesting to note that the average rate charged on all borrowings by all four banks or any of them which adopted the progressive rate amounted to considerably less than 7 per cent. For a time the strain upon the Federal Reserve Banks of Boston, New York, and Chicago was just as severe, if not even more so, than upon the other Federal reserve banks, and if the board had been obliged to establish a uniform rediscount rate in all districts the result would have been that the banks in agricultural districts would have been obliged to pay a higher rate than they actually did. As the money tension relaxed, discount rates were reduced beginning in April, 1921. The Federal Reserve Bank of Boston has had four and the Federal Reserve Bank of New York five successive reductions from 7 per cent down to the present rate of 4½ per cent. The Federal Reserve Bank of Chicago has made three successive reductions from 7 per cent down to the present rate of 5 per cent, and at the present time no Federal reserve bank has a discount rate higher than 5 per cent.

It should be borne in mind that in all Federal reserve districts there are minor financial centers which have banks which rediscount at times very heavily for the accommodation of their customers. Banks in these centers are not dependent entirely upon their local Federal re-

serve bank. They have maintained their connections with correspondents in the major financial centers, and while it may be more convenient for them to rediscount with the local Federal reserve bank, they naturally borrow in the cheapest market. It developed, therefore, after the rates had been reduced in Boston, New York, Philadelphia, Chicago, and St. Louis that many banks in other sections of the country found that they could rediscount a little more cheaply with correspondent banks in these cities than they could with their local Federal reserve bank. The result was that the pressure on Federal reserve banks, such as Richmond, Atlanta, Kansas City, and Dallas, was relaxed and they were able to reduce their rates, thus giving the smaller member banks a direct benefit which they might not otherwise have been able to receive.

As is well known, when the Federal reserve bill was being drafted much consideration was given to the question of whether there should be one central bank with branches or a regional system composed of several independent banks located in various parts of the country. The regional system was adopted, because it was thought that this country, with its wide expanse of territory and its varied and diversified interests, was not suited to a central banking system under the management of a single board of directors. It is generally recognized now, even by those who originally advocated a central bank, that the decision was a wise one. Should the amendment in question be adopted an initial step will be taken in destroying the regional character of the Federal reserve system and there would be imposed upon the Federal Reserve Board the difficult task of fixing rates of discount to be uniform and apply universally throughout the entire country without regard to temporary or seasonal conditions prevailing in the various sections. The board under its power of review already has the power to fix discount rates, which are first proposed by the directors of the various Federal reserve banks, and while at the present time the rates do not vary greatly in the different districts, it is easily conceivable that conditions may arise which would render greater differentials advisable. Under the present law the board shares the responsibility of establishing discount rates with the directors of the banks in the different districts and has the benefit of their independent judgment. To impose upon the board the sole power of fixing discount rates, as provided in the amendment under consideration, would be a step toward further centralization of authority and any requirement that the rates fixed be uniform throughout the country would be a grave complication which would often render it impossible for the board to do justice to all sections alike, and the board's unanimous opinion is that the establishment of discount rates under such an arbitrary plan would be unscientific and dangerous and would result in the establishment of a higher level of discount rates rather than a lower.

It seems proper to note that Senator HARRIS's amendment does not propose to repeal that part of paragraph (d) of section 14 of the Federal reserve act which authorizes the establishment of rates "graduated or progressed on the basis of the amount of the advances and discount accommodations extended by the Federal reserve bank to the borrowing bank." The progressive rates are not in effect at the present time in any district, and the only Federal reserve banks at which they have ever been applied are the Federal Reserve Banks of Atlanta, St. Louis, Kansas City, and Dallas. Under the terms of this paragraph, as it is proposed to be amended, progressive rates would still be permissible, but if applied at all they would have to be applied by all Federal reserve banks. As a practical matter, even if universally applied, the effect would not be felt nearly as much in the principal financial centers, where there are many banks having very large deposits, and which would consequently have a very large basic line of credit with the Federal reserve bank, as would be the case in the agricultural districts, in which they were formerly applied for a short time. The borrowings of member banks in the larger financial centers from their Federal reserve banks have not at any time been as heavy in proportion to their own capital and surplus and reserve deposits as have been the borrowings of member banks in the agricultural districts of the country from their Federal reserve banks.

For all of these reasons the Federal Reserve Board believes that the proposed amendment is unnecessary and unwise.

Very truly, yours,

W. P. G. HARDING, Governor.

HON. GEORGE P. McLEAN,
Chairman Committee on Banking and Currency,
United States Senate.

Mr. KELLOGG. Another amendment was offered by the Senator from Georgia [Mr. HARRIS], which I hope will not be adopted, although he has suggested an amendment to it which may make it less dangerous. That has not been considered. The Banking and Currency Committee is going to make an investigation of that subject.

As to the question of extravagance in erecting these buildings, we are asked to prevent the letting of any contract of any size, of a thousand dollars or two thousand dollars, without a legislative act.

I will not take the time of the Senate further.

Mr. KENYON. Mr. President, I realize that there is such a scramble for time now that it is embarrassing to take any of it, and I will occupy only a couple of minutes.

There has been a great deal of objection to the original Smith substitute, because it practically directed the President of the United States to do certain things.

The amendment proposed by the Senator from Minnesota [Mr. KELLOGG] has been considered by a good many as a fair amendment, which will bring about the desire which many of us have more speedily than an amendment similar to that of the Senator from South Carolina, and the Senator from South Carolina has been most generous in withdrawing his amendment and asking for the passage of this one.

There is no question, as has been stated, as to the purpose of this amendment. It is to provide for a new member of the Federal Reserve Board, and it is thoroughly understood that that member is to be a farmer, or one representative of agriculture. There is no question about that, and there is no use

putting the cards under the table. That is the purpose of it, and we feel that it is right.

Mr. KING. Will the Senator answer a question in my time?
Mr. KENYON. Yes.

Mr. KING. Could not that be brought about without increasing the size of the board?

Mr. KENYON. Not for some time. It could after a while, but there is a psychology about the whole thing. The condition of the farmer has been spoken of here so much that there is no use going into it now; but, whether justified or not, there is a belief on the part of the farmer that he is not receiving a square deal at the hands of the Federal reserve system. He is not against the system, and no one else is against the system; but with all of these members on the board, two being required under the law to be bankers, how can it be held class legislation if we determine that there shall be a farmer on the board?

If I had time to read the Republican platform of last year, I could cite a declaration in that platform that would sustain this legislation. In his speeches the President has committed himself to the proposition, and has appointed a farmer, or a representative of agriculture, on the Interstate Commerce Commission, and will unquestionably appoint a representative of agriculture on the Federal Reserve Board. It is not going to accomplish a great deal, as the Senator from Nebraska and the Senator from Connecticut have said. It is not going to remedy all the ills that the farmer is suffering from. It will simply be helpful, and if this Federal reserve system is to be a great superlode of government and a great supergovernment in this country building up this industry, destroying that one, then it is proper that all of the various interests of the country be represented thereon.

Mr. HARRIS. Mr. President, I have offered several amendments to the bill which I hope may be adopted by the Senate. One is to make the same discount rate to all the regional banks in the United States. Now, they discriminate against the agricultural sections by charging banks in our sections a higher discount rate than banks in the East, and our banks charge higher interest rates to borrowers because of this discrimination.

