

## PETITIONS, ETC.

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

3889. By Mr. ANSORGE: Petition of the Harlem Board of Commerce, of New York, favoring everything being done for disabled ex-service men in obtaining positions, etc., but opposing any bonus; to the Committee on Ways and Means.

3890. Also, petition of the Chamber of Commerce, State of New York, approving the stand taken by the Secretary of the Treasury with regard to the proposed bonus to ex-service men, as set forth in his recent letter to Representative Fordney; to the Committee on Ways and Means.

3891. Also, petition of the Brooklyn Chamber of Commerce, New York, opposing "soldiers' bonus" bill; to the Committee on Ways and Means.

3892. By Mr. BURROUGHS: Petition of Goodwill Council, No. 4, Junior Order of American Mechanics, by Choate E. McKenzie, secretary, and 35 other members, urging the passage of the Towner-Sterling bill; to the Committee on Education.

3893. By Mr. CULLEN: Resolution adopted by the Consumers League, of the Ridgewood-Rushwick section, urging the exemption from taxation the income derived from mortgages upon real estate; to the Committee on Ways and Means.

3894. By Mr. KENNEDY: Petitions of the Pan-Albanian Federation of America "Vatra" (the Hearth) (Inc.), of Lonsdale and Woonsocket, R. I., urging recognition of Albanian Government by the United States; to the Committee on Foreign Affairs.

3895. By Mr. KETCHAM: Resolutions passed at the annual county farm bureau meeting on January 10, 1922, protesting against the suspension of a large number of agricultural publications; to the Committee on Printing.

3896. By Mr. KISSEL: Petition of the adjutant general of the State of New York, urging the passage of Senate bill 2307 and House bill 7943, relative to National Guard legislation; to the Committee on Military Affairs.

3897. Also, petition of the New York State Federation of Labor, Utica, N. Y., urging the passage of the Fitzgerald bill (H. R. 10034); to the Committee on the District of Columbia.

3898. Also, petition of Rudolf Voigt, of Brooklyn, N. Y., relative to unemployment; to the Committee on Labor.

3899. By Mr. LINTHICUM: Petition of Adj. Gen. Milton A. Reckord, of Baltimore, Md., favoring the passage of Senate bill 2992, providing for complete records of soldiers being furnished for future reference; to the Committee on Military Affairs.

3900. Also, petition of the Real Estate Board of Baltimore, Md., protesting against passage of any form of soldier bonus legislation; also petition of Joseph L. Votta, of Baltimore, Md., favoring soldier bonus bill; to the Committee on Ways and Means.

3901. Also, petition of the Standard Accident Insurance Co., of Baltimore, Md., favoring passage of Underhill bill; to the Committee on Claims.

3902. Also, petition of James L. Wroten, of Baltimore, Md., favoring the passage of the Capper bill (S. 2531); to the Committee on the Judiciary.

3903. Also, resolution of the Maryland State Board of Forestry, F. W. Besley, state forester, of Baltimore, Md., protesting against the transfer of the United States Forest Service from the Department of Agriculture to Department of the Interior; to the Committee on Agriculture.

3904. By Mr. PADGETT: Resolutions adopted by the Dickson Chamber of Commerce, urging the acceptance of Henry Ford's Muscle Shoals offer; to the Committee on Military Affairs.

3905. By Mr. ROGERS: Petition of the Pan-Albanian Federation of American "Vatra" (the Hearth) (Inc.), of Hudson, Mass., urging the recognition of Albania by the United States; to the Committee on Foreign Affairs.

3906. By Mr. SINCLAIR: Petition of J. C. Allan, Elling Pederson, and Hon. W. J. Church, on behalf of the community of Baker, Benson County, N. Dak., favoring the passage of the Sinclair bill (H. R. 9461) for the stabilization of prices of farm products; to the Committee on Agriculture.

3907. Also, 13 petitions of citizens of Corinth, Lefor, Deering, Sherwood, Parshall, Norma, Gardena, Sentinel Butte, Arnegard, Flaxton, New Salem, Van Hook, Mohall, Coulee, and other places in North Dakota, urging the revival of the United States Grain Corporation and the enactment of legislation for the stabilization of prices of farm products; to the Committee on Agriculture.

3908. By Mr. SMITH of Idaho: Resolutions adopted by the Glens Ferry (Idaho) Business Men's Association, urging the enactment of legislation providing for a more rapid development

of the waste lands; to the Committee on Irrigation of Arid Lands.

3909. Also, resolutions adopted by the Civic Improvement Club of Wendall, Idaho, urging the enactment of legislation providing for a more rapid development of the waste lands; to the Committee on Irrigation of Arid Lands.

3910. Also, resolutions adopted by the Richfield Women's Club, of Richfield, Idaho, urging the enactment of legislation providing for a more rapid development of the waste lands; to the Committee on Irrigation of Arid Lands.

3911. Also, resolutions adopted by the Elmore Development League, of Mountain Home, Idaho, urging the enactment of legislation providing for a more rapid development of the waste lands; to the Committee on Irrigation of Arid Lands.

3912. Also, resolution adopted by the officers and members of the Crescent Improvement Club, of Emmett, Idaho, urging the enactment of legislation providing for a more rapid development of the waste lands; to the Committee on Irrigation of Arid Lands.

3913. By Mr. THOMPSON: Petition of citizens of Delphos, Ohio, for an investigation of the excessive cost of hard coal; to the Committee on Interstate and Foreign Commerce.

3914. By Mr. SMITH of Idaho: Resolution adopted by Elmore Post, No. 26, American Legion, of Mountain Home, Idaho, urging the enactment of the adjusted compensation legislation; to the Committee on Ways and Means.

3915. By Mr. SNELL: Resolutions adopted by Russell Grange, No. 1031, at Russell, N. Y., urging the passage of the Voigt bill (H. R. 8086); to the Committee on Agriculture.

3916. By Mr. SWING: Resolutions adopted by the Board of Trade, of Fullerton, Calif., indorsing the adjusted compensation bill for ex-service men and women; to the Committee on Ways and Means.

3917. By Mr. TIMBERLAKE: Petition of Fred I. Nichell and others, of Colorado, urging the revival of the United States Grain Corporation; to the Committee on Agriculture.

3918. Also, petition of H. Riechers and others, of Colorado, urging the revival of the United States Grain Corporation; to the Committee on Agriculture.

3919. Also, petition of John Furrer and others, of Colorado, urging the revival of the United States Grain Corporation; to the Committee on Agriculture.

3920. Also, petition of L. N. Bonicksen and others, of Colorado, urging the revival of the United States Grain Corporation; to the Committee on Agriculture.

3921. Also, petition of J. W. Turner and others, of Colorado, urging the revival of the United States Grain Corporation; to the Committee on Agriculture.

3922. Also, petition of Ralph Norton, sr., and others, of Colorado, urging the revival of the United States Grain Corporation; to the Committee on Agriculture.

3923. By Mr. WARD of North Carolina: Resolutions adopted by the forestry convention held at Wilmington, N. C., January 27, 1922, under the auspices of the North Carolina Forestry Association and the North Carolina Geological and Economic Survey; to the Committee on Agriculture.

## SENATE.

THURSDAY, February 9, 1922.

(Legislative day of Friday, February 3, 1922.)

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

## EXECUTIVE AND INDEPENDENT OFFICES APPROPRIATIONS.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 9981) making appropriations for the Executive and for sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1923, and for other purposes.

Mr. WARREN. I ask that the reading of the bill be proceeded with.

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

The VICE PRESIDENT. The Secretary will call the roll.

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

Ashurst	Harris	Nelson	Robinson
Brandegee	Heflin	Newberry	Sheppard
Cameron	Hitchcock	Norris	Underwood
Capper	Johnson	Oddie	Walsh, Mont.
Caraway	Jones, Wash.	Overman	Warren
Curtis	La Follette	Page	Watson, Ga.
France	Lodge	Poindexter	Williams
Hale	McKinley	Pomerene	Willis

Mr. CURTIS. I was requested to announce that the Senator from North Dakota [Mr. McCUMBER], the Senator from Utah [Mr. Smoot], the Senator from Vermont [Mr. DILLINGHAM], the Senator from Connecticut [Mr. McLEAN], and the Senator from New York [Mr. CALDER] are detained at a meeting of the Committee on Finance.

Mr. UNDERWOOD. I wish to announce the absence of the Senator from South Carolina [Mr. DIAL], on account of illness.

The VICE PRESIDENT. Thirty-two Senators have answered to their names. A quorum is not present. The Secretary will call the roll of absentees.

The reading clerk called the names of the absent Senators, and the following Senators answered to their names when called:

Harrel	Keyes	McNary	Stanfield
Kendrick	Ladd	Spencer	Weiler

The following Senators entered the Chamber and answered to their names:

Ball	Fletcher	Phipps	Sterling
Colt	Kellogg	Simmons	Swanson

Mr. FLETCHER. My colleague [Mr. TRAMMELL] is unavoidably absent. I will let this announcement stand for the day.

The following Senators entered the Chamber and answered to their names:

Bursum	Ernst	King	Sutherland
Culberson	Glass	Stanley	

The VICE PRESIDENT. Fifty-five Senators having answered to their names, there is a quorum present.

ADDRESS BY SENATOR PEPPER—MICHIGAN SENATORIAL ELECTION.

Mr. ASHURST. Mr. President, the able junior Senator from Pennsylvania [Mr. PEPPER] is reported to have delivered a speech at the Albany County Republican Club last evening. I would devote no attention to the speech if it were delivered by other than a Member of this body, but I can not believe he was correctly quoted in the morning papers, because I remember that when the junior Senator from Pennsylvania was appointed the organ of reform, the Philadelphia North American, commenting on the appointment, carried an editorial headed "Thank God!" So, evidently the junior Senator from Pennsylvania has been misquoted. I have, however, examined five or six different newspapers, two of them being Philadelphia newspapers, and they all carry the same dispatch. So I will let the junior Senator from Pennsylvania when he arrives tell the Senate whether or not he is correctly quoted when he is reported to have spoken as follows:

I am happy to be the bearer of greetings from Republicans in Pennsylvania to a loyal and representative group of Republicans of the Empire State.

It is to be regretted that this greeting could not be given to you by one whose proved service to the Nation and to the party was itself a passport to your esteem. If either of those two great leaders in whose shadow I stand were here to deliver the message, I realize that it would be far more worthily presented. A greeting by Senator Knox or Senator Penrose would be a far more fitting tribute to your own beloved leader, William Barnes.

But you must take me as I am—a new man in public life—the newest Member of the Senate of the United States, uncontested as yet by the trying experience of public service; a man who has his spurs yet to win, but who is terribly in earnest in his determination to win them; a man who has every incentive to strenuous effort, including the friendship of the colleague who bore me my invitation, the distinguished senior Senator from New York, JAMES W. WADSWORTH, Jr., and possessing also the trust and confidence of the man whose political heroism put me where I am, the rightful leader of the Republican Party in Pennsylvania, William Cameron Sproul.

He then proceeds to discuss the issues of the day, following which he adverts to a subject which was decided two days after he took the oath of office here. I would not be so offensive as to assume that the Senator from Pennsylvania voted without examining the record in the Newberry case, which consists of 2,000 pages; he had two days in which to do it, and it can be done in two days. Discussing the Newberry case, the Senator is reported to have spoken as follows:

I now mention an example of individual courage. I refer to the action of those Republican Senators who steadfastly refused to be terrorized into voting to expel from the Senate the man who had been sent there by a clear majority of the voters of his State. When you realize the success attained by Senator NEWBERRY's implacable enemy in misstating the issue to the public, when you realize how millions of good people in this country had been fooled by Ford's insidious publicity into believing that not they themselves but the Michigan electorate had been duped, you will understand that it took no small degree of courage to face public moral condemnation, which was as vehement as it was unjust.

And in this test of moral courage every single Democrat in the Senate was found wanting. Not one soul was man enough to vote in accordance with his convictions.

"Not one soul was man enough to vote in accordance with his convictions."

They mouthed about the honor of the Senate and the integrity of the individual, and then they proceeded to tarnish that honor and impair that integrity by voting like a flock of sheep. Every single

Democrat voted slavishly to dishonor his own colleague for what an unimpeachable majority of the people of Michigan had done when, with full knowledge of all the facts, they freely registered their preference for Senator NEWBERRY.

Mr. President, it can not be that the junior Senator from Pennsylvania has been correctly quoted. I believe he is a man of courage. I have had opportunity within the past 8 or 10 years to be in Philadelphia and to know the people with whom the new Senator associates. They are a moral, upright, and courageous people. His attitude and demeanor since he took his seat here have been the attitude and demeanor of a gentleman. Therefore he must have been misquoted when he imputes dishonor to every Democratic Senator. Had he spoken those words upon the floor of the Senate, the gavel of our distinguished Vice President would have called him to order, and he could not again have opened his mouth until the Senate bade him proceed. I regret he is not here this morning, but I know when he arrives he will either avow or disavow this alleged speech.

This report of the speech makes him say that every single Democratic Senator acted dishonorably in their votes in the Newberry case. I call attention to the fact that eight Republicans voted with the Democrats. If the Democrats impaired their integrity when they cast those votes, then WILLIAM E. BORAH violated his conscience when he voted the same as did Members on this side of the Chamber; ARTHUR CAPPER stained his soul if the Democrats did; and JONES of Washington placed upon his conscience a stain if the Democrats did.

Mr. ROBINSON. Will the Senator yield to me?

Mr. ASHURST. I yield.

Mr. ROBINSON. Evidently the President did not feel that way about it, because he appointed one of the Senators who voted as did the Democrats, the Senator from Iowa [Mr. KENYON], to a seat on the United States circuit court bench.

Mr. ASHURST. Mr. President, one of the most powerful speeches delivered in the Senate in opposition to seating Mr. NEWBERRY was the speech of the junior Senator from Iowa [Mr. KENYON].

Mr. CARAWAY. Will the Senator from Arizona yield to me?

Mr. ASHURST. Yes.

Mr. CARAWAY. And the junior Senator from Pennsylvania voted to ratify and confirm the appointment of the Senator from Iowa.

Mr. ASHURST. Yes.

Mr. President, the Senator from North Dakota [Mr. LADD] voted to exclude the sitting Member, Mr. NEWBERRY; that dauntless man from Wisconsin, who has stood up manfully under the most terrific flail of abuse that ever a public man received [Mr. LA FOLLETTE], voted to exclude the sitting Member; the Senator from South Dakota [Mr. NORBECK] voted to exclude Mr. NEWBERRY; and the Senator from Nebraska [Mr. NORRIS], whom I will here designate as the most useful man in public life, voted to exclude Mr. NEWBERRY.

So I regret that the public press should carry a statement attributed to the junior Senator from Pennsylvania as having said that every Democrat violated his honor and violated his conscience when he voted to exclude the sitting Member from Michigan.

But, Mr. President, it is well to recur to the record in this case. Two days after the junior Senator from Pennsylvania took his seat he voted for the following resolution:

*Resolved*, \* \* \* That whether the amount expended in the primary was \$195,000, as was fully reported and openly acknowledged, or whether there were some few thousand dollars in excess, the amount expended was in either case too large, much larger than ought to have been expended.

The expenditure of such excessive sums in behalf of a candidate, either with or without his knowledge and consent, being contrary to sound public policy, harmful to the honor and dignity of the Senate, and dangerous to the perpetuity of a free government, such excessive expenditures are hereby severely condemned and disapproved.

Eight Republicans and the Senators on this side voted to refuse a seat to a man who was the beneficiary of such methods, and yet the morning newspapers make the junior Senator from Pennsylvania say that the Democrats stained their conscience with dishonor because they refused to seat a man whose election had been brought about by the methods which it has been disclosed were employed.

The junior Senator from Pennsylvania on the roll call voted for that resolution, which declared that such methods as were employed in the Newberry case were harmful to the honor and dignity of the Nation, and the morning newspapers make the junior Senator from Pennsylvania say that those who voted to put the seal of disapproval on such methods have stained themselves with dishonor.

Mr. President, that is all I have to say at this time in connection with this matter. I do not believe that GEORGE WHAR-

TON PEPPER uttered any such speech. He is not present this morning, and is entitled to the benefit of the doubt.

Mr. CARAWAY. Mr. President—

Mr. ASHURST. I yield to the Senator from Arkansas.

Mr. CARAWAY. May I ask the Senator what sort of an apology the Senator from Arizona is going to make if he finds out that the junior Senator from Pennsylvania did say what he is quoted to have said?

Mr. ASHURST. In the absence of the junior Senator from Pennsylvania, I am not going to say as to that; but, possibly, I will have something more to say later in connection with this case. The public press carry a dispatch that a Senator has said that I have been guilty of something dishonorable and that every Senator on this side has acted dishonorably and cowardly. I do not propose, first, that the newspapers shall carry such items without having their accuracy inquired into, and, if such a statement has been made, then I shall know what judgment to make of the recruit.

Mr. SPENCER. Mr. President—

Mr. ASHURST. I yield to the Senator from Missouri.

Mr. SPENCER. Mr. President, I do not wonder that the Senator from Arizona, who is my good personal friend and who is a man of the highest character and greatest charm, should be a bit oversensitive about the vote in the Newberry case. I am free to say that the more I look into it and I believe the more that the country looks into it the more inconceivable it is how any man of the unquestioned high character of the Senator from Arizona could ever have voted as he did.

I only suggest at this moment that while it is entirely to be understood that one might be a little sensitive about criticism of such a vote as the Senator from Arizona and his colleagues upon the other side of the Chamber gave in that case, nevertheless the junior Senator from Pennsylvania is not in the Chamber—

Mr. ASHURST. I have already made that observation.

Mr. SPENCER. And undoubtedly he is fully able to take care of himself without any assistance. Undoubtedly everything that he said he will stand by.

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

Mr. SPENCER. I am not quite through. I suggest that the time is a bit premature, and yet I want again to say how cordially I sympathize with the Senator from Arizona in his anxiety over any criticism of his vote, because I know the Senator was wrong, and I hope the time will come when the Senator will be able to see as clearly as I believe the country is seeing more and more how unjust and unfair and unwarranted and inexplicable, from the standpoint which the Senator occupies as a man of distinction and ability, such a vote as he cast was.

Mr. ROBINSON. Mr. President, will the Senator from Arizona yield to me?

Mr. ASHURST. I yield to the Senator from Arkansas.

Mr. ROBINSON. I desire to ask the Senator from Missouri a question. Does the Senator from Missouri approve the remarks attributed by the press to the junior Senator from Pennsylvania, and quoted by the Senator from Arizona?

Mr. SPENCER. I was not in the Chamber when the remarks were read. I do not know what the junior Senator from Pennsylvania said, and I should not be willing to pass opinions upon a newspaper report in the absence of the man himself. If the junior Senator from Pennsylvania characterized in gentlemanly and parliamentary language, as I know he would, the unfortunate and misguided and unfounded action of the Democratic side with regard to the Newberry case, I should indorse it unqualifiedly. I have done precisely the same thing myself, and I hope to have the opportunity many times to do that thing.

Mr. ROBINSON. Mr. President—

Mr. ASHURST. I yield.

Mr. ROBINSON. The Senator from Missouri has illustrated the inadvisability of speaking here when one is totally unfamiliar with the question at issue. The Senator from Missouri usually discloses some familiarity with the subject concerning which he speaks. On this occasion he has demonstrated a total ignorance of the matter under discussion by the Senator from Arizona. The Senator from Arizona has read press reports of a speech which is alleged to have been delivered by the junior Senator from Pennsylvania, characterizing in distinctly unparliamentary language the acts of all Senators who voted against seating the Senator from Michigan [Mr. NEWBERRY]. The Senator from Pennsylvania [Mr. PEPPER] will, of course, be afforded an opportunity either to affirm or to repudiate that press report.

The Senator from Missouri [Mr. SPENCER], in what I take to be one of his characteristic efforts at humor, has expressed sympathy for Senators who voted against seating the Senator

from Michigan [Mr. NEWBERRY]; yet it is true, Mr. President, that in the very resolution which secured the Senator from Michigan his seat in this body a shameful, humiliating, and ignoble declaration is made—a declaration that casts a stain upon the title of the Senator from Michigan to his seat; a declaration that the methods by which he has acquired that seat are to be condemned; that the methods by which he obtained that seat are contrary to public policy, subversive of free government, and destructive of the honor and dignity of the Senate. When the Senator from Missouri votes for a resolution containing that declaration he is welcome to take all the pleasure he can derive from my vote, cast in an honest compliance with what I believe to be my duty to the Senate of the United States and to the people of this country. I decline to make a silly jest of a matter of such importance.

Mr. ASHURST. Mr. President, I have reflected on the question as to whether or not I should advert to the matter in the absence of the junior Senator from Pennsylvania, and since the junior Senator from Missouri has come into the Chamber I will repeat what I said. I am familiar with some of the acts of public life of the junior Senator from Pennsylvania, who to-day bears an excellent reputation. That he is a charming orator no man can doubt. That he is a scholar and a Christian gentleman no man doubts. Hence, as I said before the junior Senator from Missouri came into the Chamber, I was not prejudging this case. I was only calling attention to the fact that the Philadelphia papers, one Washington paper, and other papers carried the same dispatch, to wit, that the junior Senator from Pennsylvania, in the course of a speech given at Albany, at which Mr. William Barnes was present, had seen fit, so the papers say, to apply opprobrious epithets to his own colleagues; had seen fit, so the papers say, to charge them with moral cowardice and with dishonor. I am simply saying that I expect and believe, I have so much confidence in the mental fairness of the Senator from Pennsylvania [Mr. PEPPER] that I believe that when he arrives here he will at once seek recognition and disavow the alleged speech. If he says "I said it," we can quarrel that out here; so I am not drawing any conclusions or making any condemnation at this time.

Let me read again, for the information of the Senator from Missouri, what the junior Senator from Pennsylvania is alleged to have said.

The junior Senator from Pennsylvania [Mr. PEPPER] is alleged by the papers of the country this morning to have said that a certain vote was a test of statesmanship and then that the Newberry vote was a test of moral courage. Now, I am not much given to thrashing old straw. The Senate, by a solemn vote, decided the Newberry case, and it was ended so far as I was concerned; and there is no man who would stand in my presence and say that I tried to make any miserable political capital out of the blood of a fellow Member of the Senate, because if some man, big or little, said that to me he would receive something else than words, because his words would be foully false.

In addition to that, I feel justified this morning in saying that I have never by any insinuation charged a Member of the majority with an improper motive in any vote that he cast on the Newberry case. On this side we have been accused of partisanship in the Newberry case. Now, the papers say that Democratic Senators are accused of dishonor and of staining our souls with the crime of voting to turn out a fellow Member simply because of partisan prejudice. I am willing to believe that the votes in the Newberry case on your side, sirs, were cast because you believed you were right; but you have not the manhood over there, it seems—I do not go outside the Chamber to say this—you have not the manhood to say that Senators on this side voted for what they thought was right? It is eternally dinned in the public ear that we are voting for policies. Let the Democratic Party lose forever if it must win on the blood of some innocent citizen.

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

Mr. ASHURST. I yield, with pleasure.

Mr. KING. I suggest to my friend from Arizona that on the other side there were a number of distinguished Senators, some of whom I see in the Chamber this morning—the Senator from Washington [Mr. JONES], the Senator from Nebraska [Mr. NORRIS], and of course the Senator from Idaho [Mr. BORAH], and other Republicans—who voted against seating Mr. NEWBERRY. If the Senator from Pennsylvania is quoted accurately, then he charges with dishonor Senators of honor and integrity upon his own side.

Mr. SIMMONS. Mr. President, if I may interrupt the Senator, I do not think anyone on this side of the Chamber who voted against Mr. NEWBERRY is in need of any defense.

Mr. ASHURST. Will the Senator listen to the statement that has been published in the morning papers?

Mr. SIMMONS. Let me add that the reason why these charges are made upon the other side is because they have to get an excuse for their position, and this is their defense.

Mr. STANLEY. It is as good a one as they have.

Mr. SIMMONS. Yes. The excuse is that we voted corruptly.

Mr. ASHURST. It is unpleasant to thrash old straw, but the Senate now occupies a position that it shall not continue to occupy without my protest.

On the day when the unknown soldier was buried, where was the United States Senate? Patriotically, we came here at an early hour to take part in those sad yet beautiful exercises. We went out upon the portico. There we were told that the governors of the States would take the first place—very well; that the Justices of the Supreme Court would then take their place in the line—very well; then that the Cabinet ministers would take their place ahead of Senators in the line—very well; that the Assistant Secretaries of State and chiefs of bureaus should then take their place—very well; that the stenographers of the Cabinet ministers and the messengers to the Cabinet ministers should then take their place in the line of march; and then the Senators should take their places.

We took our places without murmuring, our sense of duty and propriety caused us to decline to object or make a complaint at that time. It would have been indecent under the circumstances if we had protested against the indignity that was offered to the Senate upon that occasion when the indignity was offered to us the War Department—

Mr. STANLEY. Mr. President—

Mr. WARREN. Mr. President, I rise to a point of order.

The VICE PRESIDENT. The Senator will state his point of order.

Mr. WARREN. This is leading to debate that is entirely out of order until the bill is read. Senators insisted upon the bill having the formal reading, and under our rules nothing can intervene until that reading is completed.

The VICE PRESIDENT. The regular order is the reading of the bill.

Mr. WARREN. I ask for the regular order.

The VICE PRESIDENT. The regular order is the pending appropriation bill.

#### EXECUTIVE AND INDEPENDENT OFFICES APPROPRIATIONS.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 9981) making appropriations for the Executive and for sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1923, and for other purposes.

The VICE PRESIDENT. The bill will be read.

Mr. KING. Mr. President, may I inquire of the Senator having the bill in charge whether in his reference to a demand being made for the reading of the bill he alludes to a statement made by the junior Senator from Utah yesterday?

Mr. WARREN. The junior Senator from Utah objected to a unanimous-consent agreement, which, of course, forced the reading of the bill, and it is about to be read as the Senator insisted should be done.

Mr. KING. Mr. President, I hope the Senator from Wyoming will do me the courtesy to state, or at least to believe, that the demand for the reading of the bill was merely because of the lateness of the hour, it then being half past 5.

Mr. WARREN. The Senator undertook to make the Senate sit still later by asking to have it read twice. That is the fact.

Mr. KING. If the Senator is going to insist, very well. I was about to withdraw my request. I rose merely to ask the Senator whether he considered the attitude of the Senator from Utah yesterday as a request for the reading, and I was going to withdraw that if he so considered; but if the Senator desires to be offensive—

Mr. WARREN. The Senator was very slow, after he came in, about withdrawing his request. The matter of these appropriation bills is nothing to me personally, but they have to be passed. There must be some time when they can be considered, and if the Senator insist on his right to object to a unanimous-consent agreement to do away with the formal reading, I, of course, submit with perfect good nature and ask that it may be done. When that is done we can proceed, then, in regular order, and if there is debate, it may occur; but certainly it can not occur in order when the first formal reading of the bill is in progress.

Mr. KING. If I may be permitted one moment, I resent the statement made by the Senator that there was any indication of delay upon my part in withdrawing my request for the read-

ing of the bill when I came into the Chamber to-day. When I came into the Chamber the Senator from Arizona had the floor. I did not know what had preceded my entrance into the Chamber; so I deny the implication carried in the words of the Senator from Wyoming. The Senator from Wyoming seems to think that he has a preeminent right here, a right of way for everything. I withdraw my request.

Mr. WARREN. Mr. President, the Senator knows I am not insisting upon any right not possessed by him and every other Senator. As I understand, the Senator has withdrawn the objection to a unanimous-consent agreement that we may omit the formal reading and proceed with the reading of the bill for amendment, the committee amendments to be first considered.

Mr. ASHURST. Mr. President, I shall finish in a very few moments.

Mr. WARREN. What I did intend to say to the Senator was that the reading should be first attended to. Have I consent to dispense with the formal reading of the bill?

The VICE PRESIDENT. Is there objection to dispensing with the formal reading of the bill? The Chair hears none.

Mr. STANLEY. Mr. President—

The VICE PRESIDENT. Does the Senator from Arizona yield to the Senator from Kentucky?

Mr. ASHURST. I yield, but I want to conclude in a few minutes.

Mr. WARREN. Mr. President, the bill is now up for consideration, and I assume that if Senators address the Chair or address the Senate, their remarks will be directed to the bill, and that the latitude usually taken by Senators will be taken.

Mr. SIMMONS. The Senator has no right to impose any such condition.

Mr. HEFLIN. Mr. President, I give notice that I am going to speak on another subject, and I am going to speak quite soon, or we will have a quorum here all day, and I will speak all day at different times. I have postponed speaking for two days in order to allow some important legislation to be passed.

Mr. WARREN. Mr. President, the Senators evidently misunderstand me. The question is whether there is an appropriation bill before the Senate or not, and a Senator probably can indulge in the liberty that so often entertains the Senate and speak on another subject. But, of course, he must recognize that it is during the consideration of an appropriation bill.

Mr. HEFLIN. I misunderstood the Senator. I give notice that I shall speak on another subject.

#### ADDRESS BY SENATOR PEPPER—MICHIGAN SENATORIAL ELECTION.

Mr. STANLEY. Mr. President—

Mr. ASHURST. I yield to the Senator from Kentucky.

Mr. STANLEY. The Senator from Arizona has very pertinently and very properly commented upon the disposition to relegate the legislative department of this Government to that subordinate position in the public eye which it actually occupies in the transaction of the public business. Is the Senator surprised that the time has come when the heads of departments, when chief clerks in bureaus, who are really running this country, should advise this formal, stately, and comparatively innocuous assembly to go away back and sit down when there is something doing in the public eye? There was a time when, pursuant to the provisions of the Constitution of the United States, we enacted laws, and those laws governed the country. To-day we are more and more a mere conduit by which the constitutional power vested in us by the people is quietly and silently conveyed to various bureaus who run the country. This is not a government of laws any longer; it is a government of regulation, and why not let the rulers of the country have the first place on a great occasion of that kind, and let these little Senators, who once occupied a position of power, get in wherever they can?

Mr. ASHURST. Mr. President, when I was interrupted some time ago I was pointing out that on the day when the beautiful and sad services in honor of the unknown dead were had in this city, Senators, through some mistake or through some willful, deliberate attempt to insult the Senate, were relegated to the rear, but that the Senate was composed of men of good manners, and they declined at that time to notice the insult cast upon them by the War Department, and they declined to scramble and mar the symmetry of such beautiful exercises. Hence they took their places and marched behind the bureau chiefs et al.

We are all proud of the Senate. There is not a youth in the land but who hopes he may sometime have an opportunity either to be a Member of the Senate or to sit in its galleries and hear Senators discuss those questions which deal with the sovereignty of 48 States and the ever-present and complex propositions of State and national sovereignty; but surely the Senate

will not pass by and ignore a report wherein it has been alleged that some Member has charged nearly half of the membership with dishonor, cowardice, and with a partisanship so rank and so venomous that they are incapable of doing their duty on a great moral question. Let me read again the article referred to, because the junior Senator from Missouri has asked for the reading of it, and I read it to him. The report alleges that the junior Senator from Pennsylvania said:

And in this test of moral courage every single Democrat in the Senate was found wanting. Not one soul was man enough to vote in accordance with his convictions. They mouthed about the honor of the Senate and the integrity of the individual; and they then proceeded to tarnish that honor and impair that integrity by voting like a flock of sheep. Every single Democrat voted slavishly to dishonor his own colleague for what an unimpeachable majority of the people of Michigan had done when, with full knowledge of all the facts, they freely registered their preference for Senator NEWBERRY.

Mr. President, the junior Senator from Missouri, who does me the honor to listen to these remarks, having made the report in the Senate from the Committee on Privileges and Elections, according to the custom of the Senate, had charge of the Newberry case. He has spoken several times. He spoke ably. He gave himself a new dignity as a Senator; but I never heard from him the charge that those who did not agree with him on this great question stained themselves with dishonor. In the most heated conflicts, when the blood is running riot and when we are in clashing debate, I never heard him say, even in the moment of heat or anger or resentment, that anybody on this side or on any other side who did not agree with him was guilty of dishonor. So I trust that Senators will not feel impatient when I rise to speak on a question which I conceive to be of importance. Have you from North Carolina, sir, have you from Kentucky, have you from Alabama, have you, sir, from Utah, have you from Texas, has any Senator descended to such an estate that he can be told by the public press that a fellow Senator has said that he was guilty of dishonor when he voted his convictions?

The dignity and honor of this Senate will be maintained. When you open the door to your breasts and consult that monitor which all men carry—your conscience—you will say you do not believe that the Senator from Pennsylvania made that speech; and if he did make it, he should not have made it.