Another amendment I have offered provides that the discount rate shall not be over 5 per cent, and all regional banks shall charge the same discount rate. I have offered another amendment requiring that before the banks shall spend millions of dollars for the erection of buildings they shall first get the consent of Congress. They have spent more in a few years for these expensive bank buildings than we have spent in 15 years for all the public buildings in the United States. I shall read from Gov. Harding's letter to me showing the returns they are getting on these buildings. That letter I had published in the RECORD on yesterday.

The land, furniture, fixtures, and buildings in New York, erected at an expense of about \$22,000,000, nets them, compared with the rental they formerly paid, only about 1½ per cent on the investment. In Philadelphia the building nets them, compared with the rental they were paying before the erection of the new building, less than 1 per cent on the investment.

In Cleveland the building nets them about 2 per cent.

The Pittsburgh branch shows about 1 per cent.

In Richmond it is about one-half of 1 per cent.

In Atlanta it is between 1 and 1½ per cent.

In Nashville it is about 1½ per cent.

In Chicago it is about 2 per cent.

Government bonds are bringing interest of 4 to 4½ per cent, and they are just now at par, and yet this banking system is putting up these expensive buildings when the cost of building and materials are high. It would have been far better had they continued paying rent until construction was cheaper. They could have lowered their discount rate had they saved this expense.

Mr. President, I offered an amendment to the amendment of the Senator from Minnesota, to make the Secretary of Agriculture an ex officio member of the board instead of adding another member to the board with expense of salary. He is in touch with agricultural conditions in the country. We have a splendid man as Secretary of Agriculture who has the confidence of us all, and it would have a splendid effect all over the country if he were put on that board.

Mr. MCLEAN. Mr. President, again, before we vote upon this measure, I want to call attention to the fact that less than a third of the banks of the United States belong to the Federal reserve system. It was the hope of the founders of the system that they would all come in. Some of the banks which are in now are going out. Other banks are not coming in as they ought to, and the reason is that they are afraid of congressional meddling. It is a great mistake to attack this system without

any consideration, and vote to put an extra man on the Federal Reserve Board for the purpose of acting in the interest of a special class.

We have more than 50 governmental bureaus now. They were organized for the purpose of promoting the general welfare, extending equal rights to all and special privileges to none, and now the purpose is to tear down this temple and put up a series of tribal wigwams, the occupants of each wigwam provided with tomahawks and scalping knives to go out and get the best of some other tribe. That is what this kind of legislation leads to.

Mr. President, it is a great mistake, and I move that this bill be recommitted to the committee.

Mr. POMERENE. I assume the Senator means to include all amendments in his motion?

Mr. MCLEAN. I mean that all amendments shall be recommended also.

Mr. NORRIS. What assurance will the chairman of the Committee on Banking and Currency give to the Senate that the bill will be reported back in some form to the Senate at no distant day?

Mr. MCLEAN. There is a bill pending in the House now which would disqualify the Comptroller of the Currency from acting as ex officio member of this board, and if that bill is passed, if the Congress wants to insist on putting a farmer on the board, let it be done without increasing the number. If the number is increased at all, it should be increased to nine; otherwise you will have the board deadlocked at the very time when it will be most unfortunate to the banking system of this country.

Mr. KELLOGG. I hope the motion of the Senator from Connecticut will be voted down.

The VICE PRESIDENT (at 4 o'clock p. m.). The Senator's time has expired. The time for general debate has expired, and the question is on the motion of the Senator from Connecticut [Mr. MCLEAN] to recommit the bill to the committee.

Mr. HEFLIN. I ask for the yeas and nays.

The yeas and nays were ordered, and the reading clerk proceeded to call the roll.

Mr. EDGE (when his name was called). I have a general pair with the senior Senator from Oklahoma [Mr. OWEN]. I transfer that pair to the junior Senator from Maryland [Mr. WELLER], and vote "yea."

Mr. GLASS (when his name was called). I have a general pair with the senior Senator from Vermont [Mr. DRILLINGHAM]. I think if present that Senator would vote "yea." If I were permitted to vote I would vote "nay." In the absence of the Senator from Vermont I withhold my vote.

Mr. RANDELL (when his name was called). I have a general pair with the junior Senator from Delaware [Mr. DU PONT]. In his absence I withhold my vote. If permitted to vote I would vote "nay."

Mr. ROBINSON (when his name was called). I have a general pair with the Senator from West Virginia [Mr. SUTHERLAND]. That Senator is ill. I do not know how he would vote. Therefore I withhold my vote. If at liberty to vote I would vote "nay."

Mr. CURTIS (when Mr. SUTHERLAND's name was called). The Senator from West Virginia [Mr. SUTHERLAND] is absent due to illness, and is paired as the Senator from Arkansas [Mr. ROBINSON] has just stated.

The roll call was concluded.

Mr. ERNST. I transfer my pair with the senior Senator from Kentucky [Mr. STANLEY] to the junior Senator from Missouri [Mr. SPENCER] and vote "yea."

Mr. SMITH. I understand that my pair, the Senator from South Dakota [Mr. STERLING], if present would vote as I shall vote. Therefore I vote "nay."

Mr. FLETCHER. I have a general pair with the Senator from Delaware [Mr. BALL], who is absent. I transfer that pair to the Senator from Nebraska [Mr. HITCHCOCK] and vote "nay."

Mr. WALSH of Massachusetts. I wish to announce the absence of the Senator from Rhode Island [Mr. GERRY] on account of illness, and to state that if present he would vote "yea."

Mr. CURTIS. I was requested to announce that the Senator from Massachusetts [Mr. LODGE] is paired with the Senator from Alabama [Mr. UNDERWOOD]. Both Senators are absent on official business.

I also wish to announce the following pairs:

The Senator from Pennsylvania [Mr. CROW] with the Senator from Missouri [Mr. REED];

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

The Senator from Illinois [Mr. McCORMICK] with the Senator from Wyoming [Mr. KENDRICK].

The result was announced—yeas 17, nays 52, as follows:

YEAS—17.			
Brandegree	Fernald	Moses	Warren
Calder	Hale	Myers	Williams
Cott	Keyes	Newberry	
Edge	King	Pomerene	
Ernst	McLean	Wadsworth	
NAYS—52.			
Ashurst	Harrell	McKinley	Shields
Borah	Harris	McNary	Shortridge
Broussard	Heflin	Nelson	Simmons
Bursum	Johnson	New	Smith
Cameron	Jones, N. Mex.	Nicholson	Stanfield
Capper	Jones, Wash.	Norris	Swanson
Caraway	Kellogg	Oddie	Townsend
Cummins	Kenyon	Overman	Trammell
Curtis	Ladd	Page	Walsh, Mass.
Dial	La Follette	Phelps	Walsh, Mont.
Fletcher	Lenroot	Pittman	Watson, Ga.
France	McCumber	Polindexter	Watson, Ind.
Frelinghuysen	McKellar	Sheppard	Willis
NOT VOTING—27.			
Ball	Glass	Norbeck	Spencer
Crow	Gooding	Owen	Stanley
Culberson	Harrison	Pepper	Sterling
Dillingham	Hitchcock	Ransdell	Sutherland
du Pont	Kendrick	Reed	Underwood
Elkins	Lodge	Robinson	Weller
Gerry	McCormick	Smoot	

So the Senate refused to recommit the bill to the Committee on Banking and Currency.

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Montana [Mr. MYERS] to the amendment of the committee.

Mr. KENYON. Let it be stated.

Mr. CURTIS. Let the amendment be reported.

The VICE PRESIDENT. The amendment will be stated.

The READING CLERK. On page 3, line 3, strike out the word "different"; after the word "commercial" strike out the comma and insert the word "and"; after the word "industrial" strike out the comma and insert "interests"; and in line 4, before the word "geographical," insert "of the."

Mr. KING. So it will read how?

The READING CLERK. So that the amendment of the committee will read:

That the first paragraph of section 10 of the Federal reserve act approved December 23, 1913, be, and the same is hereby, amended to read as follows:

"SEC. 10. A Federal Reserve Board is hereby created which shall consist of seven members, including the Secretary of the Treasury and the Comptroller of the Currency, who shall be members ex officio, and five members appointed by the President of the United States, by and with the advice and consent of the Senate. In selecting the five appointive members of the Federal Reserve Board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of the agricultural, commercial, and industrial interests and of the geographical divisions of the country. The five members of the Federal Reserve Board appointed by the President and confirmed as aforesaid shall devote their entire time to the business of the Federal Reserve Board and shall each receive an annual salary of \$12,000, payable monthly, together with actual necessary traveling expenses, and the Comptroller of the Currency, as ex officio member of the Federal Reserve Board, shall, in addition to the salary now paid him as Comptroller of the Currency, receive the sum of \$7,000 annually for his services as a member of said board."

The VICE PRESIDENT. The question is on agreeing to the amendment to the amendment.

The amendment to the amendment was agreed to.

Mr. HARRIS. I offer an amendment to the amendment of the Senator from Minnesota [Mr. KELLOGG]. In line 5, after "Secretary of the Treasury," I move to add "the Secretary of Agriculture."

Mr. KELLOGG. I hope that will be voted down.

The VICE PRESIDENT. The pending question is on the amendment of the Senator from South Carolina [Mr. SMITH].

Mr. SMITH. Mr. President, in view of the statement that I made the other day of the understanding I have that the object of the amendment would be more readily met by the one offered by the Senator from Minnesota, and having that thorough understanding, I withdraw my amendment.

The VICE PRESIDENT. The question then is on the amendment offered by the Senator from Minnesota [Mr. KELLOGG].

Mr. MYERS. I offer an amendment to that amendment. I move to strike out the word "eight," in line 4, page 1, and insert the word "seven"; to strike out "six," where it occurs in the amendment, and insert "five"; and to strike out the words "balance of the," at the bottom of page 2, line 25, and insert the word "other"; and to change the word "members," at the top of page 3, line 1, to "member."

The VICE PRESIDENT. The amendment will be reported.

The ASSISTANT SECRETARY. On page 1 of the proposed amendment, line 4, strike out "eight" and insert "seven" before the

word "members"; in line 6, before the word "members," strike out "six" and insert "five"; on page 2, line 25, strike out the words "balance of the" and insert the word "other"; and at the top of page 3, line 1, strike out "members" and insert "member."

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Montana [Mr. MYERS] to the amendment.

The amendment to the amendment was rejected.

Mr. EDGE. Mr. President, I offered two amendments to the pending bill for consideration, one providing that it be mandatory upon the appointing power to appoint a representative of the manufacturing industry, and the other one that he appoint a representative of organized labor. I introduced these amendments with the idea of giving the Senate an opportunity to vote upon them if the other mandatory provision providing for a representative of agriculture be agreed to. Now that that has been withdrawn, I desire to withdraw my suggested amendments.

Mr. NORRIS. Mr. President, I rise to a point of order.

The VICE PRESIDENT. The Senator will state the point of order.

Mr. NORRIS. Debate has ended according to the unanimous-consent agreement.

The VICE PRESIDENT. The point of order is well taken. Debate has ended. A motion to amend may be made, however.

Mr. KENYON. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state his parliamentary inquiry.

Mr. KENYON. Did not the Chair announce that the amendment of the Senator from Minnesota is in order?

The VICE PRESIDENT. It is in order. The question is on agreeing to the amendment of the Senator from Minnesota [Mr. KELLOGG].

Mr. KENYON and Mr. ASHURST. Let us have the yeas and nays.

The yeas and nays were ordered, and the reading clerk proceeded to call the roll.

Mr. EDGE (when his name was called). Making the same announcement as on the previous vote, I vote "nay."

Mr. FLETCHER (when his name was called). Making the same announcement as to my general pair and transfer, I vote "yea."

Mr. GLASS (when his name was called). I have a general pair with the senior Senator from Vermont [Mr. DILLINGHAM]. I do not know how he would vote on this question if present. Therefore, I feel compelled to withhold my vote. If I were permitted to vote, I should vote "yea."

Mr. RANSDELL (when his name was called). I have a pair with the junior Senator from Delaware [Mr. DU PONT]. I am informed if that Senator were present he would vote as I expect to vote. Therefore, I feel at liberty to vote, and vote "yea."

Mr. ROBINSON (when his name was called). I have a general pair with the Senator from West Virginia [Mr. SUTHERLAND], who, I am informed, is ill. I do not know how that Senator would vote if he were present, and I therefore withhold my vote. If I were at liberty to vote, I should vote "yea."

The roll call was concluded.

Mr. CURTIS. I am requested to announce that the senior Senator from Missouri [Mr. REED], who is absent on official business, is paired with the Senator from Pennsylvania [Mr. CROW], who is detained from the Senate on account of illness.

I am also requested to announce the following pairs:

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

The Senator from Illinois [Mr. McCORMICK] with the Senator from Wyoming [Mr. KENDRICK]; and

The Senator from Massachusetts [Mr. LODGE] with the Senator from Alabama [Mr. UNDERWOOD].

Mr. ROBINSON. Since announcing my pair with the Senator from West Virginia [Mr. SUTHERLAND] I have been informed, and I believe reliably, that if the Senator from West Virginia were present he would vote as I intend to vote. I will therefore vote. I vote "yea."

Mr. ERNST. I transfer my general pair with the senior Senator from Kentucky [Mr. STANLEY] to the junior Senator from Missouri [Mr. SPENCER], and vote "yea."

Mr. WALSH of Massachusetts. I desire to make the same announcement concerning the absence of the Senator from Rhode Island [Mr. GERRY] as on the previous vote, and also to state that if present the Senator from Rhode Island would vote "yea."

Mr. JONES of New Mexico. I desire to announce that the Senator from Wyoming [Mr. KENDRICK] is necessarily absent and, as has been stated by the Senator from Kansas [Mr. CUR-

tis], is paired with the Senator from Illinois [Mr. McCormick]. If the Senator from Wyoming were present, and were permitted to vote, he would vote "yea."

Mr. KENYON. I desire to announce the unavoidable absence of the junior Senator from South Dakota [Mr. NORBECK], who, were he present and permitted to vote, would vote "yea."

The result was announced—yeas 64, nays 10, as follows:

YEAS—64.