Mr. SIMMONS. Mr. President—

The VICE PRESIDENT. Does the Senator from Arizona yield to the Senator from North Carolina?

Mr. ASHURST. I yield.

Mr. SIMMONS. I think the record in this case shows that there were enough Senators on the other side of the Chamber who agreed with our position with reference to this matter to have made the seating of NEWBERRY impossible, and they only secured success in their schemes for keeping him in this body by the adoption of a stultifying resolution.

Mr. ASHURST. That is pretty severe.

Mr. SIMMONS. I mean to say that those who believe he was not entitled to his seat under the circumstances are not confined to this side of the Chamber; and I mean to say that there were enough on the other side of the Chamber, if I am advised correctly, who would have joined with us in our action but for a stultifying resolution which was adopted in order to get their votes.

Mr. ASHURST. In view of the resolution adopted by the majority, declaring that the methods used to procure the election of the junior Senator from Michigan were subversive of public liberty and were against the national honor, it does not lie in the mouth of any Senator on the other side to accuse us of dishonor when we vote to refuse a seat to the beneficiary of such methods.

Talk about Lorimerism. William Lorimer stood three days in that aisle and delivered a speech which I well remember. It brought tears to the eyes of spectators and of Senators alike. Had such a preamble as was attached to the Newberry resolution been attached to the Lorimer resolution, Lorimer would have torn it into pieces and flung it into the face of the one who introduced it, even though it would have seated him to accept it. I repeat, it does not lie in the mouth of anybody on the other side to charge the Democratic Senators and eight Republicans with dishonor simply because they do not agree with a majority on a great question which ought not to be partisan.

Mr. President, I ask unanimous consent to include in the Record, in 8-point type, in parallel columns, the resolution seating the sitting Member from Michigan and the alleged speech of the junior Senator from Pennsylvania, so far as it refers to the Newberry case. May I have that permission, and may the Public Printer be directed to print the two in parallel columns?

The VICE PRESIDENT. Is there objection?

Mr. SPENCER. I hope the Senator will not press his request. The newspaper clipping which he has is premature. If the Senator will modify his request to insert in parallel columns the resolution to which he refers and the full statement or full speech of the junior Senator from Pennsylvania, which can easily be obtained, I think there will be no objection.

Mr. ASHURST. I believe the Senator is right. I will therefore ask unanimous consent to insert in the Record what has just been furnished to me as the speech of our colleague, Mr. PEPPER. I read the legend:

For release 10 p. m., February 8.—Remarks of GEORGE WHARTON PEPPER, junior Senator from Pennsylvania, at dinner of the Albany County Republican organization, February 8, 1922.

I do not know that this actually is the speech of the Senator. There has been furnished to me purporting to be a copy given to the press. I ask unanimous consent to include in the Record this purported or alleged speech, and opposite the paragraph wherein the junior Senator from Pennsylvania is alleged to have talked of the Newberry case, I ask unanimous consent to insert the resolution adopted in the Newberry case.

Mr. JONES of Washington. Mr. President, may I ask the Senator from Arizona a question?

Mr. ASHURST. Certainly.

Mr. JONES of Washington. Has the Senator compared the clipping with the paper that he holds in his hand, and does he find that the newspaper correctly quotes the paper given to the press for release?

Mr. ASHURST. No; I have not. I think that is a wise observation. I will therefore ask the Secretary to read that portion of the alleged speech of Senator PEPPER whilst I compare it. I will ask the Secretary to begin with the last paragraph of the alleged speech, on page 1, and we will now compare and see whether the speech given to the press gallery compares or tallies with the speech that was published.

The VICE PRESIDENT. Without objection, the Secretary will read as requested.

The reading clerk read as follows:

That is an illustration of party loyalty. I now mention an example of individual courage. I refer to the action of those Republican Senators who steadfastly refused to be terrorized into voting to expel from the Senate the man who had been sent there by a clear majority of the voters of his State. When you realize the success attained by Senator NEWBERRY's implacable enemy is misstating the issue to the public—when you realize how millions of good people in this country had been fooled by Ford's insidious publicity into believing that not they themselves but the Michigan electorate had been duped—you will understand that it took no small degree of courage to face public moral condemnation, which was as vehement as it was unjust. And in this test of moral courage every single Democrat in the Senate was found wanting. Not one soul was man enough to vote in accordance with his convictions. They mouthed about the honor of the Senate and the integrity of the individual and then they proceeded to tarnish that honor and impair that integrity by voting like a flock of sheep. Every single Democrat voted slavishly to dishonor his own colleague for what an unimpeachable majority of the people of Michigan had done when with full knowledge of all the facts they freely registered their preference for Senator NEWBERRY.

Mr. ASHURST. That is all I care to have read.

Mr. JONES of Washington. Mr. President, will the Senator allow me to ask the Senator from Missouri a question?

Mr. ASHURST. Certainly.

Mr. JONES of Washington. I wish to ask whether the Senator from Missouri endorses that?

Mr. SPENCER. Mr. President, I do not believe, any more than the junior Senator from Pennsylvania believes—and I dare speak for him—that the Senators upon the other side of the Chamber are less honorable than the Senators on this side of the Chamber. The junior Senator from Pennsylvania, if Senators will read that language in the light of the circumstances around it, says no such thing as the Senator from Arizona seems to read into it. I believe that any man who voted to put the badge of eternal dishonor upon a colleague was branding himself, his own honor, by such an act.

Mr. KING. Mr. President—

Mr. SPENCER. Not yet. That does not mean that the man who voted through lack of information or for any one of a thousand other reasons is himself a dishonest man; but I do say to the Senator from Washington, who asked me the question, that any man who could vote to put upon his colleague a brand of eternal dishonor branded his own honor by the act. By that I do not mean that the man himself is a man of dishonor; I do not mean that the man is a dishonorable man, but I mean that that act reflects upon the man who thus voted and not upon the man against whom he voted. I do not want to quibble with words.

Mr. KING. Mr. President—

Mr. ASHURST. I yield to the Senator from Utah.

Mr. KING. The Senator from Missouri has quibbled with words and is guilty of a casuistry that is not worthy the distinguished Senator. His statement just made deliberately is

worse, in my opinion, than the statement attributed to the junior Senator from Pennsylvania. The junior Senator from Missouri has now branded every man who voted to unseat Mr. NEWBERRY as dishonorable and as guilty of dishonor, and the Senator from Missouri, I deliberately charge here, has made a more serious charge against his colleagues than was made by the junior Senator from Pennsylvania.

Mr. ASHURST. Mr. President, the Senate will now understand that I have caused to be read the alleged speech of the Senator from Pennsylvania, so far as it relates to the Newberry case. It tallies with the report which appears in the press dispatches of the Philadelphia Ledger, a reputable journal. I do not know its party politics, but it is a journal of wide circulation.

I now conclude my remarks, with the understanding that I have secured permission and that the Public Printer is directed to print the alleged speech in the RECORD, and opposite to and parallel with the paragraph relating to the Newberry case there is to be printed the resolution adopted by the Senate seating the sitting Member [Mr. NEWBERRY], and the roll call as well.

The VICE PRESIDENT. Is there objection to the request of the Senator from Arizona?

Mr. SPENCER. I have not a particle of objection; in fact, I can see the desirability of printing in full the speech which the junior Senator from Pennsylvania made.

Mr. ASHURST. Is alleged to have made.

Mr. SPENCER. Is alleged to have made, and I have no doubt that the copy which the Senator from Arizona produces is in all probability a true copy. It comes with the earmarks, coming from the press, of an advance copy of the speech.

Mr. ASHURST. I am glad the Senator says that, because it gives me a feeling that I am not doing wrong in presenting it for the RECORD.

Mr. SPENCER. I think it has all the earmarks of authenticity.

Mr. ASHURST. It may be.

Mr. SPENCER. I have no objection whatever to incorporating in the RECORD the resolution in connection with the Newberry case, and the vote. In fact, I am proud of the vote, and the more often these two things are incorporated in the RECORD, the better I shall be pleased. But I suggest to the Senator that, aside from the typographical difficulty of the case, it is not quite fair to arrange them in any particular artistic arrangement. Let what the Senator wants precede the resolution, but do not let us draw a diagram of argument and insert in parallel columns in a partisan address something that is not directly concerned with the address.

Mr. ASHURST. No; there is a paragraph in the speech of the Senator from Pennsylvania which charges eight Republicans, as I construe it, and a number of Democrats, with dishonor. It charges them with a base and servile act. It charges them with having voted contrary to their consciences. It charges them with having voted as a flock of sheep on the most important question that can come before the Senate, to wit, the right of a sitting Member to a seat or of a man claiming the right to a seat. We are alleged to have been charged by a Member of this body with an act of dishonor, an act which, if true, should make our names a hissing and a byword throughout the Nation. There is a charge of a specific act of infamy; I want the country and the Senate to know what it was we did that put upon us this stain of dishonor. We are charged with this dishonor because we voted to unseat a man whom you yourselves say procured the election by means subversive of public liberty and national honor.

I ask again for unanimous consent to print in the CONGRESSIONAL RECORD in parallel columns that paragraph from the alleged speech of the junior Senator from Pennsylvania making the charge and opposite that what we really did. I am not seeking the niceties and artistic appearance of the RECORD. I want the charge to appear. I want the act upon which the charge is predicated to appear, and to appear opposite in parallel columns, so that when FURNIFOLD MCLENDEN SIMMONS's constituents read that he has been guilty of dishonor, when THADDEUS H. CARAWAY's constituents read that he has been guilty of dishonor, when the constituents of that man who possesses as much greatness of heart and brain as any man this Republic ever produced, WILLIAM E. BORAH, read that he has been guilty of an act of dishonor, they can turn to the other column and see what that act was. When the constituents of the useful and able Senator from Washington, Mr. JONES, read that he has been guilty of an act of dishonor, let them, without thumbing through many pages, cast their eye over one column and see what it is he did that brought upon him this merciless flailing.

I think the Senate should grant me the right to direct the Public Printer to print in parallel columns the charge of dishonor made against us, and our reply, the resolution upon which we voted. The junior Senator from Missouri ought to withdraw his objection and let it be printed in the RECORD in that way.

Mr. SIMMONS. Mr. President, I wish to ask the Senator, in addition to what he has said about having to resort to the adoption of a stultifying and dishonoring resolution, if he does not know the fact, and it is a very significant fact in connection with this charge of partisan motives on this side of the Chamber, that the administration and all the forces of the Republican Party had to bring to bear all possible pressure from every direction in order to get enough Republican votes to seat Mr. NEWBERRY.

Mr. ASHURST. Mr. President, I renew my request.

Mr. SPENCER. I can not see in it any useful purpose, and I conceive it to be a bad precedent for the Senate to direct the typographical arrangement of material in the RECORD. I hope the Senator will print the full address of the junior Senator from Pennsylvania; I shall be glad to have him print the entire resolution; but I object to the designation as to the arrangement which the Senator from Arizona suggests.

Mr. ASHURST. Then, Mr. President, I move that the Public Printer be directed to print in the RECORD, in 8-point type, the alleged speech of the Senator from Pennsylvania [Mr. PEPPER], and that directly opposite the paragraph charging Democratic Senators with dishonor the Public Printer be directed to print, in the opposite column, the resolution adopted seating the sitting Member, TRUMAN H. NEWBERRY. On that I ask for the yeas and nays.

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

The VICE PRESIDENT. The Secretary will call the roll.

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

Ashurst	Harris	Norris	Stanfield
Ball	Heflin	Oddie	Swanson
Brandegee	Jones, N. Mex.	Overman	Underwood
Capper	Jones, Wash.	Page	Wadsworth
Caraway	Kendrick	Phipps	Warren
Colt	Keyes	Poindexter	Watson, Ga.
Culberson	King	Pomerene	Weller
Fernald	Ladd	Ransdell	Williams
Fletcher	La Follette	Robinson	Willis
France	Lodge	Sheppard	
Glass	McKinley	Simmons	
Hale	McNary	Spencer	

The VICE PRESIDENT. Forty-five Senators have answered to their names. A quorum is not present. The Secretary will call the names of the absent Senators.

The Assistant Secretary called the names of the absent Senators and the following Senator answered to his name when called:

Hitchcock

The following Senators entered the Chamber and answered to their names:

Borah	Calder	Kellogg	McCormick
Eroussard	Ernst	Kenyon	Moses
Bursum	Gerry	Lenroot	Sutherland

The VICE PRESIDENT. Fifty-eight Senators have answered to their names. A quorum is present.

Mr. ASHURST. Mr. President, when a quorum was called I had moved that there be printed in the RECORD the alleged speech of the junior Senator from Pennsylvania; and I further moved that directly opposite the paragraph wherein he charged certain Senators with dishonor there be printed the resolution adopted by the Senate seating Mr. NEWBERRY, but upon reflection it occurs to me that I ought to withhold that motion until the junior Senator from Pennsylvania is present to avow or disavow the speech. Hence I will ask permission to defer the motion until the junior Senator from Pennsylvania shall have had an opportunity to avow or disavow the correctness of the speech which I have asked be inserted in the RECORD this morning. Mr. President, have I permission to insert the alleged speech in the RECORD? Is that understood?

The VICE PRESIDENT. Is there objection? The Chair hears none.

The speech referred to is as follows:

REMARKS OF GEORGE WHARTON PEPPER, JUNIOR SENATOR FROM PENNSYLVANIA, AT DINNER OF THE ALBANY COUNTY REPUBLICAN ORGANIZATION, FEBRUARY 8, 1922.

I am happy to be the bearer of greetings from Republicans in Pennsylvania to a loyal and representative group of Republicans of the Empire State.

It is to be regretted that this greeting could not be given to you by one whose proved service to the Nation and to the party was itself a passport to your esteem. If either of those two great leaders in whose shadow I stand were here to deliver the message I realize that it would

be far more worthily presented. A greeting by Senator Knox or Senator Penrose would be a far more fitting tribute to your own beloved leader, William R. Barnes.

But you must take me as I am—a new man in public life—the newest Member of the Senate of the United States—untested as yet by the trying experience of public service—a man who has his spurs yet to win, but who is terribly in earnest in his determination to win them. A man who has every incentive to strenuous effort, including the friendship of the colleague who bore me your invitation, the distinguished senior Senator from New York, JAMES W. WADSWORTH, Jr., and possessing also the trust and confidence of the man whose political heroism put me where I am, the rightful leader of the Republican Party in Pennsylvania, William Cameron Sprout.

It has always been a great thing to be a Republican; but it is especially satisfying to be a Republican to-day. The true test of satisfaction in life is the greatness of responsibility; and we are the heirs of the responsibility which crushed the Democratic Party—a responsibility so heavy that nobody but Republicans can discharge it. Therefore nobody can daunt us by pointing to the enormous difficulties in our path. Nobody can terrorize us by recounting the obstacles to achievement. We are they who are at their best when great demands are made upon them. We are the undaunted and the untarried. We are Republicans.

There are three Republican characteristics which are standing us in good stead now. They are loyalty, courage, and a wholesome mixture of vision and common sense.

In the Senate the other day we passed the bill empowering the President, through a commission, to refund the indebtedness of foreign Governments to the United States. Democratic orators drew gloomy pictures of the frightful results which would follow if we insisted upon adopting a business method of dealing with a business situation. The recognized Democratic spokesmen on the floor of the Senate shrieked about the business connections of the Secretary of the Treasury, hinted darkly at the prospective control of the commission by international bankers, and broadly intimated that the administration could not be trusted in such a transaction. This was a challenge to party loyalty. We were not slow to respond. We declared our assurance that the interests of the Treasury are safe in the hands of Secretary Mellon, and we gave a rousing vote of confidence to our wise and faithful leader, President Harding.

That is an illustration of party loyalty. I now mention an example of individual courage. I refer to the action of those Republican Senators who steadfastly refused to be terrorized into voting to expel from the Senate the man who had been sent there by a clear majority of the voters of his State. When you realize the success attained by Senator NEWBERRY's implacable enemy in misstating the issue to the public—when you realize how millions of good people in this country had been fooled by Ford's insidious publicity into believing that not they themselves but the Michigan electorate had been duped—you will understand that it took no small degree of courage to face public moral condemnation which was as vehement as it was unjust. And in this test of moral courage every single Democrat in the Senate was found wanting. Not one soul was man enough to vote in accordance with his convictions. They mouthed about the honor of the Senate and the integrity of the individual, and then they proceeded to tarnish that honor and impair that integrity by voting like a flock of sheep. Every single Democrat voted slavishly to dishonor his own colleague for what an unimpeachable majority of the people of Michigan had done when, with full knowledge of all the facts, they freely registered their preference for Senator NEWBERRY.

Having given an illustration of party loyalty and of individual courage, I wish to refer briefly to what I have described as a wholesome mixture of vision and common sense. The Congress that is called upon both to enact a wise tariff law and, in the Senate, to pass upon the treaties which will come before us, must have these combined qualities in eminent degree.

It will be a statesman's task to determine whether the tariff or the treaties should first be disposed of. When I give free rein to my vision I am eager to take up the treaties. When I am dominated by prosaic common sense I give heed to the fact that the needs of American business unquestionably demand an immediate solution of the tariff problem. With the rashness of inexperience, if the decision were mine I should unhesitatingly press for an immediate consideration of the tariff, push it through against all irresponsible efforts at obstruction, and then proceed to the all-important problem of foreign relationships.

However, the order in which the tariff and the treaties shall come before the Senate will be determined by wiser heads than mine.

In anticipation of the coming of the treaties I have no disposition to discuss the several documents in detail. When you study them you will find that they are not so many isolated documents but that they are interrelated in such a way as to be parts of a great plan for dealing with international problems.

Perhaps you will permit me to state briefly my own attitude toward international relations.

I have always believed that a sound procedure is to apply on a world-wide scale principles which are familiar to all who in daily life are called upon to deal with ruptures between individuals.

If I perceive that two or more of my friends are drifting through misunderstanding toward hostility, I must take one of three courses with reference to their situation.

I may stand aloof on the theory that intervention may do more harm than good.

I may go to the other extreme and try to get all parties to exchange pledges with me that as their controversies develop they will submit them to my determination, will abide by my award, and that those who keep their pledge will unite with me in disciplining one who breaks it. I may avoid both these extremes and say to my friends, "I do not ask you to assent to any particular solution of your problems or to make any promise respecting the course that you will pursue if efforts at adjustment fail; but I do ask you to give me your pledge that before you break apart or do any hostile act toward one another you will give me an opportunity to talk it over with you and a last chance to bring your minds together."

Here are three perfectly distinct courses: First, to stand aloof; second, to pledge the disputants to a particular method of settlement and to a plan for coercing the refractory; third, to exchange promises that before any hostile act is done by anybody all parties concerned will sit down and talk the situation over.

The first of these courses seems to me to be wholly inadequate. The second of them is essentially the program of the League of Nations, to the whole theory and practice of which the United States is as unalter-

ably opposed as ever. The third course is the one along which our President would lead us, and in so leading us I believe that he will have behind him the vast majority of right-thinking Americans.

In this connection I call your attention to the remarkable speech made by ex-Gov. Cox at a recent Jackson Day banquet. I commend this utterance to you as a comprehensive statement of the political philosophy which the Democratic Party would apply to world problems. I hope that neither Gov. Cox nor his party will ever be permitted to get away from that speech. With obvious sincerity it commands to the American people a single remedy for industrial depression, high prices, international complications, and the financial difficulties of foreign States. The simple and sufficient remedy thus commended is to join the League of Nations. This naive prescription is accompanied by an attack upon the work of the American delegates to the Washington conference and is coupled with the following dignified assertion: "In the face of these fundamental truths the administration at Washington is vainly trying to bring better times by resort to the noisy methods of a circus." If a Republican administration were actually doing anything of this sort it would be deplorable judgment, for in this highly specialized line we must admit the superiority of our Democratic friends and the preeminent qualification of Gov. Cox to be the central figure in that particular form of popular entertainment.

But just as the Democratic standard bearer was sensing the failure of the Washington conference, the announcements were made which demonstrated its entire success. Just as he was luxuriating in the prospect of deepening international gloom, the sun burst forth and a new day dawned. And this was precisely what anybody but a Democrat might have expected, for just as President Harding has shown his capacity to gather about him the kind of men whom America likes to trust, so he and his great Secretary of State have worked out a method of dealing with international problems that is as effective as it is sound. If in a few words you are ever asked to sum up the difference between Republicans and Democrats, you can not do better than place side by side the present Cabinet and the one that immediately preceded it. If you are ever asked to make a comparative exhibit of Republican and Democratic achievement, you will do well to compare the splendid outcome of a conference modestly undertaken in the proper spirit with the futilities of a grandiose scheme that was bad in conception and worse in execution.

You, my good friends, and such as you are those who will stand behind the President as thus he resolutely attacks one grave problem after another, and as loyal Republicans you will rejoice with exceeding great joy when on the day of reckoning a grateful country exclaims, "Well done, good and faithful servant."

Mr. ASHURST. I yield the floor.

#### REPORT OF THE COMMISSIONER OF PATENTS.

THE VICE PRESIDENT laid before the Senate a communication from the Acting Secretary of the Interior, transmitting, pursuant to law, the report of the Commissioner of Patents for the calendar year 1921, which was referred to the Committee on Patents.

#### PETITIONS AND MEMORIALS.

MR. LODGE presented petitions of sundry citizens of Worcester, Mass., praying for the adoption of House resolution 244, relative to extension of relief to the Armenians, which was referred to the Committee on Foreign Relations.

MR. LADD presented the petitions of R. H. Bailey and 3 others of Fairdale; George Chapin, of Charlson, and 3 others; C. J. Baska and 22 others of Mohall; R. W. Patten and 32 others of Plaza and vicinity; and Andrew Gilbertson and 105 others of Medina and vicinity, all in the State of North Dakota, praying for the enactment of legislation reviving the Government Grain Corporation, so as to stabilize prices on certain farm products, which were referred to the Committee on Agriculture and Forestry.

MR. WILLIS presented a petition of sundry students of the electrical department of the United States Veterans' Bureau Vocational School No. 1, of Camp Sherman, Ohio, praying for continuance of the above-named school, which was referred to the Committee on Finance.

#### REPORTS OF COMMITTEES.

MR. LODGE, from the Committee on Foreign Relations, to which was referred the joint resolution (S. J. Res. 137) transferring to the custody of the Secretary of the Smithsonian Institution certain relics now in the possession of the Department of State, reported it without amendment and submitted a report (No. 487) thereon.

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

A bill (H. R. 1948) for the relief of Virgil O. McWhorter (Rept. No. 488); and

A bill (H. R. 7483) for the relief of Robert G. Whitfield (Rept. No. 489).

MR. BURSUM, from the Committee on Military Affairs, to which was referred the bill (S. 942) for the relief of James Johnson, reported it with an amendment, and submitted a report (No. 490) thereon.

#### BILL INTRODUCED.

MR. WILLIS introduced a bill (S. 3130) granting an increase of pension to Ruby J. C. Furlong (with accompanying papers); which was read twice by its title and referred to the Committee on Pensions.

## MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by Mr. Overhue, its enrolling clerk, announced that the House had agreed to the concurrent resolution (S. Con. Res. 18) providing for the printing of 16,800 additional copies of Senate Document No. 114, Sixty-seventh Congress, relative to the improvement of the St. Lawrence River.

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

H. R. 5349. An act to amend the act authorizing the Secretary of the Navy to settle claims for damages to private property arising from collisions with naval vessels; and

H. R. 7912. An act to provide a method for the settlement of claims arising against the Government of the United States in sums not exceeding \$1,000 in any one case.

## ENROLLED BILLS AND JOINT RESOLUTIONS SIGNED.

The message further announced that the Speaker of the House had signed the following enrolled bills and joint resolutions, and they were thereupon signed by the Vice President:

S. 1831. An act to amend section 237 of the Judicial Code;

S. 2124. An act to relinquish, release, remise, and quitclaim all right, title, and interest of the United States of America in and to all the lands contained within sections 17 and 20, township 3 south, range 1 west, St. Stephens meridian, Alabama;

S. 2468. An act providing for the sale and disposal of public lands within the area heretofore surveyed as Tenderfoot Lake, State of Wisconsin;

S. 2802. An act to amend an act entitled "An act for the retirement of employees in the classified civil service, and for other purposes," approved May 22, 1920;

S. 2994. An act to revive and reenact the act entitled "An act to authorize the Gulf Ports Terminal Railway Co., a corporation existing under the laws of the State of Florida, to construct a bridge over and across the headwaters of Mobile Bay and such navigable channels as are between the east side of the bay and Blakely Island, in Baldwin and Mobile Counties, Ala.," approved October 5, 1917;

S. J. Res. 99. Joint resolution providing a site upon public grounds in the city of Washington, D. C., for the erection of a statue of Dante; and

S. J. Res. 140. Joint resolution relative to payment of tuition for Indian children enrolled in Montana State public schools.

## MEAT PACKERS AND UNRELATED LINES OF BUSINESS.

Mr. WILLIS. Mr. President, I desire to submit a unanimous-consent request for printing in the RECORD. Senators will remember that on the 3d day of February there was under consideration a resolution introduced by the Senator from Wisconsin [Mr. LA FOLLETTE] relative to a modification of the so-called consent decree which related to the packers. The resolution was adopted by the Senate unanimously, as far as I recall. I voted for it, I now remember, and I think every Senator present did.

I think as a matter of fairness, to keep the record straight, this statement from the Attorney General ought to go in the RECORD, because it is now discovered that on the 20th of January, almost two weeks before the time the Senate adopted the resolution, the interdepartmental committee had already reported to the Attorney General, and that report has now been approved.

I ask unanimous consent to have inserted in the RECORD a brief statement from the New York Times under date of February 8, 1922.

The VICE PRESIDENT. Without objection, it will be printed in the RECORD.

The matter referred to is as follows:

[From the New York Times of Feb. 8, 1922.]

DAUGHERTY REFERS CANNERS TO COURT—REFUSES TO SEEK MODIFICATION OF DECREE FORBIDDING SALE OF UNRELATED COMMODITIES.

[Special to the New York Times.]

WASHINGTON, February 7.

The Department of Justice has turned a deaf ear to the request of California cannery companies that it should move for a modification of the decree forbidding packing companies to engage in the sale of commodities unrelated to their business. Attorney General Daugherty has ruled that the appeal should be made direct to the courts.

In the following statement issued this afternoon Mr. Daugherty said: "On the question of a modification of the consent decree in the case of the United States of America *v.* Swift & Co. and others, with reference to unrelated commodities, I have come to the conclusion that such grave and far-reaching questions, which affect not only the provisions of the decree with respect to unrelated commodities but which also strike at the very foundation of the entire decree and are of such vital interest to the public generally, are matters which, regardless of what position the Department of Justice might assume, must be ultimately decided by the court which entered the decree before any modification could be made, and as those who most strongly

oppose any modification, namely, the wholesale grocers, are now parties to this cause by intervention, which intervention has been sustained by the court since the request for this hearing before the Attorney General was granted, it seems that the way is now open for those who urged a modification and who so earnestly contended that they have been seriously injured by this decree and have never had their day in court to present such questions and contentions in the first instance to the court for decision, without the same being in any way prejudged by the Attorney General.

Therefore I feel that this request by the California Cooperative Canneries Co. and others for a modification of this decree should be presented in the first instance to the court which entered this decree and not to the Attorney General."

## HOUSE BILLS REFERRED.

The following bills were each read twice by title and referred to the Committee on Claims:

H. R. 5349. An act to amend the act authorizing the Secretary of the Navy to settle claims for damages to private property arising from collisions with naval vessels; and

H. R. 7912. An act to provide a method for the settlement of claims arising against the Government of the United States in sums not exceeding \$1,000 in any one case.

## EXECUTIVE AND INDEPENDENT OFFICES APPROPRIATION.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 9981) making appropriations for the Executive and for sundry independent executive bureaus, boards, commissions, and offices for the fiscal year ending June 30, 1923, and for other purposes.

Mr. LODGE. Mr. President, I am obliged to leave before 1 o'clock on business connected with the conference, and I am going to ask the indulgence of the Committee on Appropriations and the Senate to allow me to have an amendment on page 30 of this bill disposed of, if possible, before I go. I think there will be no objection to the request.

Mr. WARREN. There is no objection on the part of the chairman of the committee.

The VICE PRESIDENT. Is there objection? The Chair hears none. The amendment will be stated.

The ASSISTANT SECRETARY. The committee amendment on page 30 proposes, beginning with line 20 on that page, to strike out all of lines 20, 21, 22, 23, 24, and 25, and on page 31 all of lines 1 to 6, both inclusive, in the following words:

No part of the moneys appropriated or made available by this act shall be used or expended for the purchase, acquirement, repair, or reconditioning of any vessel, commodity, article, or thing which, at the time of the proposed purchase, acquirement, repair, or reconditioning, can be manufactured, produced, repaired, or reconditioned in each or any of the Government navy yards or arsenals of the United States for a sum less than it can be purchased, acquired, repaired, or reconditioned otherwise: *Provided*, That this limitation shall only apply to vessels while in the harbors of the United States, and all expenditures in connection with such work are to be considered in estimating the cost.

Mr. LODGE. Mr. President, I have no desire to take the time of the Senate in regard to that provision, which is part of the House bill, further than to say that it is based on provisions now existing in both the Army and the Navy appropriation acts providing for the supplying of articles required by the Government by navy yards and arsenals if they can furnish them cheaper than they can be obtained in the open market; and this provision adds "repair or reconditioning of any vessel." As I say, I do not want to take the time of the Senate to go into the details about it; but I have talked with the members of the committee and I think they will make no objection to leaving the House provision as it is.

Mr. HITCHCOCK. What page is it?

Mr. LODGE. Page 30.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee.

Mr. KING. Mr. President, I apologize to the Senator, but the matter really is not clear to my mind, and if the Senator can give a little further information about it I shall be under obligations to him.

Mr. LODGE. Mr. President, it is now provided by law, on page 29 of the act making appropriations for the support of the Army for the fiscal year ending June 30, 1922:

No part of the moneys appropriated in this act shall be used or expended for the purchase or acquirement of any article or articles that at the time of the proposed acquirement can be manufactured or produced in each or any of the Government arsenals of the United States for a sum less than it can be purchased or procured otherwise.

There is the same provision in regard to the Navy in the act making appropriations for the naval service for the year ending June 30, 1922, on page 20:

No part of the moneys appropriated in each or any section of this act shall be used or expended for the purchase or acquirement of any article or articles that, at the time of the proposed acquirement, can be manufactured or produced in each or any of the Government navy yards of the United States, when time and facilities permit, for a sum less than it can be purchased or acquired otherwise.

That is, it is a provision that where the Government is making certain articles, those articles can be purchased by other departments of the Government when they can get them cheaper in the open market. This provision of the House bill extends it to the repair or conditioning of ships. It gives an opportunity to the navy yards of the country to make bids on the conditioning or repair of ships, and if they are lower than those offered by private yards it gives an opportunity for the Government to have such bids taken.

Mr. KING. Mr. President, may I inquire of the Senator whether it is the intention, so far as the Senator knows, to keep up all of these navy yards at the expense of the Government, keeping the employees in the employ of the Government and subject to retirement?

Mr. LODGE. This, of course, can only apply to navy yards that are in existence, where the overhead charges are going on all the time. If their machinery and docks and everything are lying idle, and can be used to save money to the Government by supplying other Government departments with Government work, this provision gives them an opportunity to make the bid. That is all it is.

Mr. POINDEXTER. They have that opportunity now, have they not?

Mr. LODGE. No; they have not the authority.

Mr. KING. Mr. President, I think the course suggested by the Senator will not be effective unless certain factors of cost are not charged to the Government, because experience has demonstrated that ordinarily it costs a great deal more to take care of Government matters than for private persons to do the same thing.

Mr. LODGE. Mr. President, I had hoped not to be obliged to go into all these details. This work has been done by Government yards, and done much below the bids made by private yards, in the past. These provisions are strongly approved by the Director of the Budget, who certainly is economical. What is provided in the laws that I have already read—and I can show how much has been done in that way, if it is necessary—was put in by the House. The provision is a House provision, and they are not engaged in wasting money now.

Mr. OVERMAN. Mr. President, the evidence before our committee was that it would be very costly to the Government.

Mr. LODGE. Well, Mr. President, I suppose there is no help for it except to go into it.

Mr. OVERMAN. I should like to have the Senator read the testimony given before the committee by Mr. Lasker, who said that while it might save money in some respects to keep the navy yards going, he gave an example of a ship in Louisiana which was costing \$800 a day. He said that if he had to write back to a navy yard to get a little steering wheel or something of that kind which would cost \$25, it would cost \$1,000 to keep up the ship while he was getting the little piece of machinery for it. He could buy the piece of machinery for \$25, but being required to go to the navy yard to get it it would cost \$1,000. That was the evidence before our committee.