Ashurst	Frelinghuysen	McKinley	Sheppard
Borah	Gooding	McNary	Shortridge
Brandeggee	Hale	Nelson	Simmons
Broussard	Harrell	New	Smith
Bursum	Harris	Newberry	Stanfield
Cameron	Heflin	Nicholson	Sterling
Capper	Johnson	Norris	Swanson
Caraway	Jones, N. Mex.	Oddie	Townsend
Colt	Jones, Wash.	Overman	Trammell
Cummins	Kellogg	Page	Walsh, Mass.
Curtis	Kenyon	Pepper	Walsh, Mont.
Dial	Ladd	Phipps	Warren
Ernst	La Follette	Pittman	Watson, Ga.
Fernald	Lenroot	Poindexter	Watson, Ind.
Fletcher	McCumber	Robinson	Williams
France	McKellar	Willis	

NAYS—10.

Calder	King	Myers	Wadsworth
Edge	McLean	Pomerene	
Keyes	Moses	Shields	

NOT VOTING—22.

Ball	Gerry	McCormick	Stanley
Crow	Glass	Norbeck	Sutherland
Culberson	Harrison	Owen	Underwood
Dillingham	Hitchcock	Reed	Weller
du Pont	Kendrick	Smoot	
Elkins	Lodge	Spencer	

So Mr. KELLOGG's amendment in the nature of a substitute for the amendment reported by the committee was agreed to.

Mr. HARRIS. I ask that my amendment to the amendment requiring the consent of Congress to the erection of buildings by the Federal reserve banks may be stated.

Mr. MCKELLAR. I ask the Senator from Georgia if he will accept an amendment to his amendment, in line 4 of the amendment, by inserting the words "in excess of \$250,000"?

Mr. HARRIS. I will accept that amendment.

The VICE PRESIDENT. The amendment as modified proposed by the Senator from Georgia to the amendment will be stated.

The ASSISTANT SECRETARY. At the end of the amendment it is proposed to insert the following:

The Federal Reserve Board shall have no authority hereafter to enter into any contract or contracts for the erection of any building of any kind or character, or to authorize the erection of any building in excess of \$250,000, without the consent of Congress having previously been given therefor in express terms: *Provided*, That nothing herein shall apply to any building now under construction.

The VICE PRESIDENT. The question is on the amendment of the Senator from Georgia, as perfected, to the amendment. [Putting the question.] By the sound, the "noes" seem to have it.

Mr. NORRIS. I ask for the yeas and nays on the amendment to the amendment.

The yeas and nays were ordered.

Mr. HARRELD. A parliamentary inquiry. Are we now voting on the amendment offered by the Senator from Tennessee [Mr. MCKELLAR]?

The VICE PRESIDENT. The question is on the amendment of the Senator from Georgia [Mr. HARRIS] to the amendment.

Mr. HARRELD. As modified?

The VICE PRESIDENT. As perfected.

The reading clerk proceeded to call the roll, and Mr. BRANDEGEE voted in the affirmative when his name was called.

Mr. HARRIS. The amendment is short and I ask that it may again be read, as modified, in order that Senators may understand on what they are voting.

The VICE PRESIDENT. The roll call is proceeding and may not be interrupted.

The reading clerk resumed the calling of the roll.

Mr. FLETCHER (when his name was called). I have a general pair with the Senator from Delaware [Mr. BALL], but I am unable to secure a transfer of that pair, and, therefore, withhold my vote.

Mr. RANSDELL (when his name was called). I have a general pair with the junior Senator from Delaware [Mr. DU PONT]. Not knowing how that Senator would vote on this question, I withhold my vote.

Mr. ROBINSON (when his name was called). I have a pair with the Senator from West Virginia [Mr. SUTHERLAND], and, therefore, withhold my vote.

The roll call was concluded.

Mr. FLETCHER. I find that I am able to transfer my pair with the Senator from Delaware [Mr. BALL] to the Senator

from Nebraska [Mr. HITCHCOCK]. I make that transfer and vote "yea."

Mr. ERNST (after having voted in the affirmative). I transfer my pair with the Senator from Kentucky [Mr. STANLEY] to the Senator from Missouri [Mr. SPENCER] and allow my vote to stand.

Mr. CURTIS. I am requested to announce the following pairs:

The Senator from Pennsylvania [Mr. CROW] with the Senator from Missouri [Mr. REED];

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

The Senator from Illinois [Mr. MCCORMICK] with the Senator from Wyoming [Mr. KENDRICK]; and

The Senator from Massachusetts [Mr. LODGE] with the Senator from Alabama [Mr. UNDERWOOD].

The result was announced—yeas 40, nays 33, as follows:

YEAS—40.

Ashurst	France	La Follette	Sheppard
Borah	Gooding	McCumber	Simmons
Brandeggee	Harrell	McKellar	Smith
Broussard	Harris	McNary	Sterling
Capper	Heflin	Myers	Swanson
Caraway	Johnson	Norris	Trammell
Curtis	Jones, N. Mex.	Oddie	Walsh, Mass.
Dial	Kenyon	Overman	Watson, Ga.
Ernst	King	Pittman	Williams
Fletcher	Ladd	Pomerene	Willis

NAYS—33.

Bursum	Hale	New	Stanfield
Calder	Jones, Wash.	Newberry	Townsend
Cameron	Kellogg	Nicholson	Wadsworth
Colt	Keyes	Page	Walsh, Mont.
Cummins	Lenroot	Pepper	Warren
Edge	McKinley	Phipps	Watson, Ind.
Fernald	McLean	Poindexter	
Frelinghuysen	Moses	Shields	
Glass	Nelson	Shortridge	

NOT VOTING—23.

Ball	Gerry	Norbeck	Spencer
Crow	Harrison	Owen	Stanley
Culberson	Hitchcock	Ransdell	Sutherland
Dillingham	Kendrick	Reed	Underwood
du Pont	Lodge	Robinson	Weller
Elkins	McCormick	Smoot	

So the amendment of Mr. HARRIS to the amendment was agreed to.

The VICE PRESIDENT. The question is on agreeing to the amendment of the Senator from Minnesota [Mr. KELLOGG] as amended.

Mr. MCKELLAR. Mr. President, I offer an amendment, which I send to the desk and ask to have stated.

The VICE PRESIDENT. The amendment will be stated.

The ASSISTANT SECRETARY. It is proposed to add as a new section the following, after the amendment just agreed to:

SEC. —. That section 13 of the Federal reserve act approved December 23, 1913, be amended by adding after the words "being eligible for discount," and before the words "but such definition shall not include," the words "and the notes, drafts, and bills of exchange of factors making advances exclusively to producers of staple agricultural products in their raw state shall be eligible for such discount."

The VICE PRESIDENT. The question is on the amendment offered by the Senator from Tennessee to the amendment of the Senator from Minnesota.

The amendment to the amendment was rejected.

The VICE PRESIDENT. The question is on the amendment of the Senator from Minnesota as amended.

The amendment as amended was agreed to.

The VICE PRESIDENT. The question is on the committee amendment as amended.

The amendment of the committee as amended was agreed to.

The bill was reported to the Senate as amended.

Mr. LENROOT. Mr. President, is an amendment in order to further amend the amendment just agreed to?

The VICE PRESIDENT. The first question is on concurring in the amendment made as in Committee of the Whole.

Mr. LENROOT. I offer the amendment which I send to the desk.

The VICE PRESIDENT. The amendment will be stated.