Mr. LODGE. Mr. President, there is also other evidence before the committee in the House.

Mr. SPENCER. Mr. President, if the Senator from Massachusetts will yield to me a minute, I should like to make an observation on this amendment, so that, if I am wrong about it, he can answer it in what he has to say.

The committee amendment strikes out this provision as incorporated in the House bill. Therefore, if it remains stricken out, it of course goes to conference, where it can be readjusted if it is deemed desirable. If we enact what the House enacted, as the Senator from Massachusetts indicates, we put ourselves in what seems to me a perfectly impossible condition, and I submit to this Senate this single illustration:

The House provision says that no part of the money of this appropriation can be expended for the repair of any ship unless that repair has been submitted to a navy yard, and it is found that the navy yard can not make the repair for a less sum than an outside bid. Now, everybody knows that a navy yard can not give anybody a bid, and never has given anybody a bid.

Mr. LODGE. Mr. President, I yielded for a question.

Mr. SPENCER. I did not ask the Senator to yield for a question. I asked him to yield for a statement.

Mr. LODGE. I did not yield the floor.

Mr. SPENCER. No; I asked the Senator if I might make a statement. I will stop at once, if the Senator desires, for I recognize his right to the floor.

Mr. LODGE. I yield to the Senator if he wants to make an argument now.

Mr. SPENCER. My statement will not be long, because I want to hear from the Senator from Massachusetts if I am wrong about it.

The navy yards never have given bids. All that they can do is to give estimates, and if, in the performance of a repair, the cost is larger than their estimate it has to be paid, and therefore it never can come into competition with an outside bid which is definite in its amount.

One thing more, and I am through:

Here is a ship in the harbor—and this amendment applies only to ships in the harbor. This is what the Senator from North Carolina [Mr. OVERMAN] evidently had in mind when he was speaking a moment ago. Two hours before that ship is ready to sail, some repair is found necessary. If this bill passes as the House passed it, no repair could be made unless it had first been submitted to a navy yard, which might be 400 miles away, and unless their estimate had been obtained; and the ship would be kept in harbor and kept from sailing until they got that estimate back from the navy yard, because the prohibition is explicit that no money can be spent for any repair of any kind while a ship is in harbor unless a navy yard has first bid on it.

I submit to the Senator from Massachusetts that that provision as the House has passed it is impracticable, is impossible, and will result in the grossest of extravagance.

Mr. LODGE. Mr. President, now that the Senator has made his statement and disposed completely of the amendment and declared what it is, and all about it, without giving me an opportunity to say anything or asking me a question, I will try to say something; but I hope he will at least give me his attention while I do so.

I am fairly familiar with navy yards. I have been on the Naval Affairs Committee for a great many years. There is a navy yard in Boston, and I am pretty familiar with the matter of navy yards. I am aware that they can not make what the Senator calls a bid. They make an estimate. It has been done repeatedly. The work has been sent to them on that basis.

I was going to say, first, on this very matter of the *Leviathan*, which is what has brought up this subject, that in 1920 the Todd Shipbuilding Co. bid \$10,740,000 for the reconditioning of the *Leviathan*, complete, including painting, refurnishing, and everything. The Boston Navy Yard estimated \$8,938,000 to recondition the *Leviathan*. That kind of work has been done at the navy yards before—not merely at the Boston yard, but it has been done at the Brooklyn yard—and the same request has been made. The Brooklyn yard has done the same thing, and all the yards with large forces of men desire to have this opportunity. There was a difference, in round numbers, of \$1,700,000 in favor of the yard. It seems to me that it is inexcusable in these times to leave these great yards like the Brooklyn and Norfolk and New York and Boston yards, with all their great machinery, with a dock—the Norfolk dock is not yet finished, but with the largest dock in this country at Boston, which they would have to use for the hull of the *Leviathan*—it is inexcusable to leave those yards idle and unoccupied on Government work—I am not undertaking to have them compete on private work—and not even allow them to make an estimate, when they offer accommodations that no other yard can offer at this moment.

I will admit that there is a side to the matter which appeals very strongly to me, but which is not an argument that will have any effect whatever when we are considering solely the cost to the Government; but there were 33,000 men employed during the war in the Boston Navy Yard and the Fore River yards. There are 5,000 employed to-day, and those men, nearly all skilled mechanics, are now out of employment. It happens—

Mr. HEFLIN. Mr. President, I want to say to the Senator from Massachusetts that I yielded in order that he might get this matter up and dispose of it; but I understand that there are four or five Senators on this side who object to it and want to discuss it.

Mr. LODGE. The Senator has a perfect right to make that objection, and I will let it go over; but I desire to be heard on it, and heard at some length, when it is up. I think I can demonstrate to the Senate, as it was demonstrated to the House, that this is in the direct interest of economy, and I will not put it on any other ground.

Mr. WARREN. Mr. President, I wish the matter might be finished at this time.

Mr. KING. It can not be finished at this time. The VICE PRESIDENT. The Senator from Massachusetts has the floor under the unanimous-consent agreement. The question is on the amendment of the committee.

Mr. NORRIS. No, Mr. President.

Mr. LODGE. Mr. President, I told the Senator from Alabama, who I understood was entitled to be recognized, that I did not expect this would lead to protracted debate, but if it is going to lead to debate, it will take some time.

Mr. HITCHCOCK. Will the Senator from Alabama yield to me to ask a question for information?

Mr. HEFLIN. If it will take but a moment. I have yielded for two days.

Mr. HITCHCOCK. I would like to ask the Senator from Massachusetts, if this prohibition is omitted from the bill, whether the authorities would still be at liberty, in making repairs, to make them in the navy yards?

Mr. LODGE. They would not.

Mr. HITCHCOCK. Or must they make them by contract under the law?

Mr. LODGE. They would not be at liberty to allow the navy yards to recondition or repair vessels.

Mr. HITCHCOCK. That is, the law requires them to let it by contract outside of the navy yards?

Mr. LODGE. There is no authority now for the yards to be used for work other than that belonging directly to naval ships. This is a question, of course, of a Government ship, of a Shipping Board vessel. They built in the Boston yard, for instance, vessels for the Lighthouse Service, for the revenue service, tugs, which are not strictly naval vessels, but they have been allowed to bid on them in war times.

Mr. HITCHCOCK. One more question. Why make it obligatory on the administrative officers to submit it to navy yards for estimates in all cases? Why not make it simply permissive? In many cases it might be very highly objectionable.

Mr. LODGE. I do not see any reason why the Government should not have the authority to repair its own vessels.

Mr. HITCHCOCK. But it is made obligatory in this provision.

Mr. LODGE. The House provision requires them to take bids.

Mr. NORRIS. It does not make it obligatory unless they do it for less money than the outsiders.

Mr. LODGE. That is correct. The trouble is that they are shut off, and we are left with all this great machinery, unable to take a chance of saving money. This would probably save a million and a half. Of course, the question which has aroused this is that of repairing the *Leviathan*. The effort to prevent it is the effort to give it to a private yard, and I think the Government should at least have a chance to say whether it can do it cheaper or not in its own yards.

I beg the pardon of the Senator from Alabama.

Mr. OVERMAN. The Senator has read the testimony taken before the House committee but he has not read the testimony taken before the Senate committee. The Shipping Board says it is impossible to do this without costing the Government a thousand million dollars.

Mr. LODGE. The Senator has not listened to the debate or he would know that is not the fact.

The VICE PRESIDENT. The question is on agreeing to the amendment of the committee.

Mr. NORRIS. A parliamentary inquiry, Mr. President.

The VICE PRESIDENT. The Senator will state his parliamentary inquiry.

Mr. NORRIS. Does the Chair hold that the committee amendment which was briefly debated by the Senator from Massachusetts is the one now pending?

The VICE PRESIDENT. Under the unanimous-consent agreement, that amendment is pending.

Mr. NORRIS. I think the Senator should ask unanimous consent to have it laid aside.

Mr. LODGE. I ask unanimous consent that it may go over.

The VICE PRESIDENT. Is there objection? The Chair hears none.

Mr. LODGE. Mr. President, there is nothing to prevent the Senator from Alabama from making his speech, leaving that amendment pending, except that I can not be here for an hour or two.

Mr. HEFLIN. I have no objection to that course.

Mr. LODGE. I ask that the amendment may go over.

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

The Senator from Wyoming asks unanimous consent that the bill be read for amendment, and that the committee amendments be first considered. Is there objection?

Mr. HEFLIN. I object to taking up anything until I proceed with my speech.

The VICE PRESIDENT. The Chair was undertaking to provide that the Senator's speech might be in order.

Mr. HEFLIN. I do not object, if that is the plan. I did not want to have time taken to read the bill.

Mr. WARREN. Mr. President, the time has not arrived when one Senator can object to the taking up of a bill which is before the Senate in the regular way.

Mr. HEFLIN. I misunderstood the proposition, Mr. President.

The VICE PRESIDENT. The Chair hears no objection to the request of the Senator from Wyoming, and it is so ordered.

#### DEFLATION POLICY OF FEDERAL RESERVE BOARD.

Mr. HEFLIN addressed the Senate. After having spoken for nearly five hours, he said:

Mr. President, I inquire if the Senator from Wyoming desires to proceed later to-night? I think it will probably take me an hour longer to complete my speech. I am also pretty tired. I have been speaking nearly all day and have had no lunch.

Mr. WARREN. May I ask the Senator how long it will probably take him to conclude?

Mr. HEFLIN. I think I can finish in the morning in at least 30 or 40 minutes.

Mr. WARREN. With all respect to the Senator, I desire to say that he advised me yesterday and this morning that he would not speak longer than an hour or so to-day to finish his speech.

Mr. HEFLIN. I did not have any idea of occupying so much time.

Mr. WARREN. The Senator has now talked about six hours, and I am inclined to think that he may continue for a long time to-morrow.

Mr. HEFLIN. I assure the Senator that I have not much more material, and I will print much of it without reading.

Mr. WARREN. I ask the Senator if he intends to speak long to-morrow to give me notice as to how long he expects to proceed, so that I may go to my committee room and do some of the crowding work that is on hand all the time. I therefore wish he would tell me approximately how long it will take him to conclude.

Mr. HEFLIN. I do not think it is possible that I shall speak over 40 minutes. This is a very important matter, and I have a great deal of data which I wish to put into the Record.

Mr. ASHURST. Before the Senator from Wyoming moves to adjourn, will he yield to me?

Mr. HEFLIN. I will yield the floor with the understanding that I shall have the floor in the morning.

The PRESIDING OFFICER (Mr. BRANDEGE in the chair). The Senator from Alabama still has the floor.

Mr. WARREN. I have no intention of moving to adjourn. I am going to propose that instead of adjourning, at the conclusion of to-day's session the Senate take a recess. It may be the desire to have an executive session or to transact routine business.

Mr. LODGE. We desire to have a short executive session.

Mr. WARREN. If the Senator from Alabama will yield to me for a moment, I ask unanimous consent that when the executive session shall have been concluded the Senate may take a recess until 11 o'clock to-morrow.

The PRESIDING OFFICER. The Senator from Wyoming asks unanimous consent that when the Senate concludes its session to-day it shall stand in recess until 11 o'clock to-morrow. Is there objection? The Chair hears none, and it is so ordered.

Mr. ASHURST. Mr. President—

The PRESIDING OFFICER. The Senator from Alabama has the floor.

Mr. HEFLIN. Mr. President, I have consented to yield the floor, with the understanding that I may have the floor and proceed in the morning when the Senate convenes at 11 o'clock.

The PRESIDING OFFICER. The present occupant of the Chair may not be in the chair at that time, and can not tell what the Senate will do or whom the Presiding Officer at that time will recognize.

Mr. HEFLIN. The Senator from Wyoming, in charge of the appropriation bill, has agreed to such an arrangement, and I am sure that nobody will object to any arrangement made in the Senate.

The PRESIDING OFFICER. The Chair has no duty to perform in the premises. The Chair is waiting for any motion that any Senator may desire to make.

Mr. HEFLIN. I ask unanimous consent that when the Senate reconvenes to-morrow at 11 o'clock I may resume my speech. I have the floor.

The PRESIDING OFFICER. Is there objection? The Chair hears none.

Mr. HEFLIN. Mr. President, the great Federal reserve system that had stood foursquare to every wind that blew, that financed the World War and defied the expense and waste of that costly world conflict to shake in the least its firm foundations, is now insulted and humiliated by the Senator from Virginia when he intimates that it stood with fear and trembling

because of a little financial disturbance in the silk industry of little Japan. That was an excuse that Wall Street made for its wholesale robbery of the people of the South and West. I want to read at this point some excerpts from Federal Reserve Board Bulletin, March, 1920. Let me give you a few excerpts from this bulletin:

No ground for actual pessimism is to be noted. In district No. 5 (Richmond) "the year has opened prosperously, with no indications of any general business curtailment."

In district No. 6 (Atlanta) observations similar to those reported from the Cleveland district are presented. The need of increased production is recognized.

The outlook for agricultural development is good.

Mr. President, while the farmers were planting their crops and the merchants and bankers in the agricultural sections were all committing themselves on a large scale for the year's operations in 1920 the Federal Reserve Board was operating at another place. It was seeking to injure our foreign export trade. I read from the same Federal Reserve Board bulletin, as follows:

A material cut in the amount of credit available for the support of exportation is taking place.

#### CHANGE IN INVESTMENT CONDITIONS.

Brief mention has already been made of the report of the Federal Reserve Board which was issued to the public on February 23. In the report the board has restated its policy.

It should be recognized that credits extended to Europe create a demand for commodities that competes with the domestic demands and this competition is one of the potent causes of high prices. The expansion of credit set in motion by the war must be checked. Credit must be brought under effective control. Deflation, however, merely for the sake of deflation and speedy return to "normal" for the sake of restoring security values and commodity prices to their prewar levels without regard to other consequences, would be an insensate proceeding in the existing posture of national and world affairs. All these factors were brought to the attention of the meeting of the Federal advisory council at its stated session on February 17.

Mr. President, in my speech I shall show by the facts of what was really done that the Federal Reserve Board did just what it said in this bulletin should not be done. I have said repeatedly that the Federal reserve banking system was amply able to meet the credit and currency demands of 1920, but that the Federal Reserve Board would not permit it to do so. Again I read from the Federal Reserve Board bulletin:

#### DISCOUNT POLICY AND CREDIT CONTROL.

[Extract from the sixth annual report of the Federal Reserve Board to Congress. Reprinted owing to exhaustion of advance edition of the annual report.]

The experience of the past three years has demonstrated the expansive power of the Federal reserve system. It should be understood, however, that an elastic system of reserve credit and note issue implies capacity to control and the ability to curtail credit. The ability of the system to check expansion under present circumstances and to induce healthy liquidation is now to be tested.

The Federal reserve system has met the requirements of war and readjustment by expanding without, however, encroaching upon its legal reserves; it is capable, if need be, of expanding still further without having recourse to the emergency provisions of the act, and very much further by availing itself of those provisions. But the time has come for it to demonstrate its power to move in the opposite direction, and to prove its ability to do so without shock and with a minimum disturbance of business and industry.

It must never be forgotten that productive industry is profoundly affected by credit conditions. Modern business is done on credit. One of its life-giving principles is credit. The mood and temper of the business community are deeply affected by the state of credit and may easily be disturbed by ill-considered or precipitate action. A system of credit control must always be judged by what it does to maintain a healthy condition of mind on the part of all sections and classes of the producing community. The ultimate test of the functioning of a credit system must be found in what it does to promote and increase the production of goods. True, in general, the truth of this observation deserves to be particularly emphasized in the present deranged state of the world industry and world trade when production is the crying need of the hour everywhere.

Too rapid or too drastic deflation would defeat the very purpose of a well-regulated credit system by the needless unsettlement of mind it would produce and the disastrous reaction that such unsettlement would have upon productive industry. Radical and drastic deflation is not, therefore, in contemplation.

The credit situation in the United States is at bottom sound and safe.

Our economic and financial position is essentially strong. There need be no occasion for apprehension as to our ability to effect the transition from war-time to peace-time conditions if reasonable safeguards against abuse of credit are respected.

There is, however, no need for precipitate action or extreme measures. Extremes must be avoided. The process of adjusting the volume of credit to normal basis should be effected in an orderly manner.

Senators, you will observe that Gov. Harding in this statement says: "A system of credit control must always be judged by what it does," and so forth. I agree with that statement, and upon it I indict the Federal Reserve Board's deflation policy which has resulted in business destruction and financial disaster.

Lincoln has truly said:

Any movement to artificially deflate before the debt can be paid, to change the medium of circulation upon which the debt was contracted, would be a crime.

In another warning, in effect, he said:

I warn the American people not to permit a repetition of the crimes of history. Following great periods of inflation, if drastic artificial deflation is attempted, disastrous results must follow. I warn them not to permit the money powers to take advantage of the condition of the people. I warn them not to permit high and usurious interest rates, contraction of the currency, or any change in the circulating medium that will affect the debt contracted until it has been discharged.

In Circular No. 98, 1920, from the Federal Reserve Bank of Richmond, there is the following statement:

The rise in rates has checked borrowing or expansion as it was intended to do.

Mr. President, a few days ago the Senator from Virginia [Mr. GLASS] made a speech in defense of the deflation policy of the Federal Reserve Board, and stated that the time had come for some one to combat the persistent misrepresentations made in the Senate for more than a year regarding that policy.

I want to call the attention of the Senate to the fact that the magazine called the *Annals* for the month of January is practically filled with defensive articles on the Federal Reserve Board's deflation policy. The Senator from Virginia spoke in the same month in which these articles were published and sent all over the country. For quite awhile the Federal Reserve Board has been seeking to get some one to defend its deflation policy upon this floor. I have been undertaking for more than a year to show to the country the evils of their deflation policy, of the ruin it has wrought amongst the people of the United States, and no one appeared to defend that indefensible policy upon this floor.

It appears that the Federal Reserve Board, and especially the governor of the board, thought that if they could induce the able and distinguished Senator from Virginia [Mr. GLASS] to come to their defense, that would probably be the very best thing that could happen. It is like the situation we frequently find in the country, when a man whose conduct has been very reprehensible, who has been guilty of the commission of high crimes and misdemeanors, employs a lawyer of ability and good standing to defend him, so that it will help his case with the jury, and create the impression that if his case were not a good one this lawyer would not appear in it. So it was with the Federal Reserve Board; it felt that if it could prevail upon Senator GLASS, one of the authors of the Federal reserve banking system, to defend their crime of mismanagement and praise their infamous policy of deflation it would help them in the estimation of the American people.

The Senator from Virginia [Mr. GLASS] did not give me any notice that he intended to criticize my position and to take me to task, so that I could be present; but I was kind enough to tell him yesterday that I was going to speak to-day, and would like for him to be present, and I am glad that he is here.

I said, Mr. President, when I spoke before, and interrupted the Senator briefly, that I did not agree with a good many things he was saying, and that after I conferred with John Skelton Williams, the former Comptroller of the Currency, an able, distinguished, and fearless Virginian, I would reply to many of the incorrect and misleading statements that he made in his speech.

I have had three conferences with that distinguished Virginian, Mr. Williams, who has given me the main data, facts and figures that I shall use to-day. My office adjoins the office of the Senator from Virginia, and when Mr. Williams was there discussing with me the many incorrect statements that appeared in the speech of Senator GLASS the Senator from Virginia heard him and phoned to me that he thought he should call my attention to the fact that he was hearing what we were saying. I told him the next day that there was no secret about it, and that I would not object to having him know all that we said. I told him that I was getting facts from one who knew, in the hope of setting him right.

The Senator from Virginia has made his speech. I have not sought to give any publicity to my brief reply, although I have received scores and scores of letters, some from his own State, congratulating me upon what I said immediately after he had finished a prepared speech several hours long. I have not undertaken to get anything I said into any newspaper in the United States, but a gentleman from New York, who works in connection with the Democratic national executive committee, slipped into a weekly bulletin an item to go out to Democratic newspapers of the United States, to the effect that the Senator from Virginia had corrected "these misrepresentations about the Federal Reserve Board, and had rendered the country a great service," and so forth.

Mr. President, that misleading statement regarding Senator GLASS's speech defending the deflation policy of the Federal

Reserve Board was sent out without the knowledge or approval of the committee.

I gave out the following statement at that time, and I desire that it shall appear in the CONGRESSIONAL RECORD:

*To the Democratic newspapers of the United States:*

Under the direction of Mr. Richard Linthicum, of New York, director of publicity for the Democratic national committee, there appeared, strange to say, on January 27 in the weekly news article sent out to the Democratic newspapers of the country a statement regarding the speech of Senator Glass defending the deflation policy of the Federal Reserve Board. A portion of that statement undertakes to create the impression that the Democrats in Congress and the Democrats of the country approve the deflation policy of the Federal Reserve Board. That portion of the statement which would leave the impression that the Democrats indorse the drastic and destructive deflation policy of the Federal Reserve Board does violence to the truth and misrepresents the Democratic attitude upon this particular subject. I praise the Federal reserve banking system, but I condemn and repudiate the deflation policy of the Federal Reserve Board which destroyed property values by the billions in the United States, paralyzed business, drove men into insane asylums, and caused others to kill themselves. That deflation policy was inspired and set on foot by a Republican Senator and carried out under the direction of Gov. Harding, of the Federal Reserve Board, who, according to an editorial in the Washington Times of April 12, 1921, supported the Republican ticket in the national election of 1920.

Mr. President, as I stated before, I gave this statement to the Associated Press, the International News Service, and to other papers. I requested the legislative committee in the Library of Congress, that looks up information for Members of the Senate, to scan the papers of the country, and they were unable to find that article in a single newspaper in the United States. Who suppressed that article? The statement sent out to the effect that the Senator from Virginia [Mr. Glass] had exposed the misrepresentations of those who had attacked the Federal Reserve Board went all over the country. Who was it that wanted my statement kept from the Democrats of the country?

Mr. President, in 1919 the value of the agricultural products of the United States was \$16,000,000,000. In 1920 they had been driven down by this remorseless deflation process to \$10,000,000,000, and in 1921 down to \$6,000,000,000. All that happened under the drive of this destructive and deadly deflation policy of the Federal Reserve Board inspired and ordered by the Republican Party. I want it distinctly understood at the outset that I praise the Federal reserve banking system, I helped to create it, I voted for it, I think it is a great system, but I have seen it perverted from the ends of its institution, I have seen it made the handy instrument of the money lords of Wall Street, and I have seen them manipulate it so as to deny sufficient money and credits to the South and West to prevent demoralization in business and financial disaster.

Mr. President, I repeat the trail of the serpent is over it all. I called the attention of the Senate once before to the fact that the Senator from South Carolina [Mr. SMITH] and myself and the former Senator from Georgia, Mr. Hoke Smith, and Congressman Pou, of North Carolina, went down and called upon Gov. Harding in the early summer of 1919. We were trying to help the cotton producers. He told us that McFadden, a big cotton broker, had told him that cotton was going down to 15 cents, and I remarked that it would come nearer going up to three times 15 cents. I saw then that he was not friendly to an advance in prices. We talked about it after we left, and I am sure that Gov. Harding impressed the others as he had me. Cotton did advance, as I said it would.

I wish to show that that was the time they intended to start this deflation policy. The Republican Party was in control of Congress. It had obtained a majority in the House and Senate in the fall election of 1918. They got control of Congress on the 4th of March, 1919, and then is when the trouble commenced. The President was stricken down with a long and serious illness. Then it was that the money lords commenced their devilment. They tied up the farm loan banking system of the United States in the Supreme Court, and the farmers of the South and West could not get money from that source.

What next? We find Gov. Harding, head of the Federal Reserve Board, supporting the Republican ticket, according to the Washington Times, and he has never denied it. It is clear that Gov. Harding was seeking to placate the powers that he knew would be in charge of the Government after March 4, 1921. Gov. Harding's work of deflation pleased Republican leaders, and he has held on to his office.

In the early spring of 1920 the Republican Congress passed an amendment to the Federal reserve banking law which authorized and empowered the Federal Reserve Board to increase the rediscount rate. That is when the Republican plan was laid for the most destructive deflation policy that was ever instituted in the history of our country. When people needed money and credits more than ever that plan was to make it harder than ever to get either. They determined that the deflation policy must be commenced, and Republican leaders wanted

the War Finance Corporation put out of commission, and the Federal Reserve Board advised that that be done. On May 10 that great and helpful agency ceased to function.

Then what happened? The Federal Reserve Board called a meeting and the advisory council met here and was in session on the 16th and 17th of May, 1920. Further plans for deflation were made. The Senator from Illinois [Mr. McCormick] comes upon the floor of the Senate and gets through a resolution. On May 17, 1920, the Republican Senate passed that resolution. It is 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 the consequent high prices, and what further steps it purposes to take or recommend to mobilize credits in order to move the 1920 crop.

Senator OWEN, of Oklahoma, a Democrat, opposed the passage of that resolution and told you that it meant deflation and depression, and subsequent developments have shown that he was right. Here is what Gov. Harding, of the Federal Reserve Board, said in response to that deflation resolution:

The board will not hesitate, so far as it may be necessary, to bring to bear all its statutory powers in regulating the volume of credits, but wishes to point out that the most vital problems relating to the movement of the 1920 crop are physical rather than financial.

What is he telling the Republican Senate, this W. P. G. Harding, who believes a Republican is going to be elected President? He said:

The board will not hesitate to use every statutory power to regulate currency and credits.

In other words, he is assuring those with whom he is seeking favor that they can count on him to go the limit in producing the results that they desired. The Democratic Party was betrayed, and I repudiate the betrayer and denounce the betrayal.

Again I say the trail of the serpent is over it all. What next? The Republican Party in its platform adopted in June, 1920, at its national convention gave its approval to a policy of deflation. Never until the Republicans got control of Congress was there any disturbance of the wholesome and helpful service rendered by the Federal reserve banking system. As I said a moment ago, this deadly work was commenced by an amendment which was passed by a Republican Congress. Here is what occurred: Congressman Platt, of New York, a Republican and chairman of the House Committee on Banking and Currency, and the Senator from Connecticut [Mr. McLean], a Republican and chairman of the Banking and Currency Committee of the Senate, introduced simultaneously the rediscount progressive rate amendment which proved to be so destructive to legitimate business in the South and West.

They both denied that it was in any way intended to work injury to the farmer. Congress was deceived as to the main purpose of the amendment. I was in Alabama in the primary campaign for the Senate when you passed it through the House, but I have noted in the CONGRESSIONAL RECORD that ex-Congressman McKeown, a Democrat, from Oklahoma, said that it would prevent the agricultural sections from obtaining the money and credits needed to prevent the sacrifice of their crops. The Republican leaders denied that it would do that, but that is exactly what it did.

The crime of 1873, when they demonetized silver, was put over in much the same way. Republican leaders at that time explained that "It was just a minor amendment to the mint laws." Nobody but the perpetrators of the crime knew that that amendment would demonetize silver and produce a panic.

Republican leaders assured Congress when they passed the rediscount amendment to the Federal reserve act, which meant financial disaster and business ruin to the agricultural sections, that it was intended to keep the large cities from getting the bulk of the money, so that the agricultural interests could be cared for and supplied. Gov. Harding told Senator SMITH, of South Carolina, that that was the purpose of the amendment. So, I repeat, the amendment was passed through Congress by the practice of deception and hypocrisy.

Mr. SIMMONS. Mr. President—

Mr. HEFLIN. I yield to my good friend the Senator from North Carolina.

Mr. SIMMONS. I wish to inquire of the Senator if that progressive scheme of interest to which he has referred was not a scheme by which the Federal reserve banks were enabled to charge certain member banks as much as 86 or 87 per cent interest.

Mr. HEFLIN. They did that very thing to a bank in Alabama.

Mr. SIMMONS. That was the scheme under which they did it, was it not?

Mr. HEFLIN. Absolutely. That was impossible before that amendment was passed. We had been getting money prior to

that time at 3, 4, and  $4\frac{1}{2}$  per cent, but they raised it up to 7 and then through that ruinous progressive interest scheme they went on up to as high as  $87\frac{1}{2}$  per cent, and they killed business in the South and West. The Senator from North Carolina is right. Under that progressive scale they beat down struggling banks in my State and other States that were trying to help farmers to hold their cotton so that they could at least sell for a price that would cover the cost of production. Then the Senator from Virginia [Mr. GLASS] is surprised when I refer to that destructive deflation as a murderous policy.

That is not all, Mr. President. What else happened? They got that bill through the House of Representatives; they got it through the Senate, and when it was up in the Senate here is what Senator OWEN said—

Mr. HITCHCOCK. What is the date to which the Senator from Alabama refers?

Mr. HEFLIN. This is May 18, 1920, at the time the crooked scheme of deflation was being put through. First, the farm loan bank was tied up in the Supreme Court; then the War Finance Corporation was suspended on May 10. The advisory council of the Federal Reserve Board assembled on the 16th and 17th, and the Senator from Oklahoma made this speech. Here is what the distinguished Senator from Oklahoma said:

The resolution of the Senator from Illinois [Mr. MCCORMICK], however, offers a hook and an invitation from the Senate to the Federal Reserve Board to declare a policy of "deflation." It carries the suggestion of deflation. The policy of deflation set by the Wall Street stock exchange control, which broke the stock market by high-interest rates, meets the approval of the same class of financial experts domiciled in Chicago, who might naturally advise the Senator from Illinois; but I warn the Federal Reserve Board, and I warn the country, that if a panic in this country results from their policy they are liable to have a North Dakota reaction, where a State bank was established to furnish money at fair and stable rates, using the credit of the State and the taxing power of the people of the State for that purpose. You can go too far in the matter of taxing the people of this country by high-interest rates and the "deflation" of credit. If the Reserve Board leads the procession of banks in fixing high rates on the people; that is, on their own depositors, and a great industrial depression follows, why should they wonder if the people of this country should demand as a remedy that the reserve banks be made banks of deposit and discount? I warn the Federal Reserve Board that this country is not going to submit to any depression brought about by the banks of the country or under the policy of the board or under the advice of financiers domiciled either in New York or Chicago.

There you are. The Senator from Oklahoma, like Jove's war horse, "scented the battle from afar"; he knew what it all meant. He knew they meant financial distress and business depression, and he said so. Who is this great Democrat from Oklahoma? The Senator from Iowa [Mr. KENYON], interrupting the Senator from Oklahoma, said:

I think the Senator from Oklahoma probably has more knowledge on this subject than any other man. He is the real father of the Federal reserve system. Was it intended that these Federal reserve banks should be institutions for making money?

Mr. OWEN. It was not.

The Senator from Oklahoma was right.

Again, the Senator from Oklahoma said:

Now, these banks, making 100 per cent on a 4 per cent rate, ought not to be encouraged to make 50 per cent more than they made last year.

Mr. WATSON of Georgia. Mr. President—

Mr. HEFLIN. I am glad to yield to my friend from Georgia.

Mr. WATSON of Georgia. Mr. President, I took pains some days ago to have looked up in the Congressional Library newspapers which printed statements of Gov. Harding in 1920, and in every single instance where he put out a statement for the press to the effect that there would be a further reduction in the amount of money in circulation and in credits to be extended the newspaper in its market reports shows that cotton especially would break from 50 to 100 points the very next day.

Mr. HEFLIN. Absolutely. Mr. President, I am going to print in the RECORD some clippings from New York newspapers giving the market prices and making comments along the very line which the Senator from Georgia has suggested, which show beyond all doubt that the deflation policy conducted by Gov. Harding and his board drove the price of cotton down and down. It drove it down until the farmer who had 10 bales of cotton worth \$2,000 when the deflation policy was begun was forced to sell for one-fourth of that amount, just \$500.

And yet the Senator from Virginia, whose State produces an infinitesimal amount of cotton, is unable to appreciate the ruin wrought by that deflation policy in the cotton-growing States.

RESERVE GOVERNOR REFUSES TO GRANT HEARINGS.

Senators and Representatives, farmers, merchants, and bankers from the cotton-growing States pleaded with Gov. Harding to change his policy and prevent the sacrifice of the 1920 cotton crop and the complete loss of that year's labor and investment. Gov. Harding declined to do it. He exhibited irritation and impatience toward the able and faithful Senator

from North Carolina [Mr. OVERMAN] when he asked for a hearing upon this matter by the Federal Reserve Board. The Senator from North Carolina then demanded the hearing and got it.

It is strange, is it not, that Gov. Harding failed to impress those who appeared before him that he was very much concerned or disturbed about the distress that he was producing.

Mr. WATSON of Georgia. Mr. President—

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

Mr. WATSON of Georgia. I asked the Senator to allow me to interrupt him to make the statement which I made a moment ago, because in their booklet or annals or magazine, whichever it is, which they have gotten out they endeavored to prove and claim they did prove that the volume of circulation diminished because prices had diminished, when it was just exactly the reverse, and the current newspaper market reports show it.

Mr. HEFLIN. Absolutely. It does not take a wise man, a man does not have to be the author of any banking system, to understand what I am about to state. If the price of cotton is 40 cents and the spinners are buying and consuming the crop, and then the price is beaten down to 30 cents, if you will back the farmer financially so that he can hold until that price is paid, of course he will get 30 cents, because the spinner would be compelled to pay that price. The spinners said during that time that they were willing to pay 30 cents, that they wanted the farmer to get the cost of production and a little profit. Now, suppose that had been done; suppose that price-destroying Federal Reserve Board had said, "We are going to help you, not to hold the cotton for 40 cents but we will help you hold it for 30 cents, because your price has been reduced from 40 cents to 30 cents; that represents a loss of \$50 a bale, and that is as much as any farmer should be required to lose in one year on a bale of cotton. We are going to help you to get 30 cents a pound." Had that been done, there is not any more doubt that cotton would have brought 30 cents a pound than that I live and God reigns. The failure to do that not only forced the cotton crop of 1920 to sell below the cost of production but it left the farmer in debt.

Now, let me show you what they did. The Senator from Virginia furnished the Senate a table of the cotton prices. I hold in my hand a table which was prepared by John Skelton Williams, in whose word I believe implicitly and whose statement I accept upon the subject of banking and currency above that of anybody else in this country.

Now, I wish to show you what happened. The price of cotton in May, 1920, was 40 cents while in October, 1920, six months later, it had fallen to 20 cents. Senators, do you know how great a loss that was to the farmers of the South on a crop of 12,500,000 bales? I will tell you. In six months time, from May to October, a loss of 20 cents a pound was equivalent to \$100 a bale, so that on a crop of 12,500,000 bales the total loss was \$1,250,000,000. That was the loss on the cotton crop of the United States, on cotton which brings to this country in normal times the balance of trade, which gives to this country gold when all other products fail; cotton, which, when put in a dry place, can be kept for a hundred years. In that state no insect pest can harm it and no tooth of time can destroy it. No moth can corrupt it then, but thieves do sometimes break through and steal. The Federal Reserve Board's deflation policy literally robbed the farmers of the South of \$1,250,000,000 in six months, between May and October, 1920.

Senators, did it ever occur to you that the nearer to the presidential election Gov. Harding got, the harder he bore down with his deflation policy? Did you know that Democrats in Tennessee, Oklahoma, Arizona, and New Mexico will tell you that the deflation policy carried out by the Federal Reserve Board gave those States to the Republican ticket in the fall of 1920? Yes; they will. And it is the plain truth. From May, 1920, to May, 1921, just 12 months, during this mighty drive of the Federal Reserve Board under its deflation policy, the farmers of the South lost \$1,750,000,000. Do Senators wonder, then, that we had depression in the country? Do they wonder, then, that the grain growers of the West could not get a good price for their grain, when the policy of the Federal Reserve Board had killed the purchasing power of the South?

Let me say to my good friend from Nebraska [Mr. HITCHCOCK] that we in the South buy grain from the people of his section; we buy meat; we buy mules. When cotton brought a fair price, we paid good prices for all those commodities; but when the deflation policy of the Federal Reserve Board struck cotton down and deprived the farmers of the South, and therefore the merchants and bankers of their purchasing power, they struck the grain industry, the cattle industry, and the mule industry of the West a body blow.

What else did this man Gov. Harding do? He testified before the investigating committee of the Congress that Gov.

Cox, the Democratic nominee for the Presidency, saw him here in Washington in the early part of 1921, and told him that he indorsed the deflation policy and that he was glad he did not change it. I knew that Gov. Cox did not say that, so I wired informing him of Gov. Harding's statement. In reply he wrote me a long letter denying that he had said that to Gov. Harding. He stated in his letter to me that he, while touring the West in the fall of 1920, had wired Gov. Harding telling him that something had to be done to save the cattle industry. He said he realized that following the war it would be necessary to take some steps to meet conditions arising in the reconstruction period, but that he had in mind a safe, sane, and gradual coming down in prices and not the drastic deflation policy employed.

So Gov. Cox repudiated the statement of Gov. Harding, but, nevertheless, Gov. Harding when he revised his remarks in the printed book to which I have referred let that statement remain just as he had made it before, when he knew that Gov. Cox had repudiated his statement. That is the gentleman the Senator from Virginia is defending upon this floor. Again I say the trail of the serpent is over it all.

Now let us proceed a little further. The Republican platform of 1920 takes the Democratic Party to task for inflation. Smoke was curling from every smokestack in the country; industry was humming; the army of the hobo was put out of commission; every man and woman who wanted work found employment; and under the Democratic administration prosperity was seen everywhere. Here is what the Republican Party said in its platform in June, 1920, following the deflation resolution passed through this body at the instance of the Senator from Illinois [Mr. McCORMICK]. After referring to inflation, the Republican platform says:

The continuance of this policy since the armistice lays the administration open to severe criticism.

Then, down further, the Republican platform says:

As a matter of public policy we urge all banks to give credit preference to essential industries.

Mr. President, there is where the devilment was done. They gave notice to the banks: "This thing has got to come down, and come down in a hurry. We urge all banks to give preference to essential industries." What did they mean by that? They did not mean agriculture, because the Bible says, "By their fruits ye shall know them"; and we know that it crippled and nearly killed agriculture. Here is the Republican deflation mandate to the bankers of the country.

What did the Democratic Party say in its platform at that time?

Indeed, one vital danger against which the American people should keep constantly on guard is the commitment of this system to partisan enemies who struggled against its adoption and vainly attempted to retain in the hands of speculative bankers a monopoly of the currency credits of the Nation.

Listen, Senators:

Already there are well-defined indications of an assault upon the vital principles of the system in the event of Republican success in the elections in November.

You did not see anything in the Democratic platform demanding a deflation policy; but here it is in the Republican platform, couched in this language, intended to deceive the average man, but to carry the command home to the banker. It sent the pangs of fear through the whole banking fraternity of the United States.

Mr. President, what is the record?

1. Republicans take charge of Congress in 1919.
2. A trust company ties up the Federal farm loan banks in the Supreme Court in 1919.
3. A Republican Congress passed the rediscount amendment to the Federal reserve banking law in April, 1920, under which interest rates from 7 to 87½ per cent were charged.
4. A Republican Senate passed the McCormick deflation resolution May 17, 1920.

5. Gov. Harding assured the Republican Senate that he would use every power at his command to carry out the purposes of the deflation resolution.

6. The Republican platform adopted in June, 1920, committed that party to the policy of deflation.

7. In July, 1920, Gov. Harding commenced to operate the field guns of Republican deflation upon the agricultural sections of the South and West.

At first I could not believe that the Federal Reserve Board had been guilty of such wrongdoing and such reprehensible conduct as some others believed it had. I commenced to study the question, and upon investigation I was convinced that the Federal Reserve Board had been guilty of conduct that contributed to wholesale distress and business ruin in the agricultural sections of the country.

I see around me Senators now with whom I talked about this matter, and I found that they felt as I did. Senators SIMMONS; OVERMAN; HARRIS, of Georgia; SMITH, of South Carolina; FLETCHER, of Florida, and others that I could mention.

Mr. President, I believe that Gov. Harding and the board told Platt, "You put the bill through the House, give us the power to increase the rate from 4½ to 87½ per cent, so that we can deflate with a vengeance, and we will reward you and recommend you for appointment on the board," and when they got him on the board this man Platt and Harding became the "gold dust twins," one a wishy-washy or half-hammered Democrat and the other a hickory-nut-headed Republican, and they have hobnobbed together through all of the affliction and long suffering that they brought upon the people. Why, this man Platt wrote some letters to Judge Brand, of Georgia, that contain suggestions just like some of those used in the speech of the Senator from Virginia. He suggested how hard worked Gov. Harding was. I want to say to the Senate, in the hearing of the Senator from Virginia, that Gov. Harding may have been hard worked, but he was not too hard worked to wire or write congratulations to the Republican nominee for President when he got his nomination. He was not too hard worked, I am reliably informed, to write him or wire him congratulations upon his acceptance speech at Marion, Ohio, when he was sounding the bugle call to battle against the Democrats, and he was not too hard worked to visit him in person at Marion during the fall of 1920.

In the fall of 1920 I was out in Oklahoma. I spoke to a large number of cotton producers. I said: "The Federal reserve system gives you a right to borrow on your warehouse receipt and hold your cotton until you can make them pay you the cost of production plus a profit." They did not applaud at all. Usually when I talked about that system and compared it with the old system, they clapped their hands, but they beheld in the Federal Reserve Board's deflation policy the old Wall Street hydra-headed monster that robbed them and fed upon their substance in the years that had gone.

The Senator from Virginia [Mr. GLASS] smiles when I talk about the hydra-headed monster of Wall Street; the Senator from Virginia must wake up to the fact that while the banking system that he helped to create is a good one, that Wall Street has gotten hold of its governing power. Christ did not try to destroy the temple at Jerusalem, but He did display indignation as He drove the money changers out of it. May we not condemn those who have maladministered the Federal reserve banking system in our efforts to protect and preserve the system?

Mr. President, when I finished my speech in Oklahoma the farmers came up and said, "You observed that we did not applaud your praise of the Federal reserve system." I said, "Yes." They said, "Word has come here from the Federal Reserve Board that the banks are not to lend any more money on cotton." Gov. Bickett, of North Carolina, testified before the Committee on Agriculture that word had come down the line to stop loaning and force collections, and he said, "Gentlemen, the situation with us is simply terrible. We can not get the money and credits needed to save our business." Senator Gronna, of North Dakota, testified that the Federal reserve banks were not furnishing money or credits to the cattle industry of his State.

No witness, not a single one, testified that the cotton producer, the grain producer, or the cattleman was receiving either credits or currency to enable them to sell their products for even the cost of production. The Senator from Virginia defends the Federal Reserve Board, and puts the blame upon the local banks. I want to testify for the bankers of my State, those that I know about, that they wanted to help the farmer. They did help him as long as they could do it and save themselves. No man should be required to put up his substance to save a situation that was intended should grow worse and worse, and when the powers that be were doing the thing that was making the risk one of certain loss and maybe ruin to the local banker.

The Senator from Virginia said that the banks in Alabama had eight millions of credit—eight millions, I believe—that they did not apply for. Why did they not apply for it? There was not any trouble when they could get money at 4 and 4½ per cent; but it was a different matter when the Federal Reserve Board put it up to 7 per cent, and the banks of my State could charge no more than 8 per cent, 1 per cent more than the rediscount rate of 7 per cent, making the bank indorse a man's paper and put all of its possessions behind it in order to make 1 per cent, when it knew that the Federal Reserve Board had refused to make a statement that it would help to secure a profitable price for cotton, and it was going down and down, and cotton

would be in two weeks' time \$25 a bale cheaper than when the bank loaned money on it. That is what did it, not the local banks.

Let me call your attention to another thing. The local banks were caught and held hard in the grip of the Federal Reserve Board's deflation policy. They had no notice that it was coming, and when it struck in all its fury the local banks were tied up and could not make any more loans until they were granted more money by the Federal reserve banks.

I want to read in this connection a statement published in the Birmingham News by Hugh McElderry, of Talladega, Ala., a banker and a very fine man.

MR. MC'ELDERRY COMES TO BAT.

To the EDITOR THE BIRMINGHAM NEWS:

The statement of Mr. W. P. G. Harding, as governor of the reserve board, that the country banker is responsible for the present deplorable condition of the farmer should not go unchallenged.

The reserve board had a brain storm and raised the discount rate to 7 per cent, and thereby tied a rock around the neck of the country banker and threw him into the sea. This action in turn, by deflation, threw the farmer, the retail merchant, the fertilizer manufacturer, in fact the whole country, into the sea of bankruptcy.

More than this, this action, by making the American dollar many times the value of the European dollar, fixed the exchange so we could do no business with Europe on a scale commensurate with their wants.

During the war, by every device conceivable by man and woman, we were induced to buy Government bonds at a low rate of interest, and thereby the Government absorbed the liquid capital of the country. If the reserve board had not had a brain storm and gotten panicky, they should never have raised the discount rate above 5 per cent, but raising the rate to 7 per cent, those of us who saw conditions refused to borrow at this rate and trimmed our sails for the inevitable bankruptcy we saw coming. Now to tell us we bankrupted the farmer, when almost to a man we stood solidly behind him and refused to foreclose a single loan, is little short of nonsense.

HUGH L. MC'ELDERRY.

TALLADEGA, ALA., December 16, 1921.

Mr. President, I have undertaken to show briefly some things about Gov. Harding. He sent an evasive letter up here to the Senator from Virginia [Mr. GLASS] to read, about not going to Alabama to vote in 1920, and the Senator said that there was one line in it that he hated to read, and that was he, Harding, did not want to vote for me. He must have known that if I got in the Senate I would expose his very bad record. I do not have to depend for election upon men who violate a public trust and prove unfaithful to their country.

Again I say, the Federal reserve bank in New York City paid more for a bank-building lot than all the Corn Exchange Bank's 26 structures cost in the city of New York. Senators, what do you think of that? Then gentlemen tell me that there was no graft in that crooked performance.

They got that bill through the House in February, 1919, just before the Republicans went in. It contained a provision which permitted those banks to set aside vast sums for procuring banking quarters. That was done at the instance of the Federal Reserve Board, when it had the respect and confidence of Congress. I was not there. The Senator from Virginia [Mr. GLASS] said the Senator from Alabama was present and voted for it. I said that day that I would like to see the RECORD. I knew I had no recollection of it. The Senator from Virginia said, "I have seen the RECORD." When I looked up the RECORD I found they did not have a record vote on the amendment. They passed it 15 minutes before the House adjourned, and according to those who participated in the debate there was nobody there except Platt, this same "gold dust twin" of Gov. Harding, manipulating it, working for it, and a few others, and they got it through. A quorum call some two or three hours before that did disclose that I was there, but I knew nothing about this matter. I was not present when it was passed and I did not vote for it.

I have talked to other Members about it, but nobody had any idea that it meant to let these banks have such a large per cent of the earnings for the purpose of speculating in real estate and doling out millions through the pretense of providing buildings for the banks.

Then they went out with that big progressive interest rate, and took money from the South and West, and the New York Federal Reserve Bank alone is able to take \$25,000,000 and put it into one bank building, which costs more than this Capitol, the House Office Building, the Senate Office Building, and the State War and Navy Building in this city. Yes; more than all four of them, and the lot on which it is to be built cost as much as all the 26 bank buildings of the Corn Exchange Bank in the city of New York. Do you wonder that I have made enemies among the crooks who have benefited by that graft game? In a colloquy which took place upon this floor between myself and the Senator from Virginia he said that New York bank building was to house 5,000 employees. The Senator from North Carolina [Mr. SIMMONS], I believe, said, "Are those people employed there now?" The Senator from Virginia said, "Will be." The

Senator from New York [Mr. WADSWORTH], Johnny on the spot, said, "Are now."

The truth is that many people will not be and are not now employed there. I do not mean to say that either one of the Senators misrepresented the situation to the Senate intentionally. A young man in my office gave me a note saying, "The Federal Reserve Board phoned me that they had cut down the force, which would now run up to 3,000." That is 2,000 short of 5,000. So, if the Senator from Virginia was mistaken in that, we will have to mix a little salt with a good many statements that he made about the whole matter under discussion. The Federal Reserve Board has palmed off on him a whole lot of misinformation.

There are millions of people in the South and West who have suffered tremendous losses under the policy of deflation. They have eaten, to their sorrow, its bitter, bitter fruit. They know where the shoe pinches, and they approve the stand that I have taken and the course that I am pursuing in this matter.

By the fight that I have made in this body, with the Senators from Georgia [Mr. HARRIS and Mr. WATSON], Senator SMITH, of South Carolina, both the Senators from North Carolina, the Senator from Nebraska [Mr. HUGHES], and others, we have brought the interest rate down from 7 per cent to 5 per cent. Nothing but our constant, persistent protests against that robber rediscount rate of 7 per cent caused it to be abandoned. But, Mr. President, they did not abandon it until it had well-nigh ruined the farmers, merchants, and bankers of the South and West, and Wall Street had fed until it was full.

The Senator from Virginia said the time had come for some one to combat the persistent misrepresentations made about the Federal Reserve Board and its policy. I agree that the time has come to speak plainly. A Republican was running for President, and Gov. Harding, appointed by a Democratic President, who was lying stricken upon his bed, while a Republican House and Senate sat on Capitol Hill, wired, I am told, his congratulations to the candidate of the opposition party, felicitated him later upon his speech of acceptance, and went a little later to Marion, Ohio, to see him. The Times was right when it said he supported the Republican ticket. How did they get that information? I did not see it in the paper. A newspaper friend of Gov. Harding told me about the editorial being in the Times, and I unearthed it. May I say again that the trail of the serpent is over it all.

Mr. President, Democracy with me is almost a religion. I am a Democrat from hat crown to shoe sole. I believe that the right solution for all the problems that confront this country lies in the hands of the Democratic Party, and I have never been more convinced of that than since I have seen the Republican Party in power since the 4th of March, 1919. Here is the great money power, which controls the currency and credit of the country, lodged in the hands of this board. It is a tremendous power, Senators. I have seen it turned over until it is now working in a manner satisfactory to the Senator from Connecticut [Mr. MCLEAN], who fought the system in the beginning, working satisfactorily to Mr. Platt, who fought it in the House in the beginning. Platt, a man who tried to kill it, now helps to administer it. The Senator from Connecticut [Mr. MCLEAN], who tried to defeat it, now comes to the rescue of the Senator from Virginia when he assails me about my arraignment of the Federal Reserve Board.

It is time to indulge in plain talk, Mr. President. Let us turn that picture of Gov. Harding's actions around. If a man had been appointed governor of that board by a Republican President, and he had smiled and bowed all the way through the administration, and at last the chief was stricken down, lying prone upon his back in bed, and the opposition party should be around the country marshaling its forces, and they should select a candidate, and you would find the head of that board wiring the Democratic candidate congratulations, and then writing him on his acceptance speech, and then going to see him, would you not think he was sort of dickering with the Democratic Party? Would you not think he was trying to make fair weather with the party that he believed would soon come into power?

To clinch it, I am informed by good authority, and I have written to one of the men who heard the conversation, and he said it was a private conversation, and Gov. Harding can deny it if he chooses, that he (Harding) said in the presence of the governor of a southern State and a high official of the American Cotton Association, that he and Platt had arranged the matter and that he would remain on the board. The time has come, I repeat, for plain talk, Mr. President.

Mr. SIMMONS. Mr. President, I would like to ask the Senator, if he has any information on this point, whether the interests the Senator has been assailing are backing Mr. Harding

on the board? Do they desire and are they seeking his retention? Has the Senator any information about that?

Mr. HEFLIN. Mr. President, I have had numbers of letters saying that the very forces I have been fighting in Wall Street demanded that this man be retained. It was said here three or four weeks ago—I referred to it then, though I have forgotten what paper it was, that said they demanded that Harding be retained. Certainly that is so. I do not know whether it was the Wall Street paper or what paper it was, but these interests are for him. The interests that fought the Federal reserve banking system are now pleased with the way the Federal Reserve Board is manipulating it. The same Wall Street interests said to President Wilson, "If you will let this old banking system remain, we will support you and your party. We do not care anything about the Democratic Party or the Republican Party as such. We will help the party that will permit us to control the money supply of the country." But Wilson said, "No; I am going to knock out your teeth and I am going to cut off your claws. I am going to restore the control of the money supply and credit of this country to the Government, so the people can all obtain at all times what is necessary to carry on their legitimate business." And that is what we meant to do and did do when we broke the Wall Street control of the money supply of a hundred millions of people.

Now, what do we see? We see a banking system over there in New York with Gov. Strong at the head of it, who increased his salary from \$30,000 to \$50,000 by the sanction of the Federal Reserve Board, and clerks who drew \$1,600 increased to \$16,000, and clerks who drew \$1,800 increased to \$18,000 by the sanction of the same board.

Gov. Strong must be a pretty bad egg. I have been told that the Senator from Virginia who sits before me wrote to a man or told him in person down in Virginia that Strong was an unfit man to be at the head of that banking system up there. I heard him testify down here. He is a man of great energy and determination. He dominates the Federal Reserve Board now. He is the invisible governing power. He is also a very egotistical man, I am told. I understand that while the Senator from Virginia [Mr. GLASS] was Secretary of the Treasury Mr. Strong strode around in that pompous fashion of his and talked about what he would do and would not do, and Senator GLASS reminded him that he could and probably would ask for his resignation.

I am informed that that took place. That is the crowd whose strange conduct I have been criticizing and condemning.

Am I right or am I wrong in demanding that the Federal reserve banking system be administered fairly and honestly in the interest of legitimate business in this country?

Mr. SIMMONS. Mr. President—

The PRESIDING OFFICER (Mr. RONINSON in the chair). Does the Senator from Alabama yield to the Senator from North Carolina?

Mr. HEFLIN. With pleasure.

Mr. SIMMONS. Has the Senator any information that he can give the Senate showing the connection with Wall Street of the governor of the Federal Reserve Bank of New York, Mr. Strong? I have heard the charge frequently made that it was through Mr. Strong that Wall Street had been pipe-lined into the Federal reserve bank.

Mr. HEFLIN. Yes; so have I.

Mr. SIMMONS. Has the Senator any information that he can give us showing Mr. Strong's connection with it, and especially with the great banking house of J. P. Morgan & Co., because I have heard—I do not know whether it is true or not—that in some way or other he had some such business connection?

Mr. HEFLIN. I have heard the same thing and I have some statements in connection with my speech that I shall print in the RECORD emanating from John Skelton Williams that I think tie up the Federal reserve bank in New York with Wall Street's operations. He sets out and charges that on a number of occasions they loaned those speculative interests up there not millions but hundreds of millions of dollars; in fact, that at one time in the fall of 1920 they were loaning to two banks in New York \$250,000,000, and at the same time they were loaning on agricultural and call paper in 18 States just \$15,000,000. As I said the other day, that is \$5,000,000 less than the fertilizer bill of the farmers of my State alone.

Think of it. Wall Street! Why, the old system took money up there and drained the country. The old system sucked it out of the country and fed it into the maw of Wall Street, and I do not propose that the new system shall suck it up and carry it into Wall Street without my solemn protest.

I defend the system. Mr. President, I think it is the greatest banking system ever devised by the genius of man, and I do not

intend that anybody shall pervert and twist and confuse my indorsement of the system with my criticism and condemnation of the policy of the Federal Reserve Board. The great ocean steamer that has many times carried American passengers back and forth across the sea is not to be condemned because an incompetent or criminal pilot steers it upon the rocks. I am not condemning the Federal reserve banking system. I am condemning those who abused and violated the trust reposed in them and used that system to hurt rather than help American business in the time of great distress. The Senator from Virginia told us that it was the silk industry of Japan—poor little Japan—that precipitated a financial riot in the business world. How ridiculous, Mr. President.

Mr. President, when I saw the excuse that was made by the Federal Reserve Board as to why it would not permit Federal reserve banks to grant loans as it had done before, I thought of what happened to Harpalus, who kept the strong box of Alexander the Great, and who had charge of the trophies that he had captured with his conquering army. For a long time he kept and cared for the precious store intrusted to him and dealt honestly and squarely with his chief, but one day the tempter came and in an evil hour Harpalus betrayed his trust and proved false to his friend and benefactor. He fled with all his golden store to Athens. When they noised the news around that Harpalus with all this treasure was in the city, the people were indignant. They said, "Assemble the people. Send for Demosthenes to come and address them. Under the spell of his great eloquence Harpalus, the criminal, will be driven from the confines of dear old Athens." Harpalus sent for Demosthenes, and Demosthenes responded in person to the request. Harpalus placed upon a table a large and beautiful loving cup made of gold, and as soon as Demosthenes's eyes fell upon it he was fascinated and drawn to it. He went up to it and lifting it with both hands, he said, "How much is this worth?" Harpalus said, in substance, "It will not cost you anything." He called his servant and said, "Bind this up and send it over to Demosthenes's home." Demosthenes's rage commenced to cool.

The next day the people assembled. Demosthenes came into the hall, and at sight of the great orator of Athens the people cried, "Speech! Speech!" But Demosthenes stood with wool tied around his throat and said in a whisper, "I am too hoarse to speak." And the people of Athens banished him.

Mr. President, when I saw the Federal Reserve Board sitting above the storm of battle and administering this mighty Federal reserve banking system so as to meet every demand, when I saw the interests of the East and Northeast calling for money to loan the Allies, and it quickly responded, and when I saw the country itself call for a loan of \$10,000,000,000 for the allied nations and it quickly responded, and when I saw it called upon to float twenty-odd billion dollars of Liberty bonds, and it graciously responded without a tremor, I said, "God bless the great Federal reserve banking system."

Then I saw it when the bugle sounded truce on the battle fields of France, when the war was over and the curtain went down. I saw it after peace had come, in the year 1920, when the hungry wolves of Wall Street commenced to howl in anticipation of the financial feast that they somehow knew was going to be prepared for them from the substance of the South and West. I saw them advance as they did under the old banking system, and I said: "Let them come. We will meet them in the open field and fight them and whip them as we have done with the guns and battle blades of the Federal reserve banking system. Send for Gov. Harding, and when he comes out and tells those wolves of Wall Street that we are going to be furnished with the guns and ammunition necessary to whip them, they will turn and flee as they did in 1919." Gov. Harding appears with something tied around his throat and he tells the farmers, merchants, and bankers of the South and West that he, like Demosthenes, is too hoarse to speak. The wolves of Wall Street, like Harpalus, had their way; but, strange to say, President Harding, unlike the indignant people of Athens, did not dismiss or banish the governor of the Federal Reserve Board.

Mr. President, I commend to my friend, the Senator from Virginia, the public statements and speeches of John Skelton Williams. I was talking to the Senator yesterday about it, and I know he will not object if I tell you that he said he had never read a statement or a speech of John Skelton Williams on this great subject. Then I knew how to account for all the misinformation that the Senator from Virginia had inflicted upon the Senate and the country regarding the Republican deflation policy carried out by the Federal Reserve Board.

John Skelton Williams, at the time he acquired the valuable information that he has given to the country, was Comptroller of the Currency and a member of the Federal Reserve Board. He is a man of great ability and very high character. While he

sat on that board he called Gov. Harding's attention and the board's attention to the fact that instead of deflating credits and contracting the currency they could and should issue \$2,000,000,000 more without endangering in the least the gold reserve. He told them that, and he told them the truth; but they would not do it. Instead of doing that and preventing widespread disaster, they pumped the lifeblood out of the body of business in America and paralysis set in, and we have had a dreadful and terrible time, Senators. John Skelton Williams has dared to tell the people of the country the truth about the Federal Reserve Board's hurtful policy after a change took place in the mood and conduct of the members of that board. He has told us how, after the deflation policy had been ordered, the Federal Reserve Board held secret meetings to which he, a member of the board, was not invited. Who is this John Skelton Williams? He is the man of whom I am informed two years ago at a farmers' meeting in Lynchburg, Va., the Senator from Virginia [Mr. GLASS] said, in substance, "He is the greatest Comptroller of the Currency we have ever had, and practically the only one in 40 years." Now, back to the secret meetings of the Federal Reserve Board. Does that look like everything was open and aboveboard? It looks very suspicious and crooked to me. Why, Mr. President, the Manufacturers' Record, probably the greatest business magazine in the country, a periodical of high standing and large circulation amongst business men, has from the beginning strongly criticized the Federal Reserve Board's deflation policy. It said, among other things, that Gov. Harding had hoarded the lifeblood of the Nation and would not let it circulate.

## COMMENDING MY COURSE.

And it told the truth. Col. George W. Armstrong, of Fort Worth, Tex., a big cotton farmer and cattleman, has written a book on that destructive deflation policy, called "The Crime of 'Twenty," and he has dedicated it to the editor of the Manufacturers' Record for the great fight that he has made along this line. The Manufacturers' Record calls attention to the fact that the Supreme Court of the United States condemned the conduct of the Federal Reserve Board. Am I not in good company with John Skelton Williams, Richard H. Edmonds, of the Manufacturers' Record, George W. Armstrong, and the Supreme Court? Mr. President, the people of my section have suffered sorely because of the crime of 1920, and the people of the West have suffered the same afflictions. As long as I have the strength to battle I shall fight for a fair and honest administration of our great Federal reserve banking system. I may not be able to get my arguments into the subsidized newspapers of the country. They may be able to keep them out of such papers, but they can not keep them out of the CONGRESSIONAL RECORD. Wherever my speech has gone, the one I made in brief reply to the Senator from Virginia, I have received many letters, some from his own State, commanding my course and indorsing the fight that I am making for an honest administration of our great banking system.

To my mind the Federal Reserve Board has committed a grievous wrong against the people of the United States. Senators, it is no small offense for a board of five men to cut off credits and place the money supply beyond the reach of business that needed it to prevent financial ruin. I am fighting to make such a crime so odious that it will never be committed again. Of course, I know that those who made millions and hundreds of millions through the policy of deflation hope to be able to do it again, and that is the reason they dislike for me and others to expose this crime now. But I am not seeking to please them; I am fighting them and I shall continue to fight them whenever they work injury to my country.

What did John Skelton Williams tell them? He said, "You are shutting up money and hoarding gold that should be in circulation serving the purpose for which it was created." The Washington Post of January 23, 1922, declared that our country had been hurt by hoarding gold. What an indictment against the deflation policy that I have for months condemned. I am told of what a Senator quoting John Skelton Williams said to President Harding when the President said, "Well, you must admit that we have a very large gold reserve." The Senator said, "Mr. President, suppose the city of Washington was on fire and block after block was being swept away, and every fire alarm in the city was sounding, but no fire engine or fire fighter appeared on the scene. What would you think when it was all over and millions of dollars worth of property had been destroyed, if the firemen should come to you and boast that they had the largest water supply in the history of the city?"

Mr. President, at the instance of Wall Street gold was hoarded and kept out of circulation so that Wall Street could work its will on the helpless masses of America. When I was down home the other day I saw a young man moving his house-

hold goods along the road to a cotton-mill town. Two years before he owned a beautiful little farm, with young fruit trees about his dwelling house. He had a bright, cheerful wife and a fine boy and girl—twin joys of a happy little home upon the farm. The 14-year-old boy was walking along by the wagon. He had a troubled look upon his face as he walked along gazing upon the ground. I saw his little 6-year-old sister sitting with her mother in the wagon as she hugged a little doll to her bosom. The good wife and mother was trying to be brave through it all. The crop of 1920 and the little farm on which it was produced had been sacrificed upon the altar of a cruel and remorseless deflation policy.

He told me what had happened. The debt-paying power of his products had been destroyed and the little home and farm that he had provided for those he loved had been swept away and he was leaving the community where he was born and reared with debts incurred in farm operations still hanging over him.

Here was a hopeful, buoyant, and successful young farmer broken in spirit and ruined in business simply because he could not obtain financial aid to prevent the destruction of the debt-paying power of his products. He is one of the hundreds of thousands of farmers in the South who were literally robbed by that policy. When I saw this same young farmer previously he had a cheerful look on his face, but when I saw him leaving the home and moving his household effects along the public road he was a changed man. The bright and cheerful look that I had seen before was gone.

A lump came in his throat when he told me that the most trying ordeal came when his boy, with tears in his eyes and a sad tone in his voice, said, "Papa, what does all this mean?" Senators, that question was asked by many thousands of once happy boys and girls upon their fathers' farms in the South and West during the deadly drive of that destructive deflation. The farmer's products were taken from him at prices below the cost of production and then sold to the consumer at exorbitant prices and tremendous profits. Farmers lost their homes and farms and tens of thousands of them were driven from agricultural pursuits into cotton-mill towns and industrial centers.

Mr. President, when I saw this work of destruction going on I thought of the unfortunate Acadian farmers about whom Longfellow wrote in his poem *Evangeline*:

Waste are those pleasant farms, and the farmers forever departed! Scattered like dust and leaves, when the mighty blasts of October Seize them, and whirl them aloft, and sprinkle them far o'er the ocean.

As cruel as the decree of the king which took the crops and lands of the Acadian farmers was the disastrous deflation policy that destroyed the business and took away the farms of innumerable American farmers.