The ASSISTANT SECRETARY. In line 1 of the amendment offered by the Senator from Georgia [Mr. HARRIS] it is proposed to strike out the words "Federal Reserve Board" and insert the words "no Federal reserve bank," and after the word "have" to strike out the word "no," so that, if amended, it will read:

No Federal reserve bank shall have authority hereafter to enter into any contract—

And so forth.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Wisconsin to the

amendment made as in Committee of the Whole. [Putting the question.] The Chair is in doubt.

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

Mr. HEFLIN. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Senator will state his inquiry.

Mr. HEFLIN. The amendment as adopted, as I understood, said that the Federal Reserve Board should not order a bank building constructed. This is just to strike out those words and say that the Federal reserve banks shall not build a bank building?

The VICE PRESIDENT. The Senator is correct.

Mr. HEFLIN. It seems to me the amendment ought to say "Federal Reserve Board or Federal reserve bank."

The VICE PRESIDENT. Is the demand for the yeas and nays seconded?

Mr. NORRIS. I ask for a division. I think that will be sufficient.

The VICE PRESIDENT. Senators in favor of the amendment will rise. [A pause.] Senators opposed will rise. [A pause.] It is a tie vote. The amendment is rejected.

Mr. HEFLIN. Mr. President, let us have the yeas and nays upon the question.

The yeas and nays were ordered, and the reading clerk proceeded to call the roll.

Mr. FLETCHER (when his name was called). Making the same announcement with reference to my pair and its transfer as before, I vote "yea."

Mr. ROBINSON (when his name was called). I have a pair with the Senator from West Virginia [Mr. SUTHERLAND], and therefore withhold my vote.

The roll call was concluded.

Mr. EDGE. Making the same announcement as before, I vote "nay."

Mr. JONES of New Mexico. I desire to announce that the Senator from Wyoming [Mr. KENDRICK] is necessarily absent. He is paired with the Senator from Illinois [Mr. McCORMICK]. If the Senator from Wyoming were present and at liberty to vote, he would vote "yea" on this question.

The result was announced—yeas 43, nays 29, as follows:

YEAS—43.

Ashurst	Gooding	McCumber	Smith
Broussard	Harrelld	McKellar	Stanfield
Bursum	Harris	McNary	Sterling
Capper	Hefflin	Myers	Swanson
Caraway	Johnson	Norris	Trammell
Cummins	Jones, N. Mex.	Oddie	Walsh, Mass.
Curtis	Kenyon	Overman	Walsh, Mont.
Dial	King	Pittman	Watson, Ga.
Ernst	Ladd	Pomerene	Williams
Fletcher	La Follette	Sheppard	Willis
France	Lenroot	Simmons	

NAYS—29.

Brandagee	Hale	New	Shortridge
Calder	Jones, Wash.	Newberry	Townsend
Cameron	Kellogg	Nicholson	Wadsworth
Colt	Keyes	Page	Warren
Edge	McKinley	Pepper	Watson, Ind.
Fernald	McLean	Phipps	
Frelinghuysen	Moses	Poindexter	
Glass	Nelson	Shields	

NOT VOTING—24.

Ball	Elkins	McCormick	Smoot
Borah	Gerry	Norbeck	Spencer
Crow	Harrison	Owen	Stanley
Culberson	Hitchcock	Ransdell	Sutherland
Dillingham	Kendrick	Reed	Underwood
du Pont	Lodge	Robinson	Weller

So Mr. LENROOT's amendment to the amendment, made as in Committee of the Whole, was agreed to.

Mr. HARRELD. Mr. President, I ask that the first line of this amendment just voted on be read. I do not think it is exactly correct.

The VICE PRESIDENT. The Secretary will read.

The ASSISTANT SECRETARY. So that the amendment as modified will read:

No Federal reserve bank shall have authority hereafter to enter into any contract or contracts for the erection of any building—

And so forth.

Mr. HARRELD. That is all right.

Mr. HARRIS. Mr. President, I offer an amendment to the amendment and ask that it be read.

The VICE PRESIDENT. The Secretary will read the amendment.

The ASSISTANT SECRETARY. Add a new section as follows:

SEC. —. That on and after 30 days after the passage of this act a Federal reserve bank shall not charge or receive from a member bank in any transaction a greater rate than 5 per cent, and each rate so fixed shall be the same for every Federal reserve bank.

The VICE PRESIDENT. The question is on agreeing to the amendment offered by the Senator from Georgia to the amendment.

The amendment to the amendment was rejected.

The VICE PRESIDENT. The question is on concurring in the amendment made as in the Committee of the Whole as amended in the Senate.

The amendment as amended was concurred in.

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

The VICE PRESIDENT. The question is, Shall the bill pass?

Mr. KENYON. On that I ask for the yeas and nays.

The yeas and nays were ordered, and the reading clerk proceeded to call the roll.

Mr. FLETCHER (when his name was called). I make the same announcement as to my pair and its transfer as before and vote "yea."

Mr. GLASS (when his name was called). Making the same announcement as before, I withhold my vote. If permitted to vote, I would vote "yea."

Mr. RANSDELL (when his name was called). I have a pair with the junior Senator from Delaware [Mr. DU PONT]. I am informed that if he were present he would vote as I intend to vote, and therefore I vote "yea."

Mr. ROBINSON (when his name was called). I have a pair with the senior Senator from West Virginia [Mr. SUTHERLAND], but I understand that he would vote as I shall vote. Therefore I vote "yea."

The roll call was concluded.

Mr. CURTIS. I desire to announce the following pairs:

The Senator from Pennsylvania [Mr. CROW] with the Senator from Missouri [Mr. REED];

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

The Senator from Illinois [Mr. McCORMICK] with the Senator from Wyoming [Mr. KENDRICK]; and

The Senator from Massachusetts [Mr. LODGE] with the Senator from Alabama [Mr. UNDERWOOD].

Mr. JONES of New Mexico. Making the same announcement as before as to the absence and pair of the Senator from Wyoming [Mr. KENDRICK], I desire to announce that if the Senator from Wyoming [Mr. KENDRICK] were present and permitted to vote he would vote "yea."

Mr. ERNST (after having voted in the affirmative). I am informed that my colleague [Mr. STANLEY] if present would vote the same way I have voted.

Mr. WALSH of Massachusetts. The junior Senator from Rhode Island [Mr. GERRY] is absent on account of sickness. If present, he would vote "nay."

Mr. KENYON. I desire to announce that the junior Senator from South Dakota [Mr. NORBECK] if present would vote "yea."

Mr. SHEPPARD. I wish to state that the junior Senator from Mississippi [Mr. HARRISON] is paired with the junior Senator from West Virginia [Mr. ELKINS], and that if the junior Senator from Mississippi were present and not paired, he would vote "yea" on the passage of the bill.

The result was announced—yeas 63, nays 9, as follows:

YEAS—63.

Ashurst	Gooding	McNary	Sheppard
Borah	Hale	Myers	Shortridge
Broussard	Harrelld	Nelson	Simmons
Bursum	Harris	New	Smith
Cameron	Hefflin	Newberry	Stanfield
Capper	Johnson	Nicholson	Sterling
Caraway	Jones, N. Mex.	Norris	Swanson
Colt	Jones, Wash.	Oddie	Townsend
Cummins	Kellogg	Overman	Trammell
Curtis	Kenyon	Page	Walsh, Mass.
Dial	Ladd	Pepper	Walsh, Mont.
Ernst	La Follette	Phipps	Warren
Fernald	Lenroot	Pittman	Watson, Ga.
Fletcher	McCumber	Poindexter	Watson, Ind.
France	McKellar	Ransdell	Willis
Frelinghuysen	McKinley	Robinson	

NAYS—9.