In describing the Acadian farmers' farewell to home and farm Longfellow said:

Soon o'er the yellow fields, in silent and mournful procession, Came from the neighboring hamlets and farms the Acadian women, Driving in ponderous wains their household goods to the seashore, Pausing and looking back to gaze once more on their dwellings. Ere they were shut from sight by the winding road and the woodland. Close at their sides their children ran, and urged on the oxen, While in their little hands they clasped some fragments of playthings.

Tragedies as sad and heart-rending as this one have been enacted right here in the agricultural sections of the South and West. That deadly deflation policy left broken spirits, deserted farms, and ruined homes in its trail, and yet the Senator from Virginia and the cold and cruel Federal Reserve Board wonder why I should dare to criticize and condemn a policy that has brought so much distress and misery to millions of people in the agricultural sections of my country. Mr. President, I want to read something about the subject under consideration from some very eminent authorities. First, the governor of the Bank of France; second, the former chancellor of the exchequer, Mr. McKenna; and so on.

I read:

We have welcomed, whether by means of rediscount or by direct discount, all paper whose creation responded to the legitimate needs of commerce and production. By this liberal policy we expect to support with all our power the activities of widely varying business enterprises which in France are needed to lessen the violence of the crisis.

If the Federal Reserve Board had felt that way the story would be quite different.

Now, I will read to you the views expressed by the Hon. Reginald McKenna, formerly chancellor of the exchequer of England and now president of the London Joint City and Midland Bank, the largest bank in the world. These extracts from Mr. McKenna's statement are contained in an English newspaper, the *Clarion*, published under date of February 4, 1921:

Let us look at the policy of monetary deflation to be obtained by a high bank rate and a restriction of credit. Let us suppose that it were practicable by this process to bring prices permanently down to the

prewar level. What sort of charge would our national debt then mean to us? It ranks to-day at £9,700,000,000, mostly borrowed when money was worth very much less than before the war. With prices back to their former level, the true burden of the debt would be more than doubled, or, in other words, the creditor would receive a huge premium at the expense of the debtor. • • •

I think I have said enough to show that an attempt at monetary deflation of this kind can only end in the strangulation of business and widespread unemployment.

The editor of the *Clarion*, commenting on this statement, says:

Thus, in Mr. McKenna's opinion, the Government policy now being carried out by the banks, the policy of reducing the supply of money for industry, will inevitably result in—

1. The robbery of the majority of the people for the benefit of a few rich.
2. An unbearable rate of taxation.
3. Widespread unemployment.

Continuing, he says:

Mr. McKenna on this question is in entire agreement with us. He says:

"Monetary inflation, unlike speculative inflation, is not a temporary condition capable of remedy by raising the bank rate and restricting credits. Prices in this case are forced up over a protracted period of time, wages and contracts of all kinds are adjusted to new price levels, and fresh capital is embarked in business on this basis. In circumstances such as these the first effect of an attempt to force down prices by monetary deflation must be to cause severe trade depression. • • • The consequences of a continuous fall in prices entailed by dear money and restriction of credit, and accentuated by heavy taxation, must be complete stagnation of business."

Mr. President, that is as true as the Gospel. When cotton was 40 cents a pound the farmer in my county who made 10 bales of cotton could pay \$2,000 worth of debts with it, but when this deflation policy commenced and the price went down to 10 cents a pound, it required 40 bales of cotton, four times the amount he had, which would mean four crops, to pay the indebtedness that he incurred in making one crop in the terrible year of deflation. I read again:

"I think I have said enough to show that to attempt a monetary deflation of this kind can only end in the strangulation of business and widespread unemployment."

The editor of the *Clarion*, commenting on this statement, says:

Thus, in Mr. McKenna's opinion, the Government policy now being carried out by the banks—the policy of reducing the supply of money for industry—will inevitably result in—

Listen, Senators—

the robbery of the majority of the people for the benefit of a few rich men; second, an unbearable rate of taxation; third, widespread unemployment.

What have we in this country now? We have exactly those conditions. That is what Mr. McKenna said would happen under deflation, and that is what did happen. The masses have been robbed, a favored few have increased their already immense fortunes, and millions of men are out of employment.

I showed to the Senate a little while ago that we lost in 12 months' time on one cotton crop \$1,750,000,000. We lost that amount and Wall Street speculators got it. I have said here once before and I now repeat that if a man had sold a thousand bales of cotton on the bear side of the market in July, 1920, and had held his contract for seven weeks, he would have made \$45,000 on the 1,000 bales. Who lost that \$45,000? The cotton farmer. Who made it? The speculator in New York and other places. So when I am talking about the farmer losing so much money I want you to know that somebody got every dollar he lost.

What about wheat? Wheat had been selling for \$2 and a little more a bushel, but when it went down to \$1 a bushel what happened to the consumer? He did not get any benefit from the reduction; he continued to pay a high price for flour and bread. What happened to corn? The price of corn was beaten down low. What happened to the products of corn? Corn flakes—and I have referred to this once before in the Senate—sold for 15 cents a saucer.

I paid 15 cents for a saucer of corn flakes when the farmer of the West was getting 20 cents a bushel for his corn. I paid 15 cents for a saucer of oatmeal when the farmer was getting 17 cents a bushel for oats. Who got the money the farmer lost on grain? Not the consumer but the speculator. How about live stock? A sheepman in the West testified that he could not get financial aid to enable him to retain his large flock of sheep, that he was forced to sell them. He said after paying for feed on the way to market and for freight charges that he received above that amount just 34 cents a head. He lost more than \$8 a head on his flock of sheep. And yet at that very time the hotels of Washington were charging from 35 to 50 cents for one lamb chop.

Mr. WATSON of Georgia. Mr. President—

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

Mr. HEFLIN. I am glad to yield to my friend from Georgia, Mr. WATSON of Georgia. A few days ago there was brought to me from the reception room a card bearing the name of Mr. Will Kendrick, of Mayfield, Ga., a business man whom I have known for many years. My colleague [Mr. HARRIS] perhaps knows him. He is a worthy gentleman and entirely trustworthy. Among other things which he told me, showing conditions in Georgia, was this: His son-in-law, a large farmer, found it necessary to run his farm on a basis of 15 plows less than he had been doing. That left him with 15 surplus mules, which, of course, he wanted to sell. There being no local demand for mules he shipped them to Atlanta—a carload of mules. They were sold and his net return from that carload of mules, which cost him \$150 apiece two or three years ago, was less than \$1 apiece for the mules, the net return being \$12.50.

Mr. HEFLIN. Mr. President, there are innumerable instances akin to the one mentioned by the Senator from Georgia.

Right in line with what the Senator from Georgia said, let me read from the testimony of Mr. Wilcox, a gentleman who represented farming interests and who appeared before the Senate Committee on Agriculture. He said:

When this call came for money, when the Eastern banks called on the Western banks for money, the Western banks called on the cattlemen, with the result that the cattlemen simply pushed into the market what they had; liquidated their cattle—

Listen, Senators—

they played square and gave what they had to settle and tried to settle. Then started an absolute flood of cattle going into the market back yonder, beginning in the spring when the cattle should have gone to the range.

Mr. President, I said that this terrible thing commenced in the spring of 1920, in May of that year, and that is when he says this devilment was done to the cattlemen of the country. Again he said:

In other words, instead of those cattle going to the range, as is customary and as should be the case, on account of this calling of loans they went to Chicago, Omaha, and Kansas City. As far as I could find out on my trip, there is probably not more than 50 per cent as many cattle on the ranges in the Northwestern country as there was a year ago. This situation is due altogether, so far as I can see, to the fact that they had to liquidate.

Yet my friend from Virginia does not seem to know that they were forced to liquidate. The cattle industry of the country was stricken down. Here is the testimony. The Senator wanted proof of a deflation, and here it is. This man said when the cattle ought to have been feeding upon the plains, when they should have been producing meat to feed the world, they were driven into the market place. They went to pay as far as they could go. One farmer in Iowa asked the question of the bankers, "What are you going to do with this money when you get it from us? Are you not going to loan it to somebody? Then, if you are, is there any interest more closely bound up with the welfare of the whole country than agriculture?" They have not answered him yet. What did they do with that money? They took it to New York and loaned it out in Wall Street, where the speculator could use it in beating down still lower the price of farm products. The Federal Reserve Board, although its actions would indicate it, is not the private property of any bank or set of banks. It is composed of Government officials, whose duty it is to see that the Federal reserve banking system is justly and honestly administered.

Mr. President, I have here a number of authorities upon this subject that I will read and make some comments upon, including some statements from Mr. Williams, so that my friend from Virginia can read them and answer them, if he can.

The Senator from Virginia says the Federal reserve banks did not refuse to lend money. The governor of North Carolina, Mr. Bickett, who appeared before our committee, says the trouble was that the call came all down the line to "Pay up your loans." He said that was the trouble, and the bankers of North Carolina said it came from the Federal Reserve Board in Washington; so the Senator from Virginia accepts the statement of Gov. Harding and his gold-dust twin, Platt, rather than believe the statement of reputable bankers in North Carolina.

Mr. President, I interrogated Gov. Harding right in that connection, and I want to read something that was said. Congressman BYRNES of South Carolina before that committee read a bulletin issued by the Federal Reserve Bank of Richmond, dated December 20, 1919, addressed to all member banks, saying:

Our present task, therefore, is to proceed with the deflation of credits as rapidly and as systematically as possible.

The Senator from Virginia said he wanted proof, and here it is.

What does that mean? "Go out after them. Take them as you come to them. Begin now and let none escape." That

statement was inspired by the Federal Reserve Board and was of itself enough to frighten bankers and demoralize business.

Now, listen. Gov. Harding said before our Committee on Agriculture:

I think that was excellent advice.

A little more light on the subject of deflation for the Senator from Virginia, and this from the governor of the board.

Do you get that, Senators? The very man who denies that he had anything to do with deflation admits that he gave sanction to a policy of deflation that was to be carried out as rapidly as possible.

When did they start in earnest and with a vengeance that merciless policy? They waited until May, 1920, until every cotton seed was in the ground and until the farmers of the West had planted. They waited until they got the farmers committed to large plans for the year's operations. They waited until they had bought their fertilizer and gone into debt on an inflated dollar. They waited until they had bought their implements and other things. They waited until the farmer was tied up and it was too late for him to beat a retreat. The merchants had made large advances and the local banks had granted credits. Then it was that the deadly deflation was begun. The Senator from Virginia [Mr. GLASS] says there were some who saw the storm coming and went to shelter. Yes; that is true. A Senator from a western State told me about a man who said to him in 1920: "The Republicans are going to put into operation a deflation policy. I have got \$25,000, and under deflation I can be worth \$50,000 at the end of the year." The man who had money could go to shelter or go and speculate and get out of things that he knew were going to be in the crash; but the farmer could not do that, and the merchant and banker who had made advances could not do that. Mr. President, he was bound hard and fast while the destructive policy of deflation beat upon him with all its fury.

When the Federal Reserve Board refused to go, as it had done before, to his rescue there was nothing he could do but to stand and suffer.

Now, let us see a little further about Gov. Harding.

In 1919 I received a telegram from a firm of merchants in my town, Stanley & Singer. They said:

Rumored here that Federal reserve banks will not back the local banks in carrying cotton.

That is another proof that they intended to start this deflation in the summer of 1919, when they had tied up the farm land banks, as I said. All of these things link up and connect. This firm wired me, and I called Gov. Harding myself and told him about the rumor being circulated in Alabama and I inquired if it was true. He waited a little while and said, "No." He is not very talkative on anything that would benefit the people, but he is a mighty palaverer when he is trying to evade an issue or dodge the truth on the witness stand. He has no equal when it comes to that. He is as slick as an eel in a bucket of soapsuds. But, Mr. President, I said to him, "It is not true is it?" He finally said, "No." I told him that I was going to wire down there that the rumor was untrue and that Federal reserve banks will continue as formerly to back the local banks, and he gave his permission for me to do that. I wired Stanley & Singer, in substance, this, "No truth in rumor. Federal reserve banks will continue to back local banks as formerly in handling cotton."

That telegram was printed in some Alabama papers and other newspapers in the South. We had Gov. Harding before the Committee on Agriculture in December, 1920, and he dodged and evaded questions propounded by Senator NORRIS, Senator KENYON, and others as to his willingness to change the policy of deflation and aid agriculture. He would dodge and evade and say, "That reminds me of so and so," and off he would go. We talked among ourselves about what a slick, smooth witness he was. I decided to pin him down and get a direct answer. I asked about Alabama banks complaining about the conduct of the board.

Let me read the questions and answers:

Mr. HEFLIN. Have they not complained to you that the banks are not being treated as they were last year? Have you not had complaints from banks in Alabama?

Mr. HARDING. We have had no general complaints. I have had a few complaints.

Of course, they made them to the governor of the board!

Mr. HEFLIN. Did you not have complaints in October that some action of the board had broken the price of cotton?

Mr. HARDING. I was urged while in Birmingham, on the 9th of October, to make a statement that the resources of the Federal reserve system would be available to the cotton producers of the South to hold their cotton until such time as cotton might go back to 40 cents a pound, and I declined to make any such statement.

Mr. President, does not the very tone of that reply show that he was not in favor of giving any aid at all?

His very manner and bearing impressed me that he was not friendly but hostile toward the plan to aid cotton producers.

Then I said to him:

I think that these conditions that now exist, caused by the war, require that something should be done to tide the farmers of the South and West over, and to keep them from suffering this severe loss.

Mr. HARDING. I would be very glad to do anything in my power to help the farmers of the South and West.

Now, Mr. President, in order to show that he did not desire or intend to aid the farmers of the South and West, I will read to you a question asked by me and his evasive answer. I said:

Are we authorized by your position in the matter of lending money on farm products to local banks, through regional banks in the Federal reserve system, to give out a statement that you and the Federal Reserve Board do not oppose but encourage regional banks in giving the fullest aid possible to farmers in handling their crops so as to enable them to obtain a living profit for their farm products?

AN ELUSIVE AND INDIRECT OFFICIAL.

I was putting it squarely up to him. He whirled in his chair, turned pale, and said:

The Federal Reserve Board always prefers to make its own statements.

Did that answer indicate that he wanted to do anything for the farmers of the South and West? I was asking him if he was not willing for us to give out a statement to our constituents that he was friendly to them and that he would help them, but he whirled in his chair and said:

The board always prefers to make its own statements.

I telephoned him once before and asked him if I could make a statement, and he said I could. That was before this conspiracy was entered into. That was before he wired Warren G. Harding, a Republican, congratulating him on his nomination, before he wrote him a letter congratulating him on his acceptance speech. That was before he journeyed, not to Jericho but to Marion, Ohio, in the fall of 1920, and that was before William Boyce Thompson, the treasurer of the Republican campaign committee, borrowed partly under a dummy note \$5,000,000 through a member of the Federal reserve bank in New York. It was before all that when he told me that I could make that statement about aiding banks in carrying cotton, and I wired that the Federal reserve banks would continue to back the local banks, and I asked the simple question here if I might do that again, and this gentleman, who is willing to help the farmers all he can, said, "We prefer to give out our own statements."

He never did give out any statement, and so his failure to give it out and his failure to permit me and others to give out a statement shows that he was against doing the thing that we wanted done. He was against reviving the War Finance Corporation. So was Secretary Houston. I put them in the same boat. I believe, as I live, that both of them supported the Republican ticket in 1920, and they were opposed to reviving the War Finance Corporation. At the time they killed it there were applications pending for \$65,000,000 to export cotton to countries that needed it beyond the seas; and Eugene Meyer, who testified before the committee, said to Gov. Harding, "You know that all the outstanding debts against the War Finance Corporation were good," and he could not deny it.

What was the reason, then, for killing the War Finance Corporation? I do not know whether my friend from Virginia was in favor of that or not. He did not appear to say anything about it one way or the other, but in referring to the man who succeeded him, Secretary Houston, the Bulletin of the Federal Reserve Board said that "the policy of Houston will be the policy of Secretary GLASS." So my friend from Virginia, my good and genial friend who thinks so much of the Federal Reserve Board, may have held to the same views that Secretary Houston held to.

Mr. GLASS. Mr. President, the Senator does not want to be absurd. Secretary Houston succeeded me and I preceded him. Therefore his policy could not have been my policy.

Mr. HEFLIN. I thank the Senator. The bulletin said that Secretary GLASS's policy would be Secretary Houston's policy.

Mr. GLASS. I repeat, Secretary Houston followed me, and my policy could not have followed Houston's policy.

Mr. HEFLIN. This bulletin said that his policy would be the same as the Senator's policy had been.

Mr. GLASS. The Senator should get it right.

Mr. HEFLIN. I have got it right.

Mr. GLASS. Then it will be the only thing the Senator has gotten right.

Mr. HEFLIN. I am going to set a lot of things right. I am going to set the Senator from Virginia right before I am through with him.

Mr. President, I said further to Gov. Harding:

I know a farmer in my county who has 50 bales of cotton, on which he ought to at least be able to get \$5,000.

He is unable to get this money, and he has mortgaged his farm.

Think of that, Senators, going back to the nest egg, driving them with their produce into a dead market, refusing to let them have money to fight the wolves of Wall Street, driving them away from the Federal reserve system, driving them into the farm loan banks to mortgage the rooftree and the farm of their fathers to get money to hold one year's crop off the market.

Here is what I said to the governor of the Federal Reserve Board about that:

That is the condition that exists. I do not know what you hear or what comes to you on paper, Governor, but they are in a desperate condition.

Then I said again:

Whatever the amount is that they are getting, it is not sufficient to enable them to handle the crop as they should.

That is my contention, Mr. President, that the farmers of the South and the farmers of the West did not get the money that was necessary to enable them to hold their produce until they could get a price that would yield a profit.

One other thing was about to escape my mind. This deflation was planned, as I have said, at the time the Senator from Illinois [Mr. McCormick] introduced the resolution which the Senator from Oklahoma [Mr. OWEN] said meant the start of a deflation policy, and told them that it was done at the instance of Chicago and Wall Street, New York. What happened? They put that War Finance Corporation out of commission. We held a meeting over here—I was on the committee—and we reported a resolution in favor of reviving it.

Section 2 of that resolution directed the Federal Reserve Board to go to the aid of American farmers in distress. What happened to that? It died at the hands of a Republican Congress, and I did not hear my friend from Virginia open his mouth in advocacy of that proposition. There were some Senators here who did not favor it, but they could not beat section 2 of that resolution, and we passed it, but it died in the other branch of the Congress, and I understand that the Federal Reserve Board whispered the word down the line to kill it. I know it was killed.

Who is responsible for this deflation policy? If President Harding keeps in power a board which has dickered with the interests of Wall Street, and, as the editor of the Manufacturers' Record said, has lost the confidence and respect of the business men of the country, how can he expect good times to return? I want to assert here what I have said before, that the bankers of this country live in fear and trembling of that board. I have received letters from them.

Other Senators have received letters and have told me about them. The Senator from North Carolina [Mr. OVERMAN] the other day rose and asked me why it is that the banks are afraid of this board and are not willing to have their names used when they write letters to us about its policy. I say it is because they are afraid. They know what this board will do to them. One man said in a letter to me, "There are so many ways they can affect us injuriously and punish us; do not use my name." What are we coming to? These banking institutions, which should have money in ample supply to meet the needs of honest business, are afraid of five men sitting at the Capital of the Nation, where our great banking system is being mismanaged and run entirely to the satisfaction of Wall Street.

*The collapse in prices of agricultural and other commodities was contemporaneous with the enforcement of the Federal Reserve Board's ruinous "deflation policies."*

Months.	Corn, No. 3, Chicago.	Cotton, middling, New Orleans.	Sugar, granulated, New York.	Wheat, No. 2 red winter, Chicago.	Cattle, steers, Chicago.	Hides, packers, heavy native steers.	Hogs, light, Chicago.	Wool, Ohio grades.	Yellow-pine flooring, New York.
1920.									
January.....	\$1.47	\$0.403	\$0.1537	\$2.63	\$15.93	\$0.40	\$15.12	\$1.23	\$112.00
May.....	1.98	.403	.2247	2.97	12.60	.35	14.75	1.16	160.00
June.....	1.33	.403	.2120	2.59	15.03	.34	15.35	1.00	160.00
July.....	1.33	.395	.1910	2.80	15.38	.29	15.88	.90	160.00
August.....	1.53	.338	.1490	2.47	15.35	.28	15.73	.87	157.00
September.....	1.29	.270	.1426	2.49	15.23	.28	17.06	.83	157.00
October.....	.57	.208	.1078	2.20	14.68	.23	14.78	.72	152.00
November.....	.80	.178	.096	2.05	14.57	.23	12.14	.69	124.00
December.....	.73	.144	.080	2.01	12.09	.19	9.68	.54	124.00
1921.									
January.....	.65	.145	.075	1.96	9.84	.16	9.67	.54	110.00
February.....	.63	.132	.070	1.91	9.31	.13	9.70	.54	95.00
March.....	.61	.110	.078	1.67	9.56	.11	10.20	.52	95.00
April.....	.55	.111	.072	1.38	8.71	.10	8.85	.52	91.00
May.....	.60	.117	.063	1.55	8.42	.11	8.45	.50	91.00
June.....	.60	.110	.066	1.43	8.09	.13	8.25	.49	91.00
July.....	.50	.114	.054	1.22	8.40	.13	10.20	.49	91.00
August.....	.55	.129	.058	1.23	8.77	.14	10.39	.49	92.00

*The collapse in prices of agricultural and other commodities was contemporaneous with the enforcement of the Federal Reserve Board's ruinous "deflation policies"—Contd.*

Months.	Cotton, yarns, Boston.	Leather, sole hem- lock, Chicago.	Steel billets, Bessemer, Pittsburgh.	Copper, ingot, New York.	Lead, pig, desilver- ized.	Petroleum, crude, Pennsyl- vania, at wells.	Pig iron, at furnace.	Total of all loans and dis- counts (includ- ing "bought paper") held by all 12 reserve banks (as offi- cially reported at the end of each month).
1920.								
January	\$0.72	\$0.56	\$48.00	\$0.193	\$0.087	\$5.06	\$37.75	\$2,736,670,000
May	.76	.57	60.00	.190	.085	6.10	43.25	2,938,031,000
June	.72	.57	60.00	.190	.084	6.10	44.00	2,830,979,000
July	.70	.57	62.50	.190	.085	6.10	45.75	2,836,935,000
August	.63	.55	61.00	.190	.089	6.10	48.10	2,989,124,000
September	.54	.51	58.25	.180	.081	6.10	48.50	3,012,088,000
October	.43	.49	55.00	.167	.073	6.10	43.75	3,090,672,000
November	.36	.47	49.70	.145	.062	6.10	36.50	2,983,103,000
December	.31	.41	43.50	.136	.047	6.10	33.00	2,974,836,000
1921.								
January	.28	.40	43.50	.128	.049	5.77	30.00	2,622,174,000
February	.27	.38	42.25	.128	.045	4.18	27.50	2,560,013,000
March	.24	.37	38.40	.122	.040	3.00	24.20	2,359,160,000
April	.23	.37	37.50	.124	.042	3.18	22.87	2,183,178,000
May	.24	.37	37.00	.128	.049	3.35	22.00	1,995,051,000
June	.25	.37	37.00	.128	.045	2.65	20.75	1,782,951,000
July	.24	.35	32.25	.125	.044	2.25	19.37	1,661,036,000
August	.25	.34	29.60	.117	.044	2.25	18.20	1,527,255,000

For the four months from the end of January, 1920, to the end of May, 1920, the loans and discounts and bought paper held by the 12 Federal reserve banks show an increase of about \$200,000,000, and coincidentally there was an increase, rather than a decline, in commodity prices. Corn at Chicago averaged \$1.47 in January and advanced to \$1.98 in May. Wheat advanced from \$2.63 in January to \$2.97 in May. Cotton maintained its price. Cotton yarns advanced; copper was fairly steady.

From the end of May to the end of July there was a reduction of about \$100,000,000 in the credits by the Federal reserve system. Disquieting reports were spread as to the deflation policies of the reserve system, and the downward slide in prices got under way. As the table shows, commodity prices, responding to the deflation policies of the Reserve Board, proceeded to tumble. Corn, which had averaged \$1.98 in May, declined to \$1.52 in August. Cotton, from \$0.403 in May, averaged \$0.338 in August. Wheat, from \$2.97 in May to \$2.47 in August. Wool, from \$1.16 in May, averaged \$0.87 in August.

The aggregate credits extended by the Federal reserve system after declining for June and July from the May level increased somewhat to the end of October as a result of advances for the crop movement, but the curtailment of credit and pressure for the payment of loans was actively enforced in other directions and prices continued to fall. Bank deposits were shrinking and the reserve system failed to extend the aid which would have enabled member banks to meet depositors' demands without forcing the collection of loans, entailing many bankruptcies. Just at this time—September and October, 1920—urgent pleas for a change of policies were made to the Reserve Board by Senators, Congressmen, farmers' associations, and business men throughout the country, and by the Comptroller of the Currency, whose protests both to the Secretary of the Treasury and to the board against the board's destructive policies are of record; but all protests were of no avail. The figures in this table show that from the end of October, 1920, to the end of August, 1921, the deflation of credits by the reserve system was steady and continuous, and as the contraction proceeded prices continued to tumble. A part of the excess interest exacted from member banks was refunded after Mr. Williams in letters and public addresses had demanded of the reserve board that restitution be made.

The pressure exacted was illustrated in the small country national bank—nearly all of its loans to farmers—to which a Federal reserve bank actually charged interest as high as 87½ per cent—average about 45 per cent per annum—for the use of \$112,000 for two weeks, September 15 to October 1, 1920.

From May, 1920, to August, 1921, covering exactly the period of the appalling and unprecedented drop in prices of agricultural products, the actual "contraction" or "deflation" of regional reserve bank credits amounted to the huge sum of \$1,411,000,000, and coincidentally the country from ocean to ocean and from Canada to the Gulf and the Mexican border experienced the most "crushing losses" and the greatest annihilation of property values in the Nation's history. The baneful effects of the board's plans and policies were seen and felt even before the aggregate of its loans and discounts began to show the shrinkage which, since October, 1920, has been drastic and continuous.

From January 1, 1920, to September 6, 1921, the total deposits of the national banks of the United States shrank from \$17,866,000,000 to \$14,561,000,000, the total loss in deposits for this period being \$3,305,000. During this period the Federal reserve banks, instead of easing the situation by granting accommodations to enable the member banks to meet these unprecedented demands upon them, exerted such pressure in requiring them to pay up or curtail their loans that the contraction or deflation in the credits which had been extended by the 12 Federal reserve banks showed, from the end of May, 1920, to the 1st of September, 1921, the colossal and destructive contraction, as above stated, of more than \$1,400,000,000.

Between the end of October, 1920, and the end of August, 1921, the amount of Federal reserve notes in circulation also shrank from \$3,351,000,000 to \$2,481,000,000, a contraction of \$870,000,000. This contraction in the circulating currency is all the more significant when we realize that a large portion of the Federal reserve notes outstanding were issued against gold retired from circulation and not against commercial credits with only the statutory percentage of gold.

#### SUMMARY.

Total loans and discounts and "bought paper" held by all 12 Federal reserve banks May 28, 1920	\$2,938,031,000
Total loans and discounts and "bought paper" held by all 12 Federal reserve banks Aug. 31, 1921	1,527,255,000
Total loans and discounts and "bought paper" held by all 12 Federal reserve banks Jan. 25, 1922	932,882,000

Actual contraction in credits extended by the Federal reserve system May 28, 1920, to Aug. 31, 1921—\$1,410,776,000  
Actual contraction in credits extended by the Federal reserve system May 28, 1920, to Jan. 25, 1922—2,005,149,000

Which means that the credits which were being extended by all Federal reserve banks on August 31, 1920, amounted to only 52 per cent of the amount outstanding May 28, 1920, and on January 25, 1922, the amount outstanding was only 31 per cent of the figures for May, 1920.

Average price for the 16 leading products showing in the above table for the month of May, 1920, was—\$87.12

Average price for the 16 leading products showing in the above table for the month of August, 1921, was—27.07

Notwithstanding these facts certain officials of the reserve system are disseminating propaganda alleging directly contrary to the record, that during the period of the great fall in prices there was an increase or nearly a thousand million dollars in credits granted by the reserve banks.

#### VIEWS OF LEADING MEN AT HOME AND ABROAD.

The paralyzing and destructive deflation policies of the Federal Reserve Board which have been so world-wide in their effects contrast most vividly with the views of the ablest and best thinkers and leaders of our own and other countries.

The following extracts from the expressed opinions of eminent authorities are merely examples of countless others:

Sir Edward Holden, late president of the London Joint City and Midland Bank:

The president of the British Banking Reform League in referring to an address delivered several years ago by Sir Edward Holden on the "Depreciation of Securities in Relation to Gold," said:

"In that illuminating address Sir Edward showed conclusively that the maximum amount of trade which is possible depended upon the volume of bank loans allowed, and that the extent to which loans could be granted depended not upon the demands of trade nor upon the amount of securities offered, but upon the amount of legal-tender reserves controlled by the banks."

Lord Leverhulme, probably the greatest industrial leader in the British Empire:

"The process of too rapid deflation is undoubtedly the cause of the present unemployment and trade stagnation."

"The prices of commodities rose to the extreme limit during the war and their reduction was a prime necessity, but the fall has been too sudden for adjustment. This deflation has been accomplished through the banks calling in loans which were used to finance stocks at high prices, and the effect of the forced realization of these stocks has been to drive down prices of commodities below the cost of production."

Of Lord Leverhulme, a distinguished English writer in his well-known book, "The Mirrors of Downing Street," says: "I suppose that nobody will now dispute that Lord Leverhulme is easily the foremost industrialist, not merely in the British Isles, but in the world. I can think of no one who approaches him in the creative faculty. Not even America, the country of big men and big business, has produced a man of this truly colossal stature."

In marked contrast with the policies of our Federal Reserve Board are the views of the heads of the greatest banks abroad.

Hon. Reginald McKenna, of England, formerly chancellor of the exchequer, now president of the London Joint City and Midland Bank, the largest bank in the world:

"I think I have said enough to show that an attempt at monetary deflation of this kind can only end in the strangulation of business and widespread unemployment."

"The consequences of a continuous fall in prices entailed by dear money and restriction of credit, and accentuated by heavy taxation, must be complete stagnation of business."

The president of the British Banking Reform League, Mr. Arthur Kitson, in acknowledging receipt of one of John Skelton Williams's addresses on the deflation policies of the Federal Reserve Board, which had been sent him by request, said in his letter to Mr. Williams:

"I agree with all that you have written. We have been experiencing the same troubles in this country that you have had in the United States, and from identically the same cause. Our treasury officials under the influence of the big money lenders undertook to deflate our currency."

"The public stopped buying, business collapsed, firms closed their doors, and we have at the present time the greatest roll of unemployed that we have ever had since the 'hungry forties.'"

The same well-known authority in an address published in 1920 said: "The contraction which followed the Napoleonic wars, when our statesmen destroyed the 'cheap' money which had enabled Great Britain to carry on industries during the long war period from 1797 to 1813, and substituted the costly and inadequate gold basis, brought about the great fall in prices and that era of business depression which gave rise to the corn-law agitation resulting in the Chartist riots and the rise of the free-trade movement."

"Neither free traders nor tariff reformers seem to have understood that that period of social misery was directly attributable to the Government's contraction of the money supplies."

Hon. Moreton Frewen, leading English economist and publicist, a year ago in discussing the world crisis:

"What, then, are the common denominators which best account for the universality of that disaster now impending over the new year? I have pointed out one, namely, the deflation of credits and currencies. It is enough to say that if this intentional and malevolent destruction of credit is followed to its logical conclusions men's hearts may well fail them everywhere for the days that are at hand."

The governor of the Bank of France, properly regarded as one of the world's most eminent banking authorities, in his annual report a year ago declared:

"We have welcomed, whether by means of rediscount or by direct discount, all paper whose creation responded to the legitimate needs of commerce and production. By this liberal policy, to which we have remained and always will remain faithful, we expect to support with all our power the activities of widely varying business enterprises which in France are needed to lessen the violence of the crisis."

Prof. Gustav Cassel, an economist of international reputation, in his recent report submitted to the League of Nations:

"The downward movement of prices has not, as is sometimes assumed, been merely a spontaneous result of forces beyond our control. It is essentially the result of a policy deliberately framed with a view to bringing down prices and giving a higher value to the monetary unit."

"The world's work has been brought to a standstill to a degree that we have never witnessed before, and unemployment has risen to alarming figures, particularly in countries where the policy of deflation has been applied most severely."

Prof. J. Laurence Laughlin, professor emeritus of the School of Political Economy, University of Chicago:

"A crisis comes because credit has been unduly expanded in a period of prolonged prosperity; in an optimistic spirit men have entered into transactions beyond their actual means, as is shown when the test of actual payment is exacted, and in a time of flight collateral as well as goods falls in price. In such a situation liquidation needs time if disaster is to be prevented."

"\* \* \* the great need is some means—whatever it may be—which will enable a bank to make loans to a client, who can thereby be saved from failure and from hasty and ruinous liquidation."

Prof. Irving Fisher, professor of political economy, Yale University:

The newspapers of January 31, 1922, in dispatches from London quote Prof. Fisher as pointing out in an address before the London School of Economics, at the London University, that the fundamental cause of the collapse in prices in this country was the abrupt way in which the Federal reserve system raised discount rates under the "false idea that they must get back to the so-called normal of pre-war." Continuing, the press dispatch quoting Prof. Fisher says:

"The idea of suddenly wrenching back price levels when they had reached the heights of 1920 to 1913 level, whilst it did bring about justice to contract parties who had entered into contracts before 1913, produced a frightful injustice to the much larger number who had contracted at these high price levels."

"Consequently," says the dispatch quoted, "Prof. Fisher held it to have been a very great mistake of policy of the Federal Reserve Board to have raised the rates of discount so high and to have produced this fall of prices."

The late A. Barton Hepburn, a leading financier of New York and former Comptroller of the Currency, upon his return last summer from a visit to the Far East, was quoted by the Associated Press as follows: "Japan is backing up the banks in lending funds at a low rate of interest to struggling farmers who would otherwise go under, to the detriment of commercial life."

Contrast the intelligent policy of the banks of Japan with the Federal reserve, which charged in some cases 15 per cent and 20 per cent, and in one instance as high as 87½ per cent, to member banks whose loans were mainly to farmers.

Japan, a newspaper published in Tokyo, Japan, in April, 1921, discussing trade between the United States and China, referred to an instance of machinery purchased by a Chinese firm on a four months' sight draft, said significantly:

"When the Federal Reserve Board called in credits, the firm was told that they would have to pay cash on delivery. This almost threw them into bankruptcy." The newspaper significantly adds:

"The Chinese memory is a long one."

#### VIEW OF UNITED STATES SENATORS AND REPRESENTATIVES.

The Joint Commission on Agricultural Inquiry, composed of prominent Senators and Representatives of both political parties, says in its report recently submitted to Congress:

"The debacle of prices in 1920 and 1921 reduced the farmer to a condition worse than he has suffered under for 30 years. \* \* \* Farmers are having the greatest difficulty in paying the debts incurred in producing the crops of 1920 and in securing credit necessary for new production. The commission believes that these difficulties are due in a measure to the credit restrictions and limitations of the past 18 months and in part to the fact that the banking machinery of the country is not adequately adapted to the farmers' requirements. \* \* \* The commission is of the opinion that a more liberal policy could have been adopted in the latter part of 1920 and the early part of 1921, and that the adoption of such a policy would have served to arrest, in part, the tide of deflation and to reduce the hardships and losses incident thereto."

Reserve Board deaf to repeated warnings. October 18, 1920, the Reserve Board was warned by John Skelton Williams, then Comptroller of the Currency and ex officio member of the board, in the following language:

"The plans and policies which have aided in bringing about deflation in the great staple commodities should be at once taken up for consideration and revised as far as may be necessary to meet present and changed conditions. If this is not done speedily, I am fearful as to the consequences which may ensue." Three days later, October 21, 1920, in a letter to Secretary of the Treasury Houston, Mr. Williams said:

"The strain upon the business fabric of the country is, in some respects, unparalleled and I do feel that the time has come for the exercise of such salutary and constructive powers as may be at our command. The situation has become more aggravated of late, and unless relief can be found an increase in bank failures, I believe, will be inevitable."

The board's answer to these and other warnings was, more pressure and deflation. The reduction in credits by the Federal reserve banks for the 12 months ensuing from October 15, 1920, to October 26, 1921, was more than \$1,722,000,000, every month showing a contraction. The shrinkage and annihilation of property values which accompanied this "deflation" of credits exceeds the wealth of empires. The world's history furnishes no parallel for the heart-rending wiping out of values and destruction of enterprises, homes, and fortunes, large and small, which we have witnessed in the past 18 or 20 months, while the Reserve Board was conducting its experiments.

Mr. Williams kept up his efforts to secure a reversal of the board's destructive policies, but his remonstrances were unavailing. In a letter to the Reserve Board governor, January 17, 1921, he said: "It is entirely true that I wish to go on record. I wish to be recorded definitely as having done my utmost to urge our board to saving or palliative action and consideration for the troubles of the public and thereby at least free myself from the censure that will fall on us with crushing force if we omit any possible effort to mitigate present and real suffering or to avert disaster; although the consideration of personal exculpation is, of course, slight and negligible in comparison with my main purpose and hope, which are to obtain from the board some prompt and effective action for relief."

Mr. President, not only was the rediscount rate increased to 7 per cent and the progressive interest rate applied for the purpose of preventing banks from getting money for agricultural purposes but the Federal Reserve Board made it plain to the president of the American Cotton Association and the farm organizations of the West that money would not be advanced for the purpose of holding farm products for a profitable price.

Mr. WATSON of Georgia. Mr. President, the Washington Times of Friday, January 27, 1922, there appears on the page devoted to business and finance a headline reading as follows:

Reserve banks decrease note circulation. Gold holdings increased by \$5,600,000, while the decrease in note circulation was \$45,706,000.

Mr. HEFLIN. There it is, Mr. President. Not little by little, but in fell swoops they have done this awful injury to the country. Whose country is this? Does it belong to the banking interests of the East? Are 100,000,000 people to be looked upon as objects of prey for the moneyed interests of New York? The Federal Reserve Board, which did and now does the bidding of Wall Street, has lost the confidence of the American people and should not be at the head of this great banking system. I am fighting to save the system from those who would destroy its usefulness.

The Senator from Virginia seemed himself to feel, while speaking, as John Skelton Williams said, that he was on very uncertain ground, for several times during his speech he frankly invited corrections. For example, in making a certain statement, which I will show was wholly inaccurate; he said in his speech to the Senate:

I hope Senators will take particular note of this declaration and convict me here, if they can, of any inaccuracy that appertains to it.

Later on, after presenting deflation statistics, he again said: If any Senator can controvert this fact, I pause to have him do it.

Of course, as Mr. Williams said:

It was impossible, while the Senator was speaking, for you or anyone else to dissect and analyze long columns of figures, but I have read them carefully, and I shall point out to you for use in your speech of reply some of his many errors. The Senator's speech may be divided into four parts:

First. His denial 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."

Second. His denial that gross favoritism and partiality were shown in the distribution of the funds of the Federal reserve system.

Third. His defense of the rank extravagance in the matter of bank buildings for which the Federal Reserve Board has already approved the appropriation of over \$72,000,000, with other enormous expenditures pending.

Fourth. His defense of the enormous salaries paid, especially by the Federal Reserve Bank of New York.

I will now proceed to point out the pitfalls of error and the sloughs of deception through which the distinguished Senator has been so unwittingly dragged by desperate men seeking to defend or cover up their guilt, and who, even now, are doubtless rejoicing at the guilelessness of the Senator from Virginia and the ease with which they have betrayed him in their attempts to dupe the public.

I feel justified in saying that the confidence which the Senator reposes in his informants may be creditable to his heart but not to his head. The result of his unguarded acceptance of the statements, arguments, and pleas and juggled statistics furnished to him by men now under grave criticism and public censure, is that his speech in the Senate will be shown to be reeking with error and saturated with specious claims and false conclusions and delusions.

I want to take up, first, the Senator's bold declaration that "for the period of the appalling drop in prices of agricultural products there was no deflation of either regional reserve bank credits or any diminution of Federal reserve currency."

In order to answer this, it is desirable to determine, first, what was the period to which the Senator from Virginia refers as that of "the appalling drop in prices of agricultural products"?

On page 1441 of the CONGRESSIONAL RECORD of January 20 I find that he said on the first day of his speech:

"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."

He repeats that statement a few minutes later and says:

"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, exceedingly actually the high point of the war period."

The leading staple products and their prices in May, 1920, and August, 1921, are as follows:

Products.	May, 1920.	August, 1921.	Shrink- age.	Percent- age of August, 1921, price to price in May, 1920.	Per cent.
Corn.	\$1.98	\$0.55	\$1.43	27	
Wheat	2.97	1.23	1.74	41	
Cotton	.403	.129	.273	32	
Sugar	.2247	.058	.1667	25	
Cattle	12.60	8.77	3.83	69	
Hogs	14.75	10.39	4.36	70	
Hides	.35	.14	.21	40	
Leather	.57	.34	.23	59	
Wool	1.16	.47	.69	40	
Lumber	160.00	92.00	68.00	57	
Cotton yarns	.76	.25	.51	32	
Steel	60.00	29.60	30.40	49	
Copper	.190	.117	.73	61	
Lead	.085	.044	.041	51	
Pig iron	43.25	18.20	25.05	42	
Petroleum	6.10	2.25	2.85	36	

We will therefore accept "the early summer of 1920," said Mr. Williams, as he expresses it, as representing the peak of high prices, and the official price reports of the Reserve Bulletins, published monthly by the Reserve Board, confirm this view, for we find that the climax of average prices for the principal commodities was reached that month. For example, the average price in January, 1920, of No. 3 corn at Chicago was \$1.47.

Middling cotton at New Orleans averaged in January, 1920, 40 cents, and that high price was the average for May.

Sugar, from \$0.15 in January, reached its peak of \$0.22 in May, and then the decline began.

No. 2 red winter wheat at Chicago in January was \$2.63, but advanced to \$2.97 in May.

Hogs at Chicago, which in January, 1920, were reported at \$15.12, reached the high average of \$15.88 in July; and wool, which was quoted in January at \$1.23 and \$1.16 in May, steadily declined from the latter date.

In the accompanying large table, in addition to the average prices for each month, I have also shown in a parallel column the total amount of all loans and discounts, including bought paper, or, as the Senator expresses it, of "credits" granted, by all 12 Federal reserve banks and held at the end of each of the months named for this entire period—

Said Mr. Williams.

Mr. President, I will print at this point in my speech a larger chart and a more comprehensive statement furnished me by Mr. Williams.

The table below shows the average monthly prices of leading agricultural, mining, and manufacturing products during the period of great deflation from May, 1920, to August, 1921, inclusive.

From May, 1920, to August, 1921—covering exactly the period of the appalling and unprecedented drop in prices of agricultural products—the actual "contraction" or "deflation" of regional reserve bank credits amounted to the huge sum of \$1,411,000,000 and coincidentally

*The collapse in prices of agricultural and other commodities was contemporaneous with the enforcement of the Federal Reserve Board's ruinous "deflation policies."*

[Figures have been compiled from official monthly issues of the Federal Reserve Bulletins published by the Federal Reserve Board.]

	Corn, No. 3, Chicago.	Cotton, middling, New Or- leans.	Sugar, granulated, New York.	Wheat, No. 2 red winter, Chicago.	Cattle, steers, Chicago.	Hides, packers, heavy, na- tive steers.	Hogs, light, Chicago.	Wool, Ohio grades.	Yellow pine flooring, New York.
1920.									
May	\$1.98	\$0.403	\$0.2247	\$2.97	\$12.60	\$0.35	\$14.75	\$1.16	\$160.00
June	1.83	.403	.2120	2.89	15.03	.34	15.35	1.00	160.00
July	1.53	.395	.1910	2.80	15.38	.29	15.88	.90	160.00
August	1.53	.338	.1490	2.47	15.35	.28	15.73	.87	157.00
September	1.29	.270	.1426	2.49	15.25	.28	17.06	.83	157.00
October	.87	.208	.1078	2.20	14.68	.25	14.78	.72	152.00
November	.80	.178	.096	2.05	14.57	.23	12.14	.69	124.00
December	.73	.144	.080	2.01	12.09	.19	9.66	.54	124.00
1921.									
January	.65	.145	.075	1.96	9.84	.16	9.67	.54	110.00
February	.63	.132	.070	1.91	9.31	.13	9.70	.54	95.00
March	.61	.110	.078	1.67	9.55	.11	10.30	.52	95.00
April	.55	.111	.072	1.33	8.71	.10	8.85	.52	91.00
May	.60	.117	.063	1.56	8.42	.11	8.45	.50	91.00
June	.60	.110	.056	1.43	8.09	.13	8.25	.49	91.00
July	.60	.114	.051	1.22	8.40	.13	10.20	.49	91.00
August	.55	.129	.058	1.23	8.77	.14	10.39	.47	92.00
	Cotton, yarns, Boston.	Leather, sole, hemlock, Chicago.	Steel, billets, Bessemer, Pittsburgh.	Copper, ingot, New York.	Lead, pig, desilver- ized.	Petroleum, crude, Pennsyl- vania, at wells.	Pig iron at furnace.	Total of all loans and discounts (includ- ing "bought paper") by all 12 reserve banks (000 omitted).	
1920.									
May	\$0.76	\$0.57	\$60.00	\$0.190	\$0.055	\$6.10	\$43.25	\$2,938,031	
June	.72	.57	60.00	.190	.084	6.10	44.00	2,830,979	
July	.70	.57	62.50	.190	.086	6.10	45.75	2,836,935	
August	.63	.55	61.00	.190	.089	6.10	48.10	2,989,124	
September	.54	.51	58.25	.186	.081	6.10	48.50	3,012,088	
October	.43	.49	55.00	.167	.073	6.10	43.75	3,099,072	
November	.36	.47	49.70	.145	.062	6.10	36.50	2,983,103	
December	.31	.41	43.50	.136	.047	6.10	33.00	2,974,836	
1921.									
January	.28	.40	43.50	.128	.049	5.77	30.00	2,622,174	
February	.27	.38	42.25	.128	.046	4.18	27.50	2,560,013	
March	.24	.37	38.40	.122	.040	3.00	24.20	2,356,160	
April	.23	.37	37.50	.124	.042	3.18	22.87	2,180,178	
May	.24	.37	37.00	.128	.049	3.35	22.00	1,995,051	
June	.25	.37	37.00	.128	.045	2.62	20.75	1,782,951	
July	.24	.35	32.25	.125	.044	2.25	19.37	1,661,036	
August	.25	.34	29.60	.117	.044	2.25	18.20	1,527,255	

the country from ocean to ocean and from Canada to the Gulf and the Mexican border experienced the most "crushing losses" and the greatest annihilation of property values in the Nation's history. The baneful effects of the board's plans and policies were seen and felt even before the aggregate of its loans and discounts began to show the shrinkage which since October, 1920, has been drastic and continuous.

From January 1, 1920, to September 6, 1921, the total deposits of the national banks of the United States shrank from \$17,866,000,000

to \$14,561,000,000—the total loss in deposits for this period being \$3,305,000,000. During this period the Federal reserve banks instead of easing the situation by granting accommodations to enable the member banks to meet these unprecedented demands upon them, exerted such pressure in requiring them to pay up or curtail their loans that the contraction or deflation in the credits which had been extended by the 12 Federal reserve banks showed, from the end of May, 1920, to the 1st of September, 1921, the colossal and destructive contraction, as above stated, of more than \$1,400,000,000.

Mr. President, from May to October, 1920, cotton declined 20 cents a pound or \$100 a bale. That loss figured on a 12,500,000 bale crop constituted a loss in six months' time of \$1,250,000,000.

Mr. GLASS. Mr. President, may I ask if the Senator from Alabama is now making a speech that Mr. Williams wrote for him, or is he making his own speech?

Mr. HEFLIN. I am now using indisputable data and facts furnished me by John Skelton Williams, of Virginia. I said in the outset that I had requested him to give me certain facts. He has furnished them to me, and with them I am literally annihilating the confusing and misleading statements given to the Senate by the Senator from Virginia.

He says in his statement to me:

Now, as to Senator GLASS's denial that there was "deflation" of reserve bank credits for this period, which official figures show was exactly the "period of the appalling drop in prices"; the record shows that of the standard commodities listed, nearly every one reached the bottom of monthly averages in either July or August last, mostly in August, although some have continued to drop as credit granted by reserve banks declined.

I do not therefore believe that the Senator, with these facts before him—facts which were drawn from official reports by the Reserve Board itself in their monthly bulletin—will deny that the period from May, 1920, to August, 1921, was "the period of the appalling drop in prices of agricultural products."

During such period the Senator says that he "pointedly denies that there was deflation of either regional reserve bank credits or any diminution of Federal reserve currency."

That is a very plain categorical statement, but it is squarely contradicted by hard facts, both as to "deflation of regional reserve bank credits" and the "diminution of Federal reserve currency."

Mr. Williams was the United States Comptroller of the Currency, and he knows whereof he speaks.

Continuing, he says:

The official figures prove that the total amount of loans or credits extended by the 12 Federal reserve banks amounted, in May, 1920, to \$2,938,000,000, and by August, 1921, the total had been "deflated" to the tune of \$1,411,000,000. Although there were slight variations up and down in the few months between May, 1920, and October, 1921, there was from October on a wicked contraction or deflation practically every month—a steady, cruel, grinding, calling in of loans and credits, accompanied by unparalleled losses, failures, suicides, and ruin.

The heaviest general decline in commodity values took place in precisely that period of greatest credit contraction from September, 1920, to August, 1921. In those few fateful months, according to the admissions of the Federal Reserve Board itself, as set forth in its monthly bulletins, corn at Chicago dropped from \$1.29 in September, 1920, to \$0.55 in August, 1921. Middling cotton at New Orleans declined from \$0.33 in August and \$0.27 in September to \$0.11 in July and \$0.12 in August. Sugar at New York fell from \$0.142 in September to \$0.058 in August. Winter wheat at Chicago declined from \$2.49 in September to \$1.23 in August. Steers at Chicago fell from \$15.21 in September to \$8.77 in August. Hides shrivelled up from \$0.28 in September to \$0.14 in August. The price of hogs fell from \$17.06 in September to \$10.39 in August.

Wool shrank from \$0.83 in September to \$0.47 in August, and yellow-pine flooring at New York from \$157 in September to \$92 in August. In cotton yarns the shrinkage was from \$0.54 in September to \$0.25 in August, while sole leather at Chicago dropped from \$0.51 in September to \$0.34 in August. The decline in steel billets was from \$55.25 in September to \$29.60 in August. Copper from \$18.06 in September declined to \$11.07 in August, and lead declined from \$0.081 in September to \$0.044 in August. Pig iron tumbled from \$48.50 in September to \$18.20 in August, and petroleum quoted in September, 1920, at \$6.10 averaged for August, 1921, \$2.25.

Again Mr. Williams said:

Senator HEFLIN, Senator GLASS would never have made such statements as those which he has made so "pointedly" if he had not been deceived by some one. He "pointedly denied" that there was any deflation, but he is pointedly told in reply, and it is proved by official records, that the "deflation" in "Federal reserve credits" was over \$1,400,000,000, or approximately 50 per cent for "the period of appalling drop in prices," following the peak which the Senator tells us correctly was reached in the early summer of 1920. He denies also that there was any "diminution" of Federal reserve currency in the period, but the official figures of the Reserve Board itself show that between the end of May, 1920, and the end of August, 1921, the amount of Federal reserve notes in actual circulation shrank \$635,000,000 despite the large amount of Federal reserve notes which were issued during this period, not to enable these reserve banks to make loans or extend credit to those needing it, but in exchange for gold turned into the Federal reserve banks and withdrawn from circulation.

That goes to the root of the whole question as to whether our Federal reserve system has, during the past two years, been handled intelligently, impartially, and faithfully.

In a letter which John Skelton Williams addressed to Senator OVERMAN, under date of December 2, and which was printed in the CONGRESSIONAL RECORD with the unanimous consent of the Senate, I find the following brief paragraph:

Economy and efficiency in the operation of the Federal Reserve Bank of New York are, of course, highly important; but the question of salaries paid, however grossly excessive they may be, or the expenditure of \$25,000,000 for a palatial bank building, are small in comparison with other faults and evils to which I have directed public attention in connection with the management of the Federal Reserve Bank of New York and the administration of the whole Federal reserve system by the Reserve Board.

When we survey the country and realize the ruin which has come to our agricultural and other interests coincidently with the carrying out

of the board policies, it is clear that is not a small matter. A business man declared the other day with terrible earnestness: "I had rather have 10 panics than 1 'deflation.'"

The national banks in New York City were given in proportion to their total loans and discounts a year ago three times as great an amount of reserve bank funds as our 7,699 "country" banks were allowed to get in their hour of need.

It is not a small matter to discover that if our "country" banks had been given by the reserve banks a year ago the same proportion of accommodations that was furnished to New York banks, sometimes in blocks of "forty or fifty million dollars" at a time, as Gov. Harding expresses it, and to use his language again, "instantly," that those "country" banks would have received for the use of the farmers, cattle raisers, industries, and business of the country, a thousand million dollars more than was accorded them. What this meant to the country we now realize.

The official figures tell the tale. They show that the "deflation" in their holdings of "bills discounted and purchased" by the 12 Federal reserve banks between October 22, 1920, when farmers and business men were pleading piteously for help or consideration, to November 16, 1921, was \$1,784,000,000, an actual contraction from \$3,050,000,000 in October, 1920, to \$1,266,000,000 as shown in the official statement two weeks ago.

The peace of the world is of transcendent importance to our own country and to every other country. The value of disarmament, which it is believed will aid in securing universal peace, is of proportionate concern. But the amount of material wealth which this country would save by a reduction of 50 per cent, or even 75 per cent in the cost of its Army and Navy, is small in comparison with the colossal losses which our industrial, agricultural, and commercial interests—in fact, the people of every class, from one end of the country to the other—have sustained, and the suffering they have endured in the past year or 18 months in the debacles of "deflation." These misfortunes and hardships, many of our wisest leaders and best thinkers claim, were accentuated, if not brought about, by the mismanagement or folly of men in charge of a banking and financial system, which, so long as it is ably, intelligently, and faithfully administered, should ever be a blessing not only to this country but to the world.

I agree, as do many of you Senators, with that statement of Mr. Williams. Mr. President, what a wonderful help to the farmers of the country and to the merchants and bankers in the agricultural sections would have been that one thousand million dollars. The Federal Reserve Board could have accommodated us with that money and saved hundreds of thousands of people from sore distress and financial disaster.

Mr. Williams, in discussing this matter with me, said:

The lavish waste of seventy-two millions or one hundred millions of money, squandered with riotous recklessness in the construction of gorgeous banking palaces or in the payment of excessive salaries to men either competent or incompetent, is a small matter in comparison with the gigantic losses amounting to thousands of millions of dollars and the sacrifice of human lives for which this debacle of deflation is responsible.

Now, Senators, as to the loss of human lives. I ask your attention to the following press dispatch appearing in the newspapers of August 15, 1921:

#### SUICIDES IN THE WHOLE COUNTRY.

Here are the figures for the six months of 1921, and they are sufficient to cause unusual anxiety.

	Suicides.	First 6 months, 1920.	First 6 months, 1921.
Men.....	1,810	4,527	
Women.....	961	1,982	
Boys.....	88	214	
Girls.....	137	293	
Total.....	2,996	7,016	

Mr. President, a good many whose names are in this list died because of the deflation policy of the Federal Reserve Board. Quite a number of bankers committed suicide. Many people were driven insane. Thousands of people were driven from their homes, and hundreds of thousands lost all they had.

And yet I am bitterly assailed because I have dared to cry out against a deflation monster, who has demanded and drawn from our people an offering bloody enough for a Moloch.

Speaking to me about the suicide cases, Mr. Williams said:

These figures tell us that for the first six months of last year there was an increase of 4,120 in the number of suicides, nearly two and a half times as many as in the previous year. There is no telling how many of these men, women, and children were driven to desperation from cold and hunger and the collapse and ruin of cherished plans and enterprises for which for many long years they had dedicated their lives and energies; farmers surrendering to their creditors their plow horses, milk cows, and farm implements and becoming with their wives and children wanderers on the face of the earth.

#### LIABILITIES OF FAILED FIRMS THREE TIMES GREATER THAN PANIC YEAR 1907.

And here are the figures furnished by Dun's Mercantile Agency, which tell us that for the year 1921 there were 19,625 business failures as compared with 6,451 in 1919, an increase of 13,174; more than three times as many business failures in 1921 as in 1919.

And the liabilities of the failed business houses reached the appalling total of \$627,401,000, an increase over 1919 of \$514,000,000, more than five times as great as the liabilities of failed firms in the year 1919.

Again, Mr. Williams says:

The figures now tell us that the liabilities of the failed business houses in 1921 were more than three times as great as the total liabilities of all failed business houses in the panic year 1907, when total liabilities of failed houses was \$197,000,000 against \$627,000,000 last year. And the sad thing is that these crushing losses were to a large extent wholly unnecessary and should have been avoided.

And he is right again.

Mr. President, I repeat, a banking system that could finance the World War could certainly have prevented this disastrous situation at home in time of peace. The Federal reserve banking system was equal to the emergency, but the Federal Reserve Board would not let it function.

Mr. Williams in his statement to me said:

It is currently reported that President Harding hesitates to remove from the Federal Reserve Board a man or men responsible for such mismanagement and ruin on the ground that these men—some so-called Democrats and some Republicans—were appointed by his predecessor and not by himself and that he is therefore not responsible for their appointment. But the President is responsible, as you have said, for keeping them in office, now that their unfitness is plain and proven to everyone. The President and the members of his Cabinet have not hesitated in calling for the resignation in various departments of the public service of many faithful and capable men against whom no charges had been preferred but whose places were wanted for political purposes.

Mr. President, if this board was not performing exactly like President Harding wanted it to perform, every intelligent man and woman in the country knows that he would remove it. They know that he would not permit it to stay in power 24 hours. But the fact that he does permit it to stay in power, that he does not ask for the resignation of these men, shows beyond all doubt that the President is pleased with the deflation policy of the Federal Reserve Board, which rendered his party so much assistance in the campaign of 1920, when it lost Tennessee, Oklahoma, New Mexico, and Arizona to the Democratic Party.

Mr. President, on the first day of his two-day speech on the Federal reserve system Senator GLASS announced with emphasis and printed in the CONGRESSIONAL RECORD in italics the following statement:

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. Williams, the former Comptroller of the Currency, said in his statement to me:

Such a claim is preposterous. The official records squarely contradict the distinguished Senator's statement and prove that for "the period of falling prices" to which he refers the Federal reserve banks instead of "supplying largely increased credit facilities" and instead of "issuing constantly increasing volume of Federal reserve notes" actually contracted their credits by more than a billion and a quarter dollars and contracted the Federal reserve notes by more than \$600,000,000.

Again, he said:

With such facts as these standing in his way, how could Senator GLASS possibly justify himself in making the following astounding statement (p. 1240, CONGRESSIONAL RECORD, Jan. 20, 1922):

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.

To call such a claim fanfaronade—

Mr. Williams said, if I may borrow a word used by the Senator from Virginia—

it would be giving it a dignity of which it is not worthy.

The distinguished Senator from Virginia can not escape or justify his statement by antedating the time when the collapse in prices began and figure from January, 1920, for the record shows that even if we assume that the "appalling drop in prices" began in January instead of May or June, 1920, and then compare the amount of credits which the Federal reserve system was making in January, 1920, with the amount of such credits which were outstanding in August, 1921, until which date the "appalling drop in prices" was mostly continuous, we find that the terrific shrinkage in credits even for that extended period amounts to more than \$1,250,000,000—more than a billion and a quarter.

A further analysis of the table which I have given you—

Said Mr. Williams—

shows that between the end of January, 1920, and the end of May, 1920, the amount of Federal reserve credits outstanding increased from \$2,735,000,000 to \$2,938,000,000, an increase for those four months of \$203,000,000, and I ask you, Senators, to note that during those four months the prices of nearly all of the leading commodities shown in the table to which I have directed your attention were either stable or showed a slight advance.

Mr. President, these facts and figures can not be refuted.

They prove the correctness of my position. I said when they could obtain money the prices of farm products were stabilized

and yielded a little profit, but when they commenced withdrawing money that is when the prices went down, and the farmers of the South and West were sacrificed.

But Mr. Williams tells us that in the one month between the end of May, 1920, and the end of June, 1920, "credits" granted by the Federal reserve banks were contracted over \$100,000,000 and the downward movement in prices got underway. The farmers, merchants, and bankers of the country know that that is true.

The record of what transpired proves his statement to be correct. I have never yet seen one of his statements disproven. He was, I repeat, Comptroller of the Currency at that time, and he knows all about this thing. He says:

Large amounts of existing loans in the Federal reserve banks were called in, but a limited amount of new loans were granted during crop-moving time, so that in October the aggregate amount of credits outstanding was about 5 per cent more than in May. The money supplied for the movement of the new crop was largely offset by calling in other loans, and this tended to facilitate rather than check the downward movement of prices.

In July, 1920, I, as Comptroller of the Currency, saw the growing demoralization and tried to ease the situation by issuing a statement which showed that the reserve banks at that very time had an unused lending power of \$750,000,000, and was quickly criticized by the New York Reserve Bank, through its chairman, and by the Reserve Board for interfering with their cherished "deflation" plans for which the triggers had been carefully set.

He tells what occurred. Listen:

In September and October, 1920, many Senators and Congressmen joined with farm organizations from the cotton section and the wool section and the wheat country, in fact, from all the great producing sections, and besought the Federal Reserve Board to relax the pressure which was being exerted and which was manifesting itself on all sides.

On October 18, 1920, I, as Comptroller of the Currency, in a letter to the Reserve Board, in urging a letting up of the pressure, used the following language:

"The plans and policies which have aided in bringing about deflation in the great staple commodities should be at once taken up for consideration and revised as far as may be necessary to meet present and changed conditions. If this is not done speedily, I am fearful as to the consequences which may ensue."

There he was, Mr. President, telling this same Federal Reserve Board just what its deflation policy was doing and pleading for its abandonment.

He told them in advance what was going to happen; and what he said would happen actually did happen.

Again, he says:

Three days later, October 31, 1920, in a letter to the Secretary of the Treasury, who was also chairman of the Federal Reserve Board, I said:

"The strain upon the business fabric of the country is, in some respects, unparalleled, and I feel that the time has come for the exercise of such salutary and constructive powers as may be at our command. \* \* \*

"The situation \* \* \* has become more aggravated of late, and unless relief can be found an increase in bank failures, I believe, will be inevitable."

He told the truth; they did increase.

John Skelton Williams favored reviving the War Finance Corporation. He said at that time:

The revival of the War Finance Corporation would provide, in my judgment, a much-needed steady influence at this time.

There he was, favoring the revival of this mighty agency. It has helped considerably, but the Federal Reserve Board favored putting it out of commission, and they wanted it kept out of commission. That was a part of the program.

Speaking of how the Federal Reserve Board acted when we pleaded for assistance, Mr. Williams said:

But to the pleading Senators, Congressmen, and farm organizations and public officials a majority of the Reserve Board remained obdurate, and the car of Suggernaut rolled gloomily on.

And that is literally true.

From October, 1920, to August, 1921, the deflation, contraction, and pressure by the Federal reserve banks was kept up. I will read to you the figures furnished to me by Mr. Williams, which show the actual contraction or deflation which took place each month in Federal reserve credits from October, 1920, to the end of August, 1921.

The figures represent in each instance the reduction in the amount of Federal reserve credits outstanding at the end of the last week in each month as printed in the Reserve Board's official monthly bulletin:

#### HEAVY REDUCTIONS MONTH BY MONTH.

The shrinkage from October, 1920, to November, 1920, was	\$116,569,600
From November to December the contraction was	8,267,000
From the end of December to the end of January, 1921, credits were called in of	352,662,000
From January to February the reduction was	62,161,000
From February to March the shrinkage in Federal reserve credits was	263,853,000
From March to April the contraction was	175,982,000
From April to May	185,127,000
From May to June	212,160,000
From June to July	121,915,000
And from the end of July to the end of August the contraction was	133,781,000

making the aggregate contraction from the end of October, 1920, to the end of August, 1921, \$1,572,000,000, and from the end of May, 1920, to the end of August, 1921, the total shrinkage was \$1,411,000,000.

And yet the Senator from Virginia has declared "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."

Is there anyone in the Senate who does not believe that the distinguished Senator from Virginia has been grossly misled by some one? I can not believe that he would have made such a mistake advisedly.

The Senator read from his prepared speech a number of figures purporting to show that between January, 1920, and January, 1921, there was a material increase in loans made on "agricultural" and "live-stock" paper by certain reserve banks, but he fails to show that the maximum amount of "agricultural" and "live-stock" paper ever held by all of the 12 reserve banks at any time never amounted to as much as one-tenth of the total credits which the Federal reserve banks were extending for all purposes in October, 1920, although from 40 to 50 per cent of the entire population are engaged in agricultural or allied pursuits.