Brandagee	Keyes	Moses	Wadsworth
Calder	McLean	Pomerene	Williams
Edge			

NOT VOTING—24.

Ball	Gerry	Lodge	Smoot
Crow	Glass	McCormick	Spencer
Culberson	Harrison	Norbeck	Stanley
Dillingham	Hitchcock	Owen	Sutherland
du Pont	Kendrick	Reed	Underwood
Elkins	King	Shields	Weller

So the bill was passed, as follows:

Be it enacted, etc., That section 10 of the Federal reserve act, approved December 23, 1913, is amended to read as follows:

SEC. 10. A Federal Reserve Board is hereby created which shall consist of eight members, including the Secretary of the Treasury and the Comptroller of the Currency, who shall be members ex officio, and six members appointed by the President of the United States, by and with the advice and consent of the Senate. In selecting the six appointive members of the Federal Reserve Board, not more than one of whom shall be selected from any one Federal reserve district, the President shall have due regard to a fair representation of the financial, agricultural, industrial, commercial interests and geographical di-

visions of the country. The six members of the Federal Reserve Board appointed by the President and confirmed as aforesaid shall devote their entire time to the business of the Federal Reserve Board and shall each receive an annual salary of \$12,000, payable monthly, together with actual necessary traveling expenses, and the Comptroller of the Currency, as ex officio member of the Federal Reserve Board, shall, in addition to the salary now paid him as Comptroller of the Currency, receive the sum of \$7,000 annually for his services as a member of said board.

The Secretary of the Treasury and the Comptroller of the Currency shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank. The appointive members of the Federal Reserve Board shall be ineligible during the time they are in office and for two years thereafter to hold any office, position, or employment in any member bank, except that this restriction shall not apply to a member who has served the full term for which he was appointed. Of the six members thus appointed by the President one shall be designated by the President to serve for 2, one for 4, one for 6, one for 8, and the balance of the members for 10 years, and thereafter each member so appointed shall serve for a term of 10 years, unless sooner removed for cause by the President. Of the six persons thus appointed, one shall be designated by the President as governor and one as vice governor of the Federal Reserve Board. The governor of the Federal Reserve Board, subject to its supervision, shall be the active executive officer. The Secretary of the Treasury may assign offices in the Department of the Treasury for the use of the Federal Reserve Board. Each member of the Federal Reserve Board shall within 15 days after notice of appointment make and subscribe to the oath of office.

The Federal Reserve Board shall have power to levy semiannually upon the Federal reserve banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year.

The first meeting of the Federal Reserve Board shall be held in Washington, D. C., as soon as may be after the passage of this act, at a date to be fixed by the reserve bank organization committee. The Secretary of the Treasury shall be ex officio chairman of the Federal Reserve Board. No member of the Federal Reserve Board shall be an officer or director of any bank, banking institution, trust company, or Federal reserve bank nor hold stock in any bank, banking institution, or trust company; and before entering upon his duties as a member of the Federal Reserve Board he shall certify under oath to the Secretary of the Treasury that he has complied with this requirement. Whenever a vacancy shall occur, other than by expiration of term, among the six members of the Federal Reserve Board appointed by the President, as above provided, a successor shall be appointed by the President, with the advice and consent of the Senate, to fill such vacancy, and when appointed he shall hold office for the unexpired term of the member whose place he is selected to fill.

The President shall have power to fill all vacancies that may happen on the Federal Reserve Board during the recess of the Senate by granting commissions which shall expire 30 days after the next session of the Senate convenes.

Nothing in this act contained shall be construed as taking away any powers heretofore vested by law in the Secretary of the Treasury which relate to the supervision, management, and control of the Treasury Department and bureaus under such department, and wherever any power vested by this act in the Federal Reserve Board or the Federal reserve agent appears to conflict with the powers of the Secretary of the Treasury, such powers shall be exercised subject to the supervision and control of the Secretary.

The Federal Reserve Board shall annually make a full report of its operations to the Speaker of the House of Representatives, who shall cause the same to be printed for the information of the Congress.

Section 324 of the Revised Statutes of the United States shall be amended so as to read as follows: There shall be in the Department of the Treasury a bureau charged with the execution of all laws passed by Congress relating to the issue and regulation of national currency secured by United States bonds and, under the general supervision of the Federal Reserve Board, of all Federal reserve notes, the chief officer of which bureau shall be called the Comptroller of the Currency and shall perform his duties under the general directions of the Secretary of the Treasury.

No Federal reserve bank shall have authority hereafter to enter into any contract or contracts for the erection of any building of any kind or character, or to authorize the erection of any building in excess of \$250,000, without the consent of Congress having previously been given therefor in express terms: *Provided*, That nothing herein shall apply to any building now under construction.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by Mr. Overhue, its enrolling clerk, announced that the House had passed the following bills and joint resolution of the Senate with amendments, in which it requested the concurrence of the Senate:

S. 1099. An act to amend section 2372 of the Revised Statutes;

S. 2133. An act ceding jurisdiction to the State of Texas over certain lands or bancos acquired by the United States of America from the United States of Mexico;

S. 2708. An act to authorize the Secretary of War to transfer without charge certain surplus material of the War Department to the American Relief Administration in Russia;

S. 2776. An act to authorize the construction of a bridge over the Columbia River at a point approximately 5 miles upstream from Dalles City, Wasco County, in the State of Oregon, to a point on the opposite shore in the State of Washington; and

S. J. Res. 124. Joint resolution to amend Senate joint resolution 89, approved March 14, 1912, amending the joint resolution to prohibit the export of coal and other material used in war from any seaport of the United States, approved April 22, 1908.

The message also announced that the House had passed bills and a joint resolution of the following titles, in which it requested the concurrence of the Senate:

H. R. 8815. An act to amend the act of March 1, 1921 (41 Stat., p. 1202), entitled "An act to authorize certain homestead settlers or entrymen who entered the military or naval service of the United States during the war with Germany to make final proof of their entries";

H. R. 8818. An act granting the consent of Congress to the city of Pittsburgh, a municipal corporation of the Commonwealth of Pennsylvania, to construct, maintain, and operate a bridge across the Monongahela River at or near its junction with the Allegheny River in the city of Pittsburgh, in the county of Allegheny, in the Commonwealth of Pennsylvania;

H. R. 8999. An act to authorize exchanges of lands within the Snoqualmie National Forest, in the State of Washington;

H. R. 9050. An act granting the consent of Congress to the Pamunkey Ferry Co. to construct a bridge across the Pamunkey River in Virginia;

H. R. 9060. An act to authorize the Secretary of War to lease a certain tract of land to the city of Leavenworth, in the State of Kansas;

H. R. 9386. An act to grant the consent of Congress to the Whiteville Lumber Co. to construct a bridge across the Waccamaw River at or near Pireway Ferry, County of Columbus, N. C.

H. R. 9495. An act for the protection of timber owned by the United States from fire, disease, or the ravages of beetles or other insects; and

H. J. Res. 227. Joint resolution extending the term of the National Screw Tread Commission for a period of five years from March 21, 1922.

REPORT OF JOINT COMMISSION OF AGRICULTURAL INQUIRY.