As I said before, quoting Mr. Williams, the Senator from Virginia is silent about the fact—which is shown by the official records and with which he is doubtless conversant—that in November, 1920, over \$250,000,000 had been dished out to two banking institutions in New York City, both conspicuous for their speculative activities, while about that same time the total loans on "agricultural" and "live-stock" paper held by six Federal reserve banks covering 18 States amounted to only \$15,642,000.

The Senator from Virginia inserted in his speech a statement purporting to show the loans of Federal reserve banks on "agricultural" and "live-stock" paper for the year 1920 by months.

I ask the privilege of inserting a table furnished to me by Mr. Williams, which has been prepared from the official figures contained in a letter addressed to the Joint Commission of Agricultural Inquiry by John Skelton Williams, which gives a comparison between the increase in "agricultural" and "live-stock" paper which took place in the several reserve districts between May or June, 1920, and May or June, 1921, as compared with the shrinkage which took place in the loans secured by Liberty and other United States bonds in the various reserve districts between May or June, 1920, and May or June, 1921.

THE VICE PRESIDENT. Without objection, permission is granted.

The table referred to is as follows:

*Secured on United States obligations.*

[In thousands of dollars.]

Location.	1920	1921	Decrease.
Reserve bank of:			
Atlanta	55,351	39,255	16,093
Cleveland	114,090	38,346	75,714
Kansas City	32,883	24,421	8,462
San Francisco	55,667	43,394	12,273
Dallas	42,801	11,295	31,505
St. Louis	58,459	31,236	27,193
Chicago	159,382	112,004	47,378
Richmond	59,837	39,090	20,747
New York, Boston, Philadelphia, and Minneapolis	869,858	345,368	524,490
Reduction			763,883

*Agricultural and live stock paper*

[In thousands of dollars.]

Location.	1920	1921	Increase.
Reserve bank of:			
Atlanta	4,390	13,158	8,768
Cleveland	429	971	542
Kansas City	38,366	32,097	16,209
San Francisco	27,874	32,183	4,309
Dallas	16,242	35,391	19,149
St. Louis	3,384	8,333	4,954
Chicago	25,840	58,103	32,263
Richmond	2,646	9,801	7,155
New York, Boston, Philadelphia, and Minneapolis	27,114	40,395	13,281
Increase			84,213

<sup>1</sup> Decrease.

<sup>2</sup> Increase.

(The periods for which the above figures are given are mostly about the 1st of June in each year; sometimes a few days before and sometimes a few days later, being the report for the week end. In a few instances the figures are those for about the middle of the last week in the months stated.)

MR. HEFLIN. The figures show that there was a general reduction all down the line.

The above table shows that although there was an increase in the aggregate amount of agricultural and live-stock paper held by all 12 Federal reserve banks between May or June, 1920, and May or June, 1921, of about \$84,000,000, yet the shrinkage or contraction in loans secured by Liberty and other United States bonds for substantially the same periods amounted to more than \$760,000,000. In other words, the contraction in loans on Liberty and other United States bonds was more than nine times as great as the increase in "agricultural" and "live-stock" paper held. The hardship of this contraction is better realized when we consider that the loans called in on Liberty bonds were very largely held by the "country banks."

MR. WATSON OF Georgia. Mr. President—

MR. HEFLIN. I am glad to yield to my friend from Georgia.

MR. WATSON OF Georgia. Mr. President, right there I will state for the information of the Senator that there was a citizen of Georgia who took \$10,000 in Liberty bonds to Atlanta not long ago in the hope of borrowing money on them. He could not borrow one dollar. At that very time, however, such bonds were being bought in New York as rapidly as they could be put upon the market. I suggest to the Senator that the very policy which forced the remote banks to refuse to lend on Liberty bonds but which allowed money to be loaned for their purchase in New York naturally tended to depreciate their value in the agricultural States and force them to sale in New York.

MR. HEFLIN. Absolutely. Mr. President, it reminds me of the fable of the donkey and the lion. The lion said to the donkey, "If you will put on a lion's skin and run through the forest and bray as you can bray and scare the animals, I will stand here at the gate and slay them as they come out." When the donkey came back, the lion had slain so many animals that the donkey had driven out that it even made the donkey sick to look upon the gruesome sight. Why, Mr. President, I repeat, the Federal reserve sent \$250,000,000 to New York in November, 1920, when \$15,642,000 was all that we could get at that time for 18 agricultural States. The Federal Reserve Board's deflation policy was the donkey that drove our Liberty bonds upon the market while bond sharks were buying them at \$85 on the hundred. That deflation policy was driving those who owned bonds in the South out at the gate and the Wall Street wolves slew them as they came. That is what happened. They literally played into the hands of the Wall Street wolves; and now what has happened? They have these bonds. My heart goes out to the outraged and unfortunate people of the South and West who were pillaged and plundered in that fashion. When their country was in peril, they bought bonds when it was a difficult matter to make the arrangements. They stinted themselves; they made sacrifices to do that in order to help their country, and when the war was over the discount rate was raised 3 per cent higher than the interest rate of the bonds that they had bought, and, as I said before, they were put in the attitude of having to borrow money at 7 per cent to make payments on paper bearing 4½ per cent. John Skelton Williams shows in commenting on the speech of the Senator from Virginia—and I am using mainly facts given me by him in answering many of the statements made by the Senator from Virginia—

MR. GLASS. Nobody could mistake that fact.

MR. HEFLIN. I am glad the Senator is at last coming to appreciate something that John Skelton Williams has written and said, because the Senator told me that he had never read any speech he had made or anything he had written upon this subject, and I am going to make him hear some of it to-day.

MR. GLASS. No; I was just admitting that John Skelton Williams wrote the Senator's speech for him; that is all.

MR. HEFLIN. He furnished me facts and figures that I could get from no other reliable source. I said that at the beginning, but it does not make any difference who wrote out these facts or furnished them. They fairly bristle with the truth and they are literally cutting the entrails out of the speech of the Senator from Virginia.

SENATOR GLASS MAGNIFIED ACTUAL FIGURES SIXFOLD.

The Senator from Virginia said—

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.

Now, let us see whose talk is shown to be pitiful nonsense and wicked mummery. In square contradiction to this part of the Senator's speech, says Mr. Williams, the official records show that on January 1, 1920, the total amount of all loans,

discounts, and bought paper held by all 12 reserve banks amounted to \$2,805,818,000. On January 1, 1921, or December 30, 1920, the amount of such accommodations aggregated \$2,974,836,000. Instead of the reserve banks "expanding" their loans to member banks in an amount approaching "one thousand millions" for the particular period selected by the Senator from Virginia the total amount of expanded loans was \$169,018,000. That lacks a heap of being a billion, Mr. President. In other words, the Senator magnifies by sixfold the actual figures. He says that the increase was \$830,982,000 more than it was. May I ask again whose talk is "wicked mummery"?

During the first six or eight months of last year, 1921, commodity prices continued to "topple," as the Senator from Virginia expresses it; but during those months of vanishing values the reserve banks kept up their pressure. I will now give you the figures which show the total amount of "loans, discounts, and bought paper" held by all 12 regional reserve banks, as officially reported January 25, 1922. The figures are \$932,882,000.

This is an actual shrinkage, contraction, or deflation, whatever you have a mind to call it, of \$1,872,936,000. While the prices of commodities were still fading away between January 1, 1921, and, say, September 21 last, the official reports show that the actual contraction of credits by the 12 Federal reserve banks for that period was \$1,554,085,000, and Mr. Williams is right again. I want anybody who can to tackle his figures and disprove his statements.

Again, he said:

The appalling drop in prices being coincident with the appalling contraction and deflation in reserve-bank loans.

Although the cold, unvarnished facts also tell us that between October, 1920, and August, 1921, the reserve system cut its credits over 50 per cent, actually contracting its credits to the extent of over \$1,570,000,000, the Senator from Virginia says, to quote his language again:

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.

Why, Mr. President, the Senator is excusing and defending that deadly deflation policy. He says, in effect, that if he had any criticism to offer at all it would be because the board went too far in aiding the farmers of the South and the farmers of the West, making up a population of practically sixty millions of people.

I have been condemning the reprehensible conduct of this board. I have condemned its deflation policy. I have shown, time and again upon this floor, that it played into the hands of Wall Street; that Wall Street got all the money it wanted and that the South and West did not get the money they needed; but the Senator from Virginia says, "If I had any criticism to make, it would be that they were too liberal."

Mr. President, were such colossal blunders as I have pointed out to you ever made before by any Senator of this honorable body?

Let us now turn for a while to discuss the mad extravagance with which the reserve banks have been administered.

The distinguished Senator from Virginia declared with much fervor:

When the junior Senator from Alabama assumes that the contemplated expenditure of a certain sum of money for a regional reserve bank building in the North operates to restrict banking credits of cotton planters in the South he is talking pitiful nonsense. What have agricultural credits in the South got to do directly or indirectly with a bank building in New York or Chicago or Cleveland or San Francisco?

Mr. President, upon this point Mr. Williams says, "I am truly surprised at the view expressed by the Senator from Virginia." This same New York bank, which has planned the investment of over \$25,000,000 in a gorgeous banking temple in the Wall Street district of New York, a few hundred feet from Wall Street, has no moral right to squander such a sum in luxury and extravagance. The supervising authorities show a wanton waste and amazing imprudence and recklessness in authorizing such an expenditure, and by a bank which only a few months ago—listen, Senators—had its resources so completely tied up, largely in advances to speculative institutions, that it found it necessary to borrow money from time to time from seven or more of the other reserve banks in the East, West, North, and South; and, mark you, in order to relieve and help the New York Reserve Bank the Federal Reserve Board as late as January, 1920, I believe, passed a resolution authorizing the suspension of that bank's reserve requirements; and that, Senators, is the bank which, forgetful of the past and heedless of the future, has planned to invest in gorgeous banking quar-

ters, for land and building, scarcely 12 months after the board had suspended the reserve requirements for its relief, the huge sum of \$25,646,409.

Was it prudent or justifiable for the New York Reserve Bank, which just four months before had loaned so heavily, largely to big speculative borrowers, that it found it necessary to borrow \$60,000,000 and 12 months before was borrowing about \$100,000,000 from other reserve banks, to authorize the locking up in this banking temple of over \$25,000,000, which is several times as much as was paid for the Capitol of the Nation. As I said before, will any sane Senator except my good friend from Virginia defend such amazing imprudence and such riotous waste?

Senator GLASS's speech was so saturated with glaring inaccuracies—

Says John Skelton Williams—

and grave mistakes, some of them obvious—

Mr. GLASS. Mr. President, the Senator has not left John Skelton Williams for the last hour and 10 minutes.

Mr. HEFLIN. I remind the Senator again that I am fortified with facts furnished to me by the former Comptroller of the Currency, John Skelton Williams, himself a distinguished Virginian, who knows and will substantiate the truthfulness of every statement that he makes about this deadly deflation.

Mr. WATSON of Georgia. Mr. President—

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

Mr. HEFLIN. I am glad to yield to the Senator.

Mr. WATSON of Georgia. I will insert there a fact which may be illuminating to the country in regard to the expense of buildings. The entire expense of the Houses of Parliament, which lodge the House of Lords and the House of Commons, was \$2,000,000.

Mr. HEFLIN. Why, Mr. President, the more you go into this thing the more it smacks of rottenness and of graft. That is why they are mad with me up there—because I have been fighting this thing and probably will succeed in having it stopped. It ought to be stopped. Why, they built a municipal building in the city of Philadelphia a few years ago that cost \$25,000,000, and they said it was surrounded with graft and scandal; and here is this banking concern in New York putting up a building that will cost a little over \$25,000,000, and am I not justified in suggesting that there is graft connected with it? Why, they paid more for the lot, I repeat, than the 26 Corn Exchange Banks paid for all their buildings and land. Let me see if I have not that statement here. Here it is. The Corn Exchange Bank, with 26 banking houses, all located in New York City, paid for its building and land \$4,012,685.66.

This Federal reserve bank in New York paid, so it says, a little more than \$4,000,000 for the lot. I wonder if any of the directors of the Federal reserve bank were interested in that real estate deal? I wonder if any of them got any rake-off out of that \$1,100,000 they paid to an architect, one man, in New York? Senators, does not that suggest graft? If that bunch would carry on the murderous deflation policy which it has carried on, and would lend \$5,000,000 through a member bank, three millions of which was on a dummy note in campaign times, to a director, would you think it would frown and step away from a little matter of graft?

There is, I repeat, the Corn Exchange proposition, a bank with 26 banking buildings, which it owns, which cost a little over \$4,000,000. The Senator from Virginia can not deny that this Federal reserve bank lot itself cost \$4,000,000—the real estate alone.

Mr. President, do you wonder that they hate and criticize me? If I were carrying on a crooked game, I suppose I would object to anybody getting after me. That is quite natural.

Senator GLASS's speech was so saturated with glaring inaccuracies and grave mistakes, many of them obvious, that I am not willing to take up the time of the Senate in exposing them all, but I will now ask your attention to the following. Shortly after giving a table and other figures as to "agricultural" and "live stock" paper held by the reserve banks for each month of the calendar year 1920, on page 1241 of the CONGRESSIONAL RECORD, the Senator says:

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.

Senators, that is the most ridiculous statement any Senator ever put into public print, that while they were expanding credits and currency to the farmers of the United States commercial expansion was practically dead. What do you call this

speculating business in New York? You have to put it under the head of commercial expansion or acknowledge that it was for speculative purposes.

The official figures show that it was during the calendar year 1920 that the loans on "agricultural" and "cattle paper" reached their maximum. They increased from \$56,905,000 in January, 1920, to \$266,940,000 in December of the same year.

Think of that, Mr. President, the agriculture and cattle industry of the United States increased from \$56,000,000 to \$266,000,000, when they were loaning \$250,000,000 at one time to two banks which were speculating in Wall Street, just \$16,000,000 less than they were lending to all the cattle and agricultural industries of the United States. Was there ever such an indictment made against a speech or against a policy? I would not have known that, but for my friend John Skelton Williams. The position that he held enabled him to know it.

During 1921 "agricultural" and "live-stock" paper fluctuated within narrow limits, and starting with \$249,949,000 in January, 1921, declined in October last to \$190,027,000.

The following Table No. 1, copied from Senator GLASS's speech—page 1240, CONGRESSIONAL RECORD, January 20, 1922—shows definitely the amount of "agricultural" and "live-stock" paper outstanding each month for the calendar year 1920; and alongside of it is another Table No. 2 of figures drawn from the Federal Reserve Bulletin, which shows whether it is true that "while agricultural credits were expanding commercial credits were contracting," as asserted by the Senator. An "expansion" of agricultural and live-stock credits took place in 1920. In 1921 there was more contraction in that class of paper than expansion. The second table shows the amount of so-called "commercial paper, n. e. s." outstanding each month, and does not include loans secured on war obligations, many of which were held by the "country" banks, and which class of loans shrank heavily during 1920; nor does it include "acceptances" or "bought paper."

Table No. 1.

Months.	Loans of Federal reserve banks on agricultural and live-stock paper for 1920.	"Commercial paper, n. e. s." paper not secured on war obligations or agricultural or live-stock paper or acceptances or "bought paper" 1920.	Increase.
January.....	\$56,905,000	\$608,000,000	
February.....	67,195,000	752,000,000	\$144,000,000
March.....	74,665,000	855,000,000	103,000,000
April.....	106,382,000	887,000,000	32,000,000
May.....	140,691,000	863,000,000	124,000,000
June.....	168,038,000	937,000,000	74,000,000
July.....	202,520,000	1,015,000,000	78,000,000
August.....	216,278,000	1,103,000,000	88,000,000
September.....	224,424,000	1,228,000,000	117,000,000
October.....	240,649,000	1,318,000,000	98,000,000
November.....	241,561,000	1,260,000,000	58,000,000
December.....	246,940,000	1,274,000,000	14,000,000

<sup>1</sup>Decrease.

Total increase in "agricultural" and "live-stock" paper  
January to December, 1920..... \$190,035,000  
Total increase in "Commercial paper, n. e. s." January  
to December, 1920..... 666,000,000

Which certainly indicates that no preference was given to "agricultural" and "live-stock" paper in the period in which it showed the greatest increase, as compared with "commercial credits," despite the declaration of the Virginia Senator that "while agricultural credits were expanding commercial credits were contracting," even though it may be true, as the Senator added, that from some date, not given us, to "last summer" there was a large contraction in "bankers' acceptances." During this same period there was a heavy contraction in loans secured by war obligations, of which so many were held by "country" banks.

In a letter to a Member of this body, printed in the CONGRESSIONAL RECORD a few weeks ago, John Skelton Williams told how the money fed out by the New York Reserve Bank is sometimes used. I quote:

\* \* \* The official records will show, for example, that the banks borrowing the most heavily from the Federal reserve bank were sometimes loaning their funds largely for use \* \* \*

In loans to directors of the Federal Reserve Bank of New York—to one director over \$5,000,000 on highly speculative securities; to another for the purpose of reloaning on Wall Street loans at fancy rates of interest. \* \* \*

Who was the director of the Federal Reserve Bank of New York who was borrowing so heavily from a debtor bank to which the New York Reserve Bank was lending at that time about \$75,000,000 or \$100,000,000? There are nine directors in

the New York Reserve Bank, and as Mark Antony said of the conspirators who murdered Caesar:

They are all wise and honorable men and will no doubt with reason answer you.

Is it possible that that thrifty director could have been the distinguished gentleman who acted as treasurer for the collection of Republican campaign funds in New York during the last presidential election, although at the time of which I speak he was one of those nine trustees having in custody the funds of the great reserve bank at New York? Another director of the Federal reserve bank in a letter under date of October 19, 1921, which was published in the press, had assured Mr. Williams that—

the record of the directorate of the Federal Reserve Bank of New York will be found to be very exceptional in the fact that its entire membership, without reference to the sources of their election, have never failed to consider their action from the point of view that public office is a public trust.

It looks as if this director, who was accumulating \$5,000,000, and who was the treasurer of the Republican campaign committee, thought that his position was a private snap, not a public trust, at that time.

That New York reserve bank director also added in his letter that those directors—

all realized the peculiar charge upon them of considering the welfare of the public in the conduct of the bank.

It is one of these same men who, Mr. Williams tells us, borrowed over \$5,000,000, of which over \$3,000,000 was on a dummy loan, from one of the banks to which the New York reserve bank was extending huge accommodations; that another one of those directors in 1920 was borrowing money from a member bank which was being accommodated by the reserve bank at 6 per cent and was lending that money in Wall Street at fancy rates of interest. But, of course, those directors are, as I have said, all "wise and honorable men."

Among the other uses to which banks were applying the funds advanced by the New York reserve bank were, to continue the quotation from Mr. Williams's letter to the Senator from North Carolina :

(1) In speculative deals and operations, in sugar and sugar stocks, in oil and oil stocks, and other speculations in commodities and industrial stocks.

(2) In promoting the speculations of the executive officers of the borrowing banks, who borrowed heavily, both directly and indirectly, from their own banks and from other member banks.

(3) Funds were also loaned most generously by banks borrowing heavily from the reserve bank for operations in "copra" and coconut oil in the Philippines or the Straits Settlements and other remote regions, when farmers at home and dealers in cotton and cottonseed oil and raisers of wheat and corn were being ruined for lack of funds.

Think of that, Senators. This reserve board could vote to excuse the reserve of gold for the bank in New York in order that it might not be embarrassed, in order that it might have funds sufficient to satisfy its desires. It could approve a policy which permitted loans to men to speculate in stuff in the Philippine Islands while destruction reigned all over the South and the West under that deadly deflation policy. My good friend from Georgia [Mr. WATSON] reminds me of the fact that they loaned \$500,000 to a fishery off Alaska, and when John Skelton Williams asked them what their security was, they said, "Fish." He said, "Where are the fish?" They answered, "We haven't caught them yet."

That has not been disputed. They can not disprove anything that John Skelton Williams says. The speculation in copra in the Philippine Islands and the lending of money on fish, uncaught in the ocean, was all right, but you can not get money to keep cotton off the market until he who produces it can get the cost of production and enable him to provide for those whom God has given him to love, cherish, and support with the strength of his arm and the power of his brain.

But what are you going to do when the farmer who makes 6 bales of cotton is told to get up earlier in the morning and work later at night and be more industrious, and produces 10 bales, and when he produces them gets less for them than he used to get for 6? When a man applies himself as a student he grows in knowledge, his brain power develops more and more as the years come and go, but here is the farmer putting forth more effort, working longer hours, putting forth more energy, and producing more, but when he comes into the market place, instead of being rewarded, he is clubbed and robbed. That is what you did to him.

Mr. President, the records show that a bank to which the Federal Reserve Bank of New York was loaning at one time about \$100,000,000 was furnishing funds with which to engineer a notorious "corner" on the New York Stock Exchange, in which corner the president and two vice presidents of the bank

which was enjoying these huge accommodations from the New York reserve bank were largely interested financially.

Such evils as these—

Said Mr. Williams—  
can best be cured or their recurrence prevented by the sunlight of publicity rather than by the Lethan ointment of secrecy and oblivion.

And I heartily agree with him.

As I said, for months they were sending money over there to be used in gambling deals for speculative purposes, and John Skelton Williams confirms what I have said.

Such evils as these, said Mr. Williams, can best be cured or their recurrence prevented by the sunlight of publicity rather than by keeping the thing covered up.

The hearings before the Agricultural Joint Commission show that in January, 1920, the Comptroller of the Currency had become alarmed at the recklessness with which the funds of the reserve system were being used by certain speculative institutions in New York City. In a letter addressed February 19, 1921, to the governor of the Federal Reserve Board, and printed in those hearings, among other things, he said very plainly:

In the letter which I wrote you on January 28, 1920, more than a year ago, I called your attention to the fact that the funds of the reserve bank of New York were being largely used, or misused, in lending enormous sums to a certain banking institution in New York City which had become conspicuous for its speculative operations and which was already being much criticized by conservative bankers. I pointed out to you that the New York reserve bank was, at that time, lending an amount nearly six times its own capital—that is to say, six times the capital of the reserve bank of New York to that one member institution—and I showed you that the money which the New York reserve bank had loaned to that one borrower on December 31, 1919, amounted to nearly twice as much as the aggregate amount of loans and discounts which the Federal Reserve Bank of Dallas was lending at that time to all of its member banks in that great district, embracing the entire State of Texas and parts of the States of Louisiana, Oklahoma, New Mexico, and Arizona.

It appears that in order to make these huge loans to those institutions the New York Federal Reserve Bank had found it desirable to rediscount or borrow, about the time of my letter to you of January 28, 1920, over \$118,000,000 from seven other Federal reserve banks, including, among others, the reserve banks of Dallas, Chicago, and Atlanta, whose resources available for their own member banks were to that extent lessened.

I said to you in my letter of January 28, 1920, to which I have referred: "This is a concentration of the funds of the system with one debtor bank conspicuous for its speculative operations and promotions which, in my judgment, is not only not justified, but distinctly dangerous, and I feel it my duty to register my strong dissent from a continuance of such conditions as these, by writing you as I am doing, as an ex-officio member of the board."

I also said in that same letter: "With such facts before us \* \* \* as I have here undertaken to bring to your attention our responsibility becomes serious and very real," and I asked you to bring the matter to the attention of the board.

I have additional reasons now for believing that the funds advanced during the past year by the reserve bank of New York to that particular institution and also to other banks in that district have been used to a wholly unjustifiable extent for the promotion of stock deals and syndicate operations upon which extortive interest and commissions have been exacted and in many of which syndicate deals and operations the officers of this heavy debtor institution have been directly and indirectly interested.

The Federal Reserve Board and the reserve bank of New York are empowered by law to make examinations of all member banks and I have several times urged upon you the desirability of having such an examination made of this leading debtor of the Federal reserve system, either by the examiners of the board or by the examiners of the Federal Reserve Bank of New York, in order that the New York Reserve Bank, at least, might have an intelligent understanding of the condition and operations of that institution and of the purposes for which the huge sums of money which it was lending to that member bank were being used. The importance of having such data is too obvious for discussion here.

Thus far, however, as far as I am informed, no such examination has ever been undertaken by the board or the New York Reserve Bank, although I learn, indirectly, that one or two of the board's examiners or the reserve bank's examiners have accompanied the State examiners on certain occasions in their examinations.

Meanwhile, I hear indirect reports which indicate that the member institution above referred to during the past year has been making large loans on time for speculative or other ventures for which it has charged, in certain instances, as high as 50 per cent per annum interest for money at the same time it was obtaining funds from the reserve bank at 5½ to 7 per cent per annum. You can ascertain whether these reports are correct or whether they are exaggerated.

A New York man, usually well-informed, recently referred to an instance where it was reported the head of a large manufacturing concern which employed thousands of men, found himself in need during the past year of \$5,000,000, for which he offered abundant collateral; but upon applying to the New York banks was forced, in order to get funds, to pay cash commissions of about \$1,000,000, in addition to 6 per cent per annum interest for the loan, which was repaid in less than six months, the money being obtained, I understand, largely from member banks which were borrowing from the reserve system at 6 per cent. I do not think such rapacity should be tolerated.

I again repeat the recommendations which I have made on several previous occasions that the examiners of the board or the bank of \_\_\_\_\_ be authorized and directed to make such an examination of the affairs of a certain leading debtor of the reserve bank of \_\_\_\_\_ as may be necessary for a proper understanding of its methods and practices and operations, and also to develop to what extent the funds for this institution are being used or have been used for the promotion of the speculative undertakings and syndicate operations of its own officers and directors and of the officers of other member banks which are also borrowing heavily from the reserve bank of \_\_\_\_\_.

The manner in which certain New York banking institutions have borrowed enormous sums from the Federal reserve bank of New York at rates of from 5 to 7 per cent and have taken advantage of the necessities of needy borrowers in trying times by accommodating them with time money at rates, in some instances as high as 50 per cent per annum, and in at least one instance about 200 per cent per annum, is, in my opinion, uneconomic, unconscionable, and barbarous, and I am not willing, as far as I am concerned, to have such operations pass unnoticed or without protest.

Our reserve board will not hereafter be able to escape heavy public censure on the excuse that it was not advised of the details of such transactions. Such examinations as I urged the board to undertake more than a year ago would, I believe, have brought to light methods and practices calling for drastic action and remedy, and in my judgment it would have been the duty of the board if it had possessed a knowledge of the facts which it can now obtain if it desires them, to have refrained from granting enormous loans to institutions continuing or proposing to continue such operations as some of those to which our attention has more than once been directed.

As I have pointed out on other occasions, the records of this office show that the artificially fixed money rates in New York City have had the effect of drawing to New York City from all parts of the country many hundreds of millions of dollars which, from the standpoint of the public welfare, could be better employed if they had been permitted to remain in their own respective communities to be loaned there for legitimate business, and within the legal rates of interest permissible in the several States.

The reports of this office show that on December 29, 1920, the national banks alone in New York City held for account of correspondent banks in all parts of the country an aggregate of approximately \$800,000,000, while the total amount of money which all the national banks in New York City were lending to their correspondent banks in all parts of the country, directly and indirectly, amounted to less than \$280,000,000.

Official records also show that in addition to the deposit balances carried in New York national banks for outside banks the local New York banks were lending in Wall Street for outside customers and correspondents hundreds of millions of dollars drawn thither from all parts of the country to take advantage of the high interest rates maintained there partly, it has been alleged, for the express purpose of enticing money from other sections. My annual report for 1920 (p. 144) shows that the loans made by New York City national banks for account of all correspondent banks on May 4, 1920, amounted to more than \$600,000,000.

The official reports indicate that the total amount of money which the national banks in New York City have to the credit of their correspondent banks in all parts of the country plus the funds which the New York national banks have loaned in Wall Street for account of their correspondent banks in all sections of the country exceeds in the aggregate the total amount of money advanced to all member banks either on bills payable or on rediscounts by all of the Federal reserve banks, excepting only the Federal Reserve Bank of New York, but including the 11 reserve banks of Boston, Philadelphia, Chicago, Cleveland, Richmond, Atlanta, Dallas, St. Louis, Minneapolis, Kansas City, and San Francisco, with more than 8,800 member banks. These figures impress me as being significant and worthy of the study of the board.

I understand that the records also show that very recently four banking institutions in New York City were found to be borrowing from the New York reserve bank about three times as much money as all the national banks of the country, more than 7,500, had ever borrowed at any one time on their bills payable or on rediscounts prior to the inauguration of the Federal reserve system.

I wish to call attention here, before it escapes my mind, to another part of the speech of the Senator from Virginia. He reminded us that during the pinch in 1920—I believe it was—the Federal reserve banks of the North loaned money to help the South, but he forgot to tell the Senate that prior to that time, in 1919, when the South was prosperous, when cotton was bringing a good price, and when we did not need money to help us hold it off the market because the price was a profitable one, that the Bank of Atlanta and the Bank of Dallas and the Bank of St. Louis and the Bank of Richmond loaned to the Philadelphia and Boston banks, I believe, in the neighborhood of seventy-five or eighty million dollars.

I was glad the Senator reminded us that the northern banks had helped the South, showing how liberal they were in coming to our rescue. Mr. President, that is the purpose of the system, for one reserve bank to aid another. If one bank gets down, it is the duty of the other 11 banks to go to its rescue. The system was intended to meet every emergency in business in America, and if it can not do it it is a failure. It can do it. It used to do it. I do not believe that the Government, with its great resources, with its genius, is impotent to establish a banking system that will meet every need of all the people all the time. Do not tell me that we have to have a panic every 5 or 10 years.

#### RESERVE BOARD NEEDS MEN WHO WILL NOT TRUCKLE TO WALL STREET.

I do not know what the theorizing theorists may think of this; but, Senators, the day is coming, and it is not far distant, when the American people are going to demand that a board sit at the head of this system that can not be influenced, that can not be made to truckle and crawl before the powers of Wall Street. The fact that the board is performing exactly like Wall Street wants it to perform is well known. The Senator from Connecticut [Mr. MCLEAN], who opposed the Federal reserve system, came to the rescue of the Senator from Virginia the other day in defending this deflation policy.

Congressman Platt, of New York, who fought the bill in the House, has become one of those who administer the law that he

tried to kill when it was being born, and Mr. Platt, a Republican, seems to have converted Gov. Harding to his way of thinking. A newspaper in the Capital of the Nation charged him editorially with having supported the Republican ticket in 1920, and he has never denied it. That little evasive letter he wrote to the Senator from Virginia was read while he was sitting up in the gallery. I do not know by what arrangement they fixed that up to let him know when the Senator from Virginia was going to speak. Mr. Platt was also in the gallery, the Gold Dust Twins, both sitting up there smiling down on the Senator, the gladiator from Virginia, as he defended the most murderous deflation policy ever devised by men.

Gov. Harding sat up there with that cold, icy grin upon his face, looking down with approval upon the Senator from Virginia, and as soon as the Senator from Virginia got through and I rose and said, "Mr. President," he absented himself in a hurry. He knew he was going to hear some very plain talk. I condemn the deflation policy of the Federal Reserve Board, but I praise the Federal reserve banking system. I did not have as much to do with preparing it as my good friend the Senator from Oklahoma [Mr. OWEN] and my friend from Virginia. The Senator from Virginia did have a good deal to do with it. They say that he drafted the first measure in the House, and when they got it over here they perfected it. The Senator from Iowa [Mr. Kenyon] said that the Senator from Oklahoma [Mr. OWEN] is really the father of the Federal reserve system. If my friend from Virginia will write a history of this legislation I will wager the authorship of it will be fixed according to his liking.

I told my friend from Virginia yesterday that I had praised the system and had given him credit a number of times for writing it, but I was reminded of my experience with old man Morris. Old man Morris had written a grammar, and when I was a little fellow one day he appeared in the community and I looked at him with astonishment. The teacher said: "He is the author of the grammar that you are studying." I got the little grammar and went over to him and said: "Prof. Morris, you wrote this book?" "Yes." "I want you to tell me something about it." He said: "You have been studying it. You know more about it than I do. It has been so long since I wrote it; it has all passed out of my mind." I told that to my friend from Virginia yesterday. It has been a long time since the Federal reserve system was put into effect, and he said he had not read anything John Skelton Williams has written or spoken on the subject, so he is just about out of information with reference to it. He knows less about its operation than those of us know who have been watching it and studying it.