The VICE PRESIDENT. The Chair lays before the Senate the following concurrent resolution of the House (H. Con. Res. 37), which will be read.

The Assistant Secretary read the concurrent resolution, as follows:

Resolved by the House of Representatives (the Senate concurring), That there be printed 50,000 additional copies of parts 1 and 2 of House Document No. 408, being the report of the Joint Commission of Agricultural Inquiry, in four parts, of which 10,000 shall be for the Senate, 30,000 for the House, 1,000 shall be for the Senate document room, 2,000 for the House document room, and 7,000 for the Joint Commission of Agricultural Inquiry.

Mr. MOSES. I ask that the Senate consider the concurrent resolution at this time.

The VICE PRESIDENT. Without objection, it is before the Senate.

Mr. MOSES. There was an error made in drafting the concurrent resolution as sent to the Senate by the House in the second line, where the word "Document" is used. I move to amend the concurrent resolution by striking out the word "Document" and inserting the word "Report."

The amendment was agreed to.

Mr. MOSES. I move that the Senate concur in the resolution. The motion was agreed to.

RELIEF OF DISTRESS IN RUSSIA.

The VICE PRESIDENT laid before the Senate the amendments of the House of Representatives to the bill (S. 2708) to authorize the Secretary of War to transfer without charge certain surplus material of the War Department to the American Relief Administration in Russia, which were to strike out all after the enacting clause and to insert:

That the President be, and he is hereby, authorized to transfer, without charge therefor, out of the surplus supplies of the War and other departments of the Government, to American relief organizations to be selected by him, medicines, medical, surgical and hospital supplies, for the relief of the distressed and famine stricken people of Russia, in an amount not to exceed \$4,000,000 original cost to the United States and as may be delivered to and accepted by such relief organizations, without cost for transportation to the United States, within four months of the date of the passage of this act.

And to amend the title so as to read: "An act to authorize the President to transfer certain medical supplies for the relief of the distressed and famine stricken people of Russia."

Mr. WADSWORTH. Mr. President, Senators will recollect that at the beginning of this session of Congress the Senate passed a bill authorizing and directing the Secretary of War to turn over certain surplus medical stores to the American Relief Administration in Russia. This bill has been amended by the House in three respects. Instead of conferring the authority upon the Secretary of War, the authority is conferred upon the President of the United States. The Senate bill originally did not place any specific limitation upon the cost value of the supplies thus to be turned over. A House amendment puts a limitation of \$4,000,000 upon the cost of the supplies. The

House also provides that the supplies thus to be turned over shall be turned over within four months.

My idea is that the House has somewhat improved the measure, and I move that the Senate concur in the House amendments.

The motion was agreed to.

COLUMBIA RIVER BRIDGE.

Mr. McNARY. I ask the Chair to lay before the Senate the action of the House of Representatives on Senate bill 2776.

The VICE PRESIDENT laid before the Senate the amendments of the House of Representatives to the bill (S. 2776) to authorize the construction of a bridge over the Columbia River at a point approximately 5 miles upstream from Dalles City, Wasco County, in the State of Oregon, to a point on the opposite shore of the State of Washington, which were on page 1, lines 5 and 6, strike out "jointly or separately"; on page 1, line 8, after "approximately" to insert: "5 miles upstream from Dalles City, Wasco County, in the State of Oregon,"; on page 1, line 9, strike out "twenty or"; on page 1, line 9, after "twenty-nine" insert: "or thirty"; and to amend the title so as to read: "An act to authorize the construction of a bridge over the Columbia River at a point approximately 5 miles upstream from Dalles City, Wasco County, in the State of Oregon, to a point on the opposite shore in the State of Washington."

Mr. McNARY. I move that the Senate concur in the House amendments.

The motion was agreed to.

EUGENE V. DEBS.

Mr. MOSES. I present a letter of the Attorney General to the President of the United States, upon which the President based his commutation of the sentence imposed upon Eugene V. Debs. I move that it be printed as a Senate document.

The motion was agreed to.

EXECUTIVE BUSINESS.

Mr. CURTIS. I move that the Senate proceed to the consideration of executive business.

The motion was agreed to, and the Senate proceeded to the consideration of executive business. After 5 minutes spent in executive session the doors were reopened, and (at 5 o'clock and 5 minutes p. m.) the Senate adjourned until to-morrow, Wednesday, January 18, 1922, at 12 o'clock meridian.

CONFIRMATIONS.

Executive nominations confirmed by the Senate January 17 (legislative day of January 16), 1922.

VICE GOVERNOR OF THE PHILIPPINE ISLANDS.

Eugene A. Gilmore to be vice governor of the Philippine Islands.

CHIEF JUSTICE OF THE SUPREME COURT OF PORTO RICO.

Emilio del Toro to be chief justice of the Supreme Court of Porto Rico.

COMMISSIONER OF IMMIGRATION.

John P. Johnson to be commissioner of immigration, Boston, Mass.

RECEIVER OF PUBLIC MONEYS.

Edward P. Gorman to be receiver of public moneys, Wausau, Wis.

PROMOTIONS IN THE ARMY.

To be brigadier generals.

Walter Crosby Babcock.	Henry Joseph Reilly.
Milton Fennimore Davis.	Carey Fletcher Spence.
Harold Palmer Howard.	Thornwell Mullally.
James Robert Lindsay.	George Washington Ball.
Palmer Eddy Pierce.	

MEDICAL CORPS.

William Henry Welch to be brigadier general.
Frank Billings to be brigadier general.
William James Mayo to be brigadier general.

SIGNAL CORPS.

John Joseph Carty to be brigadier general.

FIELD ARTILLERY.

James Brown Golden to be captain.

POSTMASTERS.

ARIZONA.

Joseph P. Downey, Miami.

CALIFORNIA.

Ethel R. Costello, Acampo.
Joseph N. Hollis, Gridley.

Claude R. Keagle, Lodi.
Carey W. Mathews, Reedley.
James J. Heckman, Selma.

COLORADO.

Henry N. Chapman, Branson.
Frank L. Barton, Haxtun (late Haxtum).
Alice M. Payne, Hudson.
Myrtle Loback, Naturita.
Cora E. Taggart, Wheat Ridge.

FLORIDA.

Milton E. Skipper, Bartow.
Thomas J. Bulford, Hilliard.

GEORGIA.

Cecil A. Reed, Acworth.
James T. Dampier, Adel.
Lila H. Rambo, Blakely.
Rem B. Edwards, Crawfordville.
Noel H. Bragg, Gray.
Kate Harris, Leesburg.
Hillyer Rudisill, Macon.
William H. Astin, Palmetto.
James M. Wright, Screven.
Claude M. Proctor, Summit.

IDAHO.

Elizabeth Helmer, Bovill.
Emma C. Weber, Burke.
Christian Schwendiman, Sugar.

ILLINOIS.

Charles H. Spilman, Edwardsville.
George M. Clark, Galesburg.
May B. Ellis, Melvin.
Joseph B. Frisbie, Mendon.
George H. Barkmeier, San Jose.
Lawrence E. Whitford, Waterman.

INDIANA.

Lee R. Roberts, Dillsboro.
Elmer L. McKnight, Fowler.
Joseph T. Nighbert, Hanover.

IOWA.