Mr. President, another word about the New York bank. The comptroller urged that an independent examination be made of the New York institution which was then borrowing so recklessly from the reserve bank, and advised that that debtor institution be required to adopt more conservative policies, but for some reason or other, best known to themselves, the comptroller's colleagues on the board—Gov. Harding and the others—refused to make the examination urged by him. Whether it was because they were afraid of offending the potential magnates and speculators who were running the member bank or for some other reason, I know not. But I do know that the Federal Reserve Board and the Federal Reserve Bank of New York continued to dish out money to that institution in blocks of tens of millions of dollars at a time, and, as Gov. Harding expressed it in his testimony before the Agricultural Commission, "instantly," and that during the past year the bankers of New York City were called together suddenly to avert a grave financial catastrophe.

That banking institution of whose methods and policies Mr. Williams had warned the Reserve Board two years ago is understood to have been required to charge off anywhere from twenty-five to fifty million dollars of losses. A decent and conservative management and proper supervision and action by the Reserve Board and reserve bank—both of which had been duly warned and put on notice by the comptroller's office—might have averted the crisis and the contingent losses.

As an illustration of the gross inequality and injustice in the distribution of the funds of the Federal reserve system it has heretofore been pointed out and proven from official documents that on September, 1920, the national banks in the three big cities of New York, Chicago, and St. Louis were borrowing, mainly from the Federal reserve banks, about two and a half times as much money, in proportion to their total loans and discounts, as the "country" national banks—that is to say, the national banks outside of the central reserve and reserve cities—were borrowing at that same time. The national banks in the three big cities were borrowing about 24 per cent of all their loans while the "country" national banks were receiving ac-

commodations for about 10 per cent of their total loans. It is well known that the so-called "country" national banks embrace all of the national banks outside of some 60 or 65 reserve and central reserve cities, and they include about 7,600 national banks, mostly smaller banks, and do not include the four or five hundred larger national banks in the 60 or 65 reserve and central reserve cities.

The Senator from Virginia, either through a confusion of thought or because of misrepresentations made to him by his advisers, unfairly and incorrectly states that the evident purpose in making a comparison between "country" banks and banks in the big cities was to produce the wrong impression that the "country" banks necessarily engage in financing "agricultural products."

The fact is that the great bulk of the agricultural products are financed by the so-called "country" banks, although it never has been charged that the "country" banks devoted their resources exclusively to the financing of country products. They also, of course, deal with the merchants and industries in their respective communities. Yet the Senator from Virginia would have us charge to the account of agriculture every dollar used in the agricultural sections. Even, however, if that be done, the amount falls by hundreds of millions of dollars behind the amount supplied to other sections and industries. This point is not important, but it shows the eagerness with which the defenders of the Reserve Board grasp at trifles, magnify them, and misinterpret them to suit themselves. It is also interesting to note that as late as the autumn of 1920 the national banks in New York City were receiving in proportion to their total loans and discounts three times as great an amount of accommodations from the Federal reserve system as was accorded to the "country" national banks at the same time.

There is a further statement by the Senator from Virginia in this connection which should be noticed. He said:

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.

That is a pure assumption on his part. It is a fact that the customers of the "country" banks were beseeching the reserve banks to extend them credit and further aid; and it is also a fact that the member banks were unable to give this aid because their reserve banks refused them the accommodations and demanded that they should pay or curtail the loans they already had rather than obtain others. Letters from all parts of the country will prove this.

Do you get that, Senators? Why did not the member banks respond? Because the reserve banks refused them the accommodations necessary.

The Senator further says in this connection:

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.

The Senator's argument is, itself, sophistical and delusive, and I think we can guess who put such an argument "over" on him. It is true that the banks in the central reserve cities are required to keep a reserve of 13 per cent on demand deposits, and it is also true that in the "country" banks a reserve of only 7 per cent is required; but it is wholly misleading to say that a bank in a central reserve city has to borrow "about twice as much to keep up their reserve as a country bank has to borrow to keep up its reserve." That argument is untrue and disingenuous.

To illustrate: Let us compare two banks—one in a central reserve city and one a "country" bank, each with \$200,000 capital and \$200,000 surplus, and each with a million dollars of deposits. These two banks desire to increase their accommodations to their customers and to bring the total amount of their loans and discounts up to \$2,200,000 each. The central reserve city bank has available funds as follows:

Capital	\$200,000
Surplus	200,000
	\$400,000

87 per cent of its deposits available for loans (13 per cent being kept as reserve)	870,000
The amount to be borrowed	930,000

Total loans as increased	2,200,000
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Now, listen to the figures as to the country bank:	
The country bank has a capital of	\$200,000
Surplus	200,000
	\$400,000

93 per cent of deposits available for loans (7 per cent being kept as reserve)	930,000
Amount to be borrowed	870,000

Total loans as increased	2,200,000
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Therefore, in order to maintain its reserve and loan to its customers to the amount needed, an aggregate of \$2,200,000, a central reserve city bank only has to borrow less than 7 per cent more than the "country" bank has to borrow—\$60,000 being less than 7 per cent of \$930,000, borrowed by the central reserve city bank—and not about "twice as much," as the Senator charges. The fact is that some central reserve city banks do not find it necessary to borrow anything in order to maintain their reserve; some of them borrow 1 per cent or 2 per cent more, and others varying amounts.

But the idea which the Senator from Virginia conveys—that as a general proposition a bank in a central reserve city is obliged to borrow "about twice as much" to keep up its reserve of 13 per cent as a country bank has to borrow to keep up its reserve of 7 per cent—is a fiction.

That is the statement of John Skelton Williams, and it can not be denied.

And, again, he says it is to be regretted that he—speaking of Senator GLASS—has permitted himself to be misled by any such specious arguments, imposed upon him by untrustworthy informants.

I now wish to command the Senator from Virginia for one expression which he used. He said:

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 the 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.

And yet when I talk about graft in connection with the \$25,000,000 transaction, it is said that I am reflecting upon honorable men.

And then, in response to a question from Senator NORRIS as to whether the Senator from Virginia was in favor of permitting a salary of \$50,000 a year to be paid by a reserve bank, the Senator from Virginia replied:

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.

Then, why did the Senator criticize me for doing the thing that he says that he thought would be done? Why should the Senator from Virginia fall out with me when he said in the Senate it would be criticized? I was the first man to bring it to the attention of the Senate and of the country. After John Skelton Williams first broke the news to the public I brought it to this floor and started a resolution of investigation on its way, which resulted in a resolution offered by the Senator from North Carolina [Mr. OVERMAN]; and we are still on the trail. In that New York Federal Reserve Bank Building there is to be a swimming pool, a cafeteria, a gymnasium, ponderous, pompous, palatial arrangements, which are being constructed out of the raised rediscount rate which they have sucked out of the country. They have been rolling in this money. If they had let it alone, a certain per cent of it would have gone into the Federal Treasury.

The Senator from Virginia asks what has that got to do with loans in the South—it is their money? Well, all of it is not their money. The Government is entitled to a certain per cent of it; and unless they squander it in graft and in the erection of buildings the Government will get some of it, which will help relieve the burden of the overburdened taxpaying public of to-day.

The Senator from Virginia, as I have previously said, stated that the Federal reserve bank in New York have about 5,000 employees. I understand that that number is just 2,000 too much. He said they would have 5,000; and the Senator from New York [Mr. WADSWORTH], in whose State this palatial building is being erected, said "already have." He came quickly to the rescue of the Senator from Virginia. It turns out now, however, that the number of employees is about 3,000. I will refer to another bank in New York that has more loans outstanding than the Federal reserve bank in New York which has but 100 employees. I ask the Senate and I ask the country what right have the Federal reserve bank officials in New York, what right has the Federal Reserve Board, to permit the employment of 3,000 people when its loans have shrunk to less than those of the First National Bank of New York City? They will criticize me more now than they have been criticizing me.

Mr. WATSON of Georgia. Mr. President—

Mr. HEFLIN. I am glad to yield to my friend from Georgia.

Mr. WATSON of Georgia. I remind my friend, the Senator from Alabama, Mr. President, that the Senator from Virginia [Mr. GLASS], in his very able defense of the Federal reserve system, stated that they were violating the health laws of New York. That seems to me to be a very serious accusation against these law-abiding citizens, who, apparently, deserve such a eulogy at the hands of my friend, the Senator from Virginia. The inference is natural that a set of men who would deliberately violate one code of laws in New York would violate some other laws.

Mr. HEFLIN. Ah, Mr. President, that goes to the heart of the situation. If they will do that, will they not violate the rules of right and the laws of justice in taking a little graft? The idea of paying an architect a million dollars for his services while the farmers in my State are leaving the farms, walking out from under foreclosed mortgages, leading their wives and children to the cotton factories to work because they can not make proper arrangements to make a crop this year. Then talk to me about attacking the Federal Reserve Board's murderous deflation policy.

I think they thought when they got the Senator from Virginia started on this matter that they would make us use a soft pedal; that we would go away back and sit down and sing a low tune. I can imagine them saying, "He is one of the reputed authors of the measure, and if we can ever get him to defend our course we will go back into our States and over the country and say, 'We did not do anything wrong; CARTER GLASS defended our policy.'" I should dislike to think that they induced my friend to take that course. I am with him on preserving the system, but I am against him in his defense of the board's deflation policy. I do not intend that the system shall be perverted from the end of its institution and made the handy instrument of heartless interests that want to control the currency and credit of the country.

The Senator from Virginia compared the expenses of the New York Reserve Bank with the expenses of the Bank of France for 1920, and says the latter were approximately 150,000,000 francs or the equivalent, at the old rates of exchange, of about "\$30,000,000." For the year 1920 the expenses of administration of the Federal reserve system the Senator from Virginia says were reported in the annual report of the Federal Reserve Board as having been approximately \$30,000,000.

Will some Senator please inform me why the Senator from Virginia wished to make the comparison on the basis of the "old rates of exchange of gold equivalent"? Does he not know that during the year 1920 the gold equivalent of the franc was scarcely one-third of its gold value, so that on that basis the expenses of the Bank of France instead of being \$30,000,000, as the Senator states, would only be about \$10,000,000? In other words, if his figures as to the amount of francs are correct—which I do not admit without knowing more about the source of his information—the expenses of our reserve system were about three times as much as those of the great Bank of France.

Let us turn to the question of the exorbitant salaries of the Federal reserve banking officials.

Mr. President, in 1917 the total salaries and wages of all employees of the Federal Reserve Bank of New York—get these figures, Senators—including the Buffalo branch, aggregated \$970,580. The total amount of bills discounted and held by the Federal Reserve Bank of New York December 31, 1917, was \$399,078,000. The total wages and salaries of the Federal Reserve Bank of New York as of July 1, 1921—see board's report in reply to Overman resolution, page 53—amounted to \$4,988,703. The total bills discounted by the Federal Reserve Bank of New York January 25, 1922—listen, Senators—including bills bought, amounted to \$146,526,938. Get that? Nineteen hundred and seventeen, \$399,000,000; 1922, \$146,000,000. The principal business of the Federal reserve bank is, first, the custody of the member banks' reserves; second, the granting of discounts and loans; third, the clearing of checks for member banks; fourth, its business as fiscal agent for the Government, including the placing of Government loans, and so forth.

The most important function and department of the reserve banks relates to the extension of credit and the granting of loans. In this most important department we find, from the figures which I have just given you—listen—that the total of loans and discounts held at the present time by the Federal Reserve Bank of New York amount to less than 37 per cent of the bills discounted and bought paper held by that bank on December 31, 1917; and yet the cost for wages and salaries was, on July 1 last, and is probably now, more than five times as great as the salaries and wages at the end of 1917.

Senators, will you permit this thing to go on with these staggering facts confronting you?

In 1917 there were 12 officers, and that number has now been swelled to 40 officers, although the loans and discounts and bought paper are now but little more than a third of what they were in 1917. One of the largest and most important banks in New York, with assets of several hundred million dollars, employs less than 100 men—that is what I referred to—including officers and all other employees. By increasing the number of its officers to 40, the reserve bank of New York, with a greatly superfluous official staff, reduces the average salary paid all 40 officers to about \$13,000—listen, Senators—but 20 officers would be more than sufficient to perform the work to be done; so that if the amount paid for officers is divided by 20, the average salary would be about \$25,000, or double the salaries of members of the Cabinet. If the number of officers should be reduced to the number that ran the bank in December, 1917, when its loans and discounts were nearly three times as great as they are now, the average salary would be found to be over \$40,000 a year for each officer.

It seems inconceivable, but it is true, that this one bank is paying 40 officers an amount exceeding the combined salaries of the President of the United States, the Vice President of the United States, and one-half of the Members of the Senate, with the salaries of the governors of 12 States thrown in for good measure, including, among others, the governors of Massachusetts, New York, Pennsylvania, Maryland, Virginia, Texas, and California; yet they criticize me for assailing this nest of crookedness and graft.

The Reserve Board compares the average salaries paid by reserve banks to the average salaries paid to officers of large city banks, but that comparison will not hold. In the first place, the officials who have built up the business of the big individual banks are valued largely on account of their capacity as "business getters" as well as bankers and financiers and judges and dispensers of credit. They are supposed to have initiative and certain special qualifications which are not exercised in a reserve bank, where the deposits of money of member banks is compulsory, and where the character of the loans made is rather different from those made by member banks. Each rediscounth made for a member bank has already been scrutinized and passed upon by the bank seeking the rediscounth; but the records show, unfortunately, that despite that fact, in many instances not only indiscretion but a lack of plain common sense has been shown by the New York Reserve Bank in the granting of loans and the extension of credit. The charges of discrimination and favoritism have been completely sustained. "If wisdom and prudence were paid for in employing the officials of the New York Reserve Bank, the goods have not been delivered," says John Skelton Williams.

Another reason why the high salaries paid by the reserve banks can not be fairly justified by the comparison of high salaries paid by the member banks is found in the fact that many member banks pay huge salaries to their executive and other officers without the knowledge or approval of the stockholders. Get that, Senators. Many big banks are run by a ring of officers who fix their own salaries, and the stockholders are kept in blissful ignorance as to what the officers receive from the stockholders' funds.

I know they will criticize me now for giving that to the public and putting it into the CONGRESSIONAL RECORD where the country can read and where people who are interested in bank stock will inquire about what is happening to the dividends when they can raise these salaries and pay these big sums and the stockholders never know what they are getting.

John Skelton Williams says he knows of one case where the national-bank examiner was instructed to investigate a certain member bank in the New York district which was paying to its chief executive officer—the sum of \$75,000 per year. Having reason to suspect that this salary had not been approved by all of the directors or by the stockholders, the comptroller directed that the matter should be brought to the attention of the board of directors at a formal meeting. When this was done the \$75,000 officer reduced his own salary to \$37,500, and later on his salary was reduced to zero, but the officer still hung on to his job, not being paid one cent. They picked up this individual pet and paid him a salary of \$75,000, and John Skelton Williams discovered it and called this meeting and they took all the salary away from him. John Skelton Williams has rendered the country an invaluable service. But for him, I repeat, we never would have known of any of this crooked work, and the scandal connected with this Federal Reserve Board's policy, with this graft scheme in New York.

We know that the deflation policy worked ruin to all kinds of business, but we could never have gotten the facts from a board that was trying to deceive the people into believing that they had nothing to do with it.

Just a year ago the Comptroller of the Currency called upon the national banks to show in their regular reports of condition and to print in their statements published in the newspapers a statement showing the aggregate amount of salaries paid to the officers and the aggregate amount paid to other employees. Although compliance with this request from the comptroller would not have made public the individual salaries of officials, the request raised a storm of protest among the banks which were paying extortionate salaries, and many of them refused to publish the data.

Mr. President, we have come to the time that Andrew Jackson found, when the big banks of the country are undertaking to control everything—politics, business, credits, currency—and here they are refusing to respond to the Comptroller of the Currency to send to him and publish a statement of the aggregate salaries they pay, and they decline to do it. Here they were unwilling for either the stockholders or the public to know how their funds were being used.

The Federal Reserve Board, in its report to the Senate, makes comparison with the salaries paid to member banks, but it is always very careful to cover up the names of the member bank officers receiving the big salaries. Why is this? says John Skelton Williams. How can the Reserve Board pretend to justify a salary for reserve bank officers compared with anonymous salaries paid by anonymous banks to anonymous officers?

I must quote another statement by the Senator from Virginia, illustrating still further the errors and inaccuracies of his facts.

He said, on the second day of his speech, page 1246 of the RECORD in which his speech was first printed, the RECORD of January 20:

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.

The Senator from Virginia tells you that the New York bank directors are directly responsible for "\$5,000,000,000 in cash and securities." I have before me the statement of the Federal Reserve Bank of New York of January 25, 1922, which shows that the grand total of its resources on the date named was only \$1,505,783,000. Where does the other \$3,500,000,000 in cash and securities come from? They do not belong to the bank. The total amount of its cash and securities aggregate less than one-third of the amount claimed by the Senator from Virginia. Even if the bank should happen to hold in its vaults several hundred million dollars of securities for member banks, this would not justify the Senator's claim that the directors of those institutions are "directly responsible for \$5,000,000,000 in cash and securities." I should like to ask how the other three and a half billion dollars are accounted for? For whom does the reserve bank hold this vast sum?

So far as the Senator's claim that "the responsibility of these officers is infinitely greater than that of the officers of a dozen individual banks combined" is concerned, this is, of course, true as to many small banks; but there are two individual banks whose combined resources largely exceed those of the Federal Reserve Bank of New York, and there are a considerable number of banks in this country whose loans, discounts, and investments largely exceed those of the Federal Reserve Bank of New York, as official figures will prove.

The Senator from Virginia undertakes to deny certain statements made by me, and says:

(a) The Federal Reserve Board did not accumulate \$100,000,000 or any other amount.

(b) The Federal Reserve Board did not appropriate \$26,000,000 or any other amount.

(c) The Federal Reserve Board can not under the law or the operation of the system appropriate one dime for any purpose.

(d) No Federal reserve bank to cost \$26,000,000 is to be built anywhere.

I want you to get this, Senators.

(e) The proposed new Federal reserve bank building in New York is not to be erected in Wall Street.

Now, listen, Senators. John Skelton Williams, in his statement to me, says "I have read your statement and each one of the distinguished Senator's criticisms is either misleading or entirely untrue, as the official records will prove." He denies that the Federal Reserve Board appropriated \$26,000,000 or any other amount to the bank at New York, but he does not deny that the Federal Reserve Board connived with the directors of the New York bank and approved the construction of buildings estimated to cost, including the land, over \$25,000,000 by the very latest estimate, as stated by the Reserve Board in its report to the Senate dated October 31, 1921.

In fact, the original estimates for that building were about \$30,000,000, and subsequently reduced by about \$4,000,000, as

will be shown from the board's report to the Senate in response to the Overman resolution.

The Senator claims that the bank is not being built in "Wall Street," but, Senators, it is being built in the heart of the Wall Street district, within about 200 or 300 yards of Wall Street itself, although land could have been gotten a few hundred yards farther from Wall Street that would have been equally convenient to 97 per cent of the members of the New York Reserve Bank, and saved millions of dollars.

The Senator from Virginia said that the bank building in New York is designed and planned to accommodate 5,000 employees. But in 1917, when the total loans and discounts of the Federal Reserve Bank of New York were nearly three times as great as they are to-day, 829 employees were sufficient to transact its business, and I want to say here that was the time when we were selling Liberty bonds. That was the time when there was more work to be done than at any other time, and these 829 employees were sufficient then. Now they have multiplied them to about 3,000.

When the Senator made the statement that he did about the 5,000 employees the Senator from North Carolina [Mr. SIMMONS] inquired:

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

To which the Senator from Virginia replied:

Will be.

The Senator from New York [Mr. WADSWORTH] added:

They are.

What justification has the Senator from New York for making such a statement as that? It is not true that 5,000 people are now employed by the New York Reserve Bank, as alleged on the floor of the Senate by the Senator from New York. The board's report says that in July last the number of officers and employees was 3,087, and I believe this has already been reduced since I brought this matter to the attention of Congress. Who misled the Senator from New York? I am sure that he would not willingly mislead the Senate, but some one has evidently deceived him.

Now, as to that monument of Federal Reserve Board extravagance, the Federal reserve bank building at New York, which has been aptly referred to as a "financial monstrosity," the Senator from Virginia said:

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.

Senators can imagine who the Senator was driving at then.

The estimated cost in March, 1921, of the building at New York was \$17,990,000, from which must be subtracted the price 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.

What do Senators think of that? They are going to subtract money that has been sunk in another building which has already been erected. They are going to take that out of this.

Why should the cost of the "annex" be deducted from \$17,990,000? Instead of deducting it, there should be added to that \$17,990,000 estimated actual cost, the amount thus far expended on that annex, namely, \$2,210,000. To this also must be added the estimated cost of the "vault equipment," \$650,000, then add cost of land, \$4,791,000, making a grand total of land and building \$25,046,000, to which, I understand, should be added heavy taxes during construction. If any Senator has been misled as to these figures it is because he was misled by the Reserve Board itself. These are the estimates which were sent to the Senate by the board under date of October 31, 1921, in response to Senator OVERMAN's resolution. In fact, in submitting these figures the board called attention to the fact that the original estimates were, as has been stated, about \$4,000,000 more, or, say, \$30,000,000.

John Skelton Williams furnished me these indisputable facts from the record. When John Skelton Williams first brought this matter to the attention of the country, and we raised the question here, they wisely decided that they had better trim off about \$4,000,000 of the superfluity. So I helped to save the Government \$4,000,000 by the fight I have been making on this. That is doing pretty well for one Senator who does not know what he is talking about, according to the Senator from Virginia.

The taxes alone on the banking palace now proposed, at the present rate of taxation in New York, would amount, if taxed at estimated cost, to about \$700,000 a year, while the interest of 4 per cent per annum on the amount thus locked up would amount to another million dollars, and the cost of operating

this huge building is yet to be added. The expenses as proposed bring the total up to more than \$26,000,000.

The claim that the new building was needed in order to provide space for the storage of gold is nothing but a pretense. The land upon which the annex building alone stands furnishes space enough in which could have been built vaults sufficient to store not only the \$1,000,000,000 of gold carried by the New York Reserve Bank, but all the gold carried by all the other 11 reserve banks, and after that had been tucked away there would have been space enough left to take care of the entire gold supply of the whole world without crowding.

John Skelton Williams vouches for that, and I take it that he knows as much about it as does the Senator from Virginia.

The board admits that it set aside 28,600 square feet for a gymnasium, separate clubs for men and women, a large auditorium or moving-picture show large enough to seat 1,000 people, and a large restaurant. Senators, was there ever anything like it under the sun, with distress and disaster among the masses of millions in this country, 7,000,000 men out of employment, times hard, and the President still hugging to his bosom this Federal Reserve Board, which has carried on this deadly deflation policy for months and months?

The space thus superfluously set aside at the present basis of rentals in New York, according to the Reserve Board's own report to the Senate, will amount to more than the total rentals paid for the year 1917 for banking quarters by all 12 of the Federal reserve banks, only the Dallas bank at that time owning its own banking house.

The Senator says that the Illinois Merchants Trust Co. in Chicago has contracted for a building to cost about \$10,000,000, exclusive of real estate, and he adds that this bank does not do "one tithe of the business of this great reserve bank in New York." The Senator is again mistaken. I think he will find, says Mr. Williams, that the investments of the Chicago bank to which he refers, in loans and discounts, amount to about as much or more than those of the New York Reserve Bank, and why did he refrain from telling us that that structure is planned as a great general office building?

We have seen no evidence that the New York Reserve Bank planned originally to rent any portion of its building until this scandal was exposed. The Reserve Board tells us that the fees to architects and engineers alone will amount to \$1,106,000, exclusive of the huge commissions, fees, and so forth, to be paid to contractors; but what those fees to contractors are remains a profound secret, although it is rumored that the bank agreed to give one of the "contractors" a fee equal to about the total cost of the St. Louis Reserve Bank and the ground on which it stands.

Mr. WATSON of Georgia. Mr. President, I call the attention of the Senator from Alabama to a statement which appears in the New York papers this morning, to the effect that Dr. Guthrie says there is more unemployment in New York City right now than there has ever been, and that one of their charitable houses feeds 1,500 men every day.

Mr. HEFLIN. Mr. President, that is but a verification of the very statement I made. The Senator from Georgia is absolutely right.

Out on the firing line our boys were engaged in battle with the enemy, and the word went back to the ammunition base of supplies, "Send us ammunition; send us more ammunition. Send us men." They fed those men into the gaps as they were thinned out, and they held the line. They broke the power of the enemy, struck the decisive blow, and saved the day.

Mr. President, if you could have shown that we had ample supplies and an ample supply of man power, and the officer responsible for it had refused to send ammunition to the men fighting and offering their lives to hold back the enemy and win the war, they would have court-martialed the officer and shot him to death against a wall.

What did the Federal Reserve Board do here in this country? Our farmers, merchants, and bankers were down there fighting this battle against the organized forces of greed and graft, and the gamblers in Wall Street and Chicago. They cried out for help. John Skelton Williams said, "You can send \$2,000,000,000 to the banks in those districts. You can go to their rescue, help save the agricultural industry, and millions of homes of farmers, by feeding the ammunition to them with which to fight, and it is your duty to do it."

The general in control of this material refused to send that aid and to furnish that supply, and our farmers lost the fight, and many a farm is broken up, farm homes are deserted, and our people are driven away, many of them to towns and industrial centers. It is as bad as if an invading army had gone into that section. But the board that refused

to send aid to the struggling farmers, merchants, and bankers in the South and West was not court-martialed. It was rewarded by the Republican President. The President, so I am told, said to John Skelton Williams, "We have a good gold reserve." Mr. Williams answered, "Yes, Mr. President; but what would you think of your fire department if your city was on fire, and block after block should be consumed by the flames, and you gave the signal, and no firemen with their engines responded? Another block would be swept away, and the fire spread, and your city was demolished, gone up in a blaze and reduced to ashes, and you should then ask your fire department, 'Where were you when the conflagration raged and destruction swept the city? It is your business to furnish water to put out the fire and protect this other property from destruction.' He said, "If your firemen should answer, 'We did not extinguish the flames, we did not try to put out the fire, but we have the greatest water supply we ever had in the history of the city,'" what would you think of your fire department? What do you think of your Reserve Board's policy? Why did they not go to the rescue of these farmers in the South, these farmers in the West, and save them from utter ruin?

They said, "We did not do that, but we have the greatest gold reserve we have ever had." What do the honest financiers tell us now? I am not talking about the blood-sucking leeches of Wall Street. The honest financiers tell us that this hoarding of gold is a detriment and a curse to the country, and that the Federal reserve banking system could have saved the day, but the board would not let it do it.

That is what you did. You hoarded gold, gold, accumulating more than two thousand millions, hugging it to your hearts, when agriculture, commerce, and industry were all pining and dying around you and the army of unemployed, hungry and half clad, was crying out for bread. I thought of the Scripture, the saying of the lowly Nazarene, who preached the gospel of democracy. He said:

Inasmuch as ye have done it unto one of the least of these, my brethren, ye have done it unto me.

For I was an hungered, and ye gave me meat; I was naked, and ye clothed me.

Reverse that doctrine and you have the deadly and infamous policy of deflation of this board. The people had plenty, and deflation took it away. They were well clothed, and it made them naked. They were contented, and it spread discontent where contentment reigned. They were happy in their homes, and it took their homes.

That is the board whose deadly deflation policy I condemn. That is the board I indict. That is the board that I charge with high crimes and misdemeanors. I call upon the President to remove it. There is nothing he can do as President that would give more hope to the bankers of the country and honest business everywhere than to clean out that board. Let him start with the head of it. I understand that he has been offered a salary of \$100,000 a year in Wall Street.

Senator SIMMONS went up to the White House pleading in the fall of 1920, when this deadly work was being done. The President was stricken at that time. The Secretary asked, "What suggestion would you make, Senator SIMMONS? What would you do if you were President?" He replied, "I would remove Harding, the governor of the board, before night." Senator SIMMONS is not from Alabama. He is a big, bold, brave, patriotic Senator from the old North State of North Carolina, and dares to speak his conviction and to fight for the right and defend the rights of the masses of the people.

Mr. President, we have been keeping this fight up. It is a hard fight for some of us. I have not any Federal Reserve Board to furnish data to me; no Federal Reserve Board publicity fund to boost my speeches. The speech of my good friend from Virginia, or at least many points in it, were points I have read before, that have been suggested by the Federal Reserve Board itself. Some of the things suggested by Mr. Platt in his letter to Congressman BRAND of Georgia were repeated here by the Senator from Virginia. My opinion is that the things the Senator from Virginia stated here as information about the New York bank were furnished by the bank officials up there, in all probability. But I myself have worked, I have read the bulletins for months and months, issued through 1920 and into 1921 by the Federal Reserve Board, and I can convict that board with its own bulletins.

They started this deflation policy without cause, because if they had read those reports they would have known better. The reports from the various districts as to business and the general situation were like this: "Business is good; outlook is fine; orders are coming in; people are employed; agricultural prospects good." They have all these bulletins which they issued during February, 1920, March, 1920, and along during

that time. If the country was prosperous, why bring this blight down upon it? I will insert in my speech, when I get a chance to revise it, statements that I have referred to before about Mr. Harding's position and what he said in New York, and what has been said in statements in the New York Commercial, like this:

Gov. Harding refuses to change his policy with regard to holding cotton for a better price.

This knocks the bottom out of the holding movement. The farmers can not hold unless they can get help, and the governor of the board refuses to give it. This means cotton is going lower and lower. That is the substance of what market reports said at that time.

Charlie Verner, of Tuscaloosa, Ala., a banker in my State and a splendid gentleman, wrote me a letter that Gov. Harding made a speech in Atlanta which broke the price of cotton \$10 a bale, or 2 cents a pound, on that day. Gov. Harding's statement was to the effect that they were not going to help cotton. So I think, instead of trying to help, he was spreading the gospel of depression and was on the bear side of the market.

Let me remind you that Gov. Harding said that we must judge his deflation policy by what it did to business. Let me read:

[From the New York Commercial, Sept. 16, 1920.]

WASHINGTON, September 15.

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."

This is the blow that sent terror into the hearts of our cotton producers and turned them over to the wolves of Wall Street. Let us see how New York cotton speculators and market manipulators construed this position of Gov. Harding.

[From the New York Commercial, Sept. 16, 1920.]

COTTON OFF FROM 12 TO 31 POINTS—FEDERAL RESERVE REFUSES SPECIAL AID TO SOUTH.

The conference held in Washington yesterday between representatives of the Cotton States and officials of the Federal Reserve was disappointing to cotton holders, as the Federal reserve governor made it plain that the South could expect no special help \* \* \*. This decision will influence sentiment here regarding the ability of the planters to finance any sort of a holding movement now.

[From the New York Commercial, Sept. 17, 1920.]

Under the head of "Cotton-market opinions," W. J. Wallman & Co. said:

"The action of the Federal board in refusing special assistance to the cotton growers is certain to act against the growth of the hold-the-crop movement."

The New York Commercial cotton article on the same date said:

"Many traders were inclined to sell the market after overnight consideration of the refusal of the Federal Reserve Board to help the cotton planters, as it is believed that this decision will effectively kill most of the holding movement because of the difficulty of financing the proposition."

I will now read some interesting statements to show you how the cattlemen and cotton producers were deliberately deceived.

[From the New York Commercial, Sept. 21, 1920.]

(Washington bureau, New York Commercial.)

WASHINGTON, September 20.

RESERVE BOARD WILL NOT CURTAIL LIVE-STOCK CREDITS.

That the live-stock industry is confronting an acute situation as a result of the disposition on the part of the bankers to refuse to renew loans was asserted before the Federal Reserve Board to-day by a committee representing a conference of live-stock producers and bankers recently held in Chicago.

[From the New York Commercial, Sept. 21, 1920.]

The board was urged to promulgate instructions to Federal Reserve banks and member banks of the system to use a greater degree of liberality in handling loans of this character.

W. P. G. Harding, governor of the Federal Reserve Board, assured the delegation that the live-stock industry should have every consideration at the hands of the bankers of the country and that there was no intention to curtail its credit.

[From the New York Commercial, Sept. 15, 1920.]

WASHINGTON, September 14, 1920.

Advisory council to confer with reserve board next Monday. Frozen loans said to have been liquidated to sufficient extent to aid materially in financing crop movement. Board to meet with reserve governors and agents October 13.

J. S. Wannamaker, president American Cotton Association, said:

In September, 1920, after insistent demands for a more liberal policy, Mr. Harding invited leaders in the cotton industry to Washington to discuss the situation, and at that time issued an ambiguous statement which many of the leaders took at its face value and went home full of hope and expressing the highest appreciation of the attitude of Gov. Harding and the Federal Reserve Board. They wrote articles and made speeches and lulled their people into a sense of security. It was believed that every facility