Edward F. Glau, Charter Oak.
Ralph H. Halloway, Churdan.
Alfred Wright, Denison.
Carrie H. Randall, Epworth.
Eva Keith, Goldfield.
Charles H. Howe, Janesville.
Carl G. Austin, Lineville.
Emily L. Gibson, Reinbeck.
Ross G. Hauser, Union.
Edna J. Sturdivant, Wesley.

KANSAS.

Mary C. Carroll, Conway Springs.
Clarence E. Sells, Effingham.
Daisy T. Tilzey, Lucas.
John A. Coffman, Sedgwick.
Eva M. Baird, Spearville.
Mamie B. Stanard, Sublette.

LOUISIANA.

Jay T. Boone, Boyce.
Edwin R. Ford, Jonesville.
Angus O. Ott, Kentwood.
Joseph H. Kurth, jr., Kurthwood.
Joseph A. Barthelet, Labadieville.
Auburtin H. Barre, Mooringsport.
Kiney S. Foster, Pharr.
Lawrence J. Bonin, St. Martinville.
Mary S. Hunter, Pineville.

MARYLAND.

John M. Reed, jr., Chesapeake City.
Martin M. Wright, Easton.
William C. Shearer, Manchester.
Herbert C. Leighton, Mountain Lake Park.
Granville S. Cropper, Ocean City.
Raymond L. Westerfield, Port Deposit.
Walter H. Snyder, Sharpsburg.
William H. Condiff, Solomons.
Frank T. Buckingham, Woodbine.

MICHIGAN.

Frank T. Jackson, Marysville.
Augustus D. Thorp, Sand Lake.

J. Harry Wright, Sherwood.
Victor L. Hardest, Trout Creek.

MISSOURI.

Marion B. Gardner, Aurora.
Ruby W. Benecke, Brunswick.
William T. Ross, Guilford.
George P. Megaffin, Hunnewell.
Milton Wilhelm, Seligman.
John S. Dickey, Sugar Creek.
Ora E. Shelman, Weatherby.

MONTANA.

Elias O. Sorvick, Antelope.
George C. Russell, Bowdoin.
James F. Blankner, Broadus.
Marie R. Worth, Carter.
Joel T. Smith, Chester.
Francis B. Tanner, Darby.
Carroll E. Griffin, Glendive.
Pearl E. Winfield, Jordan.
John R. Stewart, Jugomart.
Charles A. Worthing, Lambert.
George W. Fenton, Laurel.
Ralph E. Rorabeck, Lavina.
Richard L. Aldrin, Malta.
John H. Dolin, Medicine Lake.
Alfred S. Opheim, Opheim.
Leanne K. C. Roderick, Outlook.
Jessie L. Heath, Ringling.
Peter Myre, Somers.
Charlotte M. Wells, Stockett.
Elbert L. Stackhouse, Thompson Falls.
Edgar P. Mizell, Troy.
Jesse D. Working, Wilsall.

NEBRASKA.

Gertrude M. Best, Dakota City.
William J. Stilgebauer, Danbury.
Joseph B. Hines, Wahoo.

NEVADA.

Jeanann M. Fay, East Ely.
Lucy A. Gates, Eureka.
Eva A. Smith, Minden.
Jane Davidson, Unionville.

NEW MEXICO.

Mary C. DuBois, Corona.

NEW YORK.

William M. Pinney, Arcade.
Fellah L. Quinlan, East Northport.
Fred M. Sealey, Hempstead.
Fred F. Hawley, Lake George.
Frank G. Heim, Lancaster.
Clarence Bryant, Le Roy.
Horace J. Hawk, Mount McGregor.
John H. Stoddard, Stevensville.

OHIO.

Ethel H. Somerville, Adena.
Harold C. Rogers, Caledonia.
John P. Locke, Tiffin.

OKLAHOMA.

Walter Waller, Carter.
Minta J. Spraggins, Davidson.
Georgia H. Ethridge, Tipton.

OREGON.

Elisabeth E. Johnson, Gresham.

PORTO RICO.

Jose Carrera, Humacao.

SOUTH CAROLINA.

John R. Cochran, jr., Anderson.
John M. Pagan, Great Falls.
Milton A. Watson, Johnston.
Harry E. Dawson, Mount Pleasant.
David E. Sauls, Smoaks.
Paul E. Bryson, Woodruff.

SOUTH DAKOTA.

Reno T. Peterson, Chester.
Frank B. Sherwood, Cottonwood.
Leon W. Kreidler, Fulton.
Tillie M. Cowman, Gayville.
Otto C. Sharon, Kadoka.
Geneva M. Small, Lane.
Ira S. Myron, Volin.

TENNESSEE.

Leslie Vernon, Alamo.
James M. Yokley, Baileyton.
Henry F. Marion, Blountville.
Blanche Godsey, Bluff City.
Robert C. Laws, Butler.
Augustus F. Shults, Caryville.
Joseph T. Hester, Huntingdon.
Granville W. Harp, Jellico.
Tim F. Stephens, Livingston.
Thomas W. Williams, Lucy.
George B. Beaver, McMinnville.
William N. Craft, Mosheim.
John L. Goin, New Tazewell.
Daniel C. Ripley, Rogersville.
William J. Julian, Silver Point.
Charles E. Pennington, Sweetwater.
Albert C. Samsel, Tate.
Joseph M. Patterson, Watertown.
Faulkner M. Orr, Wildersville.

TEXAS.

Anderson J. Hixson, Abbott.
Fred W. Nelson, Clifton.
Ova L. McCown, Grand View.

UTAH.

Henry C. Ward, Myton.
Walter Cannon, St. George.

VERMONT.

George F. Flint, Chelsea.

VIRGINIA.

James M. Denton, Big Island.
William E. Easley, Cleveland.
Mary L. Addison, Emory.
Mary F. Cunningham, Fort Myer.
Jennie G. Phillips, Gloucester.
Harold H. Hoyt, Herndon.
Isaac A. Luke, Holland.
John R. Rowland, Hollins.
Palmer R. Cooper, Kooke.
Shebuel R. Henry, Nassawadox.
William T. Hopkins, Newport News.
Blanche De Busk, North Holston.
Charles E. Welch, Phoebus.
William C. McCormick, Raphine.
James R. Miller, Strasburg.
John P. Middleton, The Plains.
Otis J. Borden, Toms Brook.
Alonzo L. Jones, Virgilina.

WASHINGTON.

Hugh Eldridge, Bellingham.
Frank R. Jones, Lacrosse.
Adam L. Livingston, Mabton.
Theo Hall, Medical Lake.
Jesse Simmons, Tolt.

WEST VIRGINIA.

Lora K. Fowler, Gormanian.
James W. White, Webster Springs.

HOUSE OF REPRESENTATIVES.

TUESDAY, January 17, 1922.

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

O God, morning, noon, and night Thou art pouring forth those affections which bestow happiness upon our homes and enlarge the spheres of our usefulness; blessed be Thy excellent name. At Thy touch the nobilities of our natures are moved. O Holy Spirit, stir in every heart and awaken in every breast aspirations that lift toward God and evoke the very best that is in us. O bring all peoples everywhere to a high plane of understanding and self-control. Breathe upon them the spirit of peace and brotherhood. Come forth from the bosom of the Infinite God and hover over our land until all laws and all institutions shall feel Thy presence. Through Jesus Christ our Lord. Amen.

The Journal of the proceedings of yesterday was read and approved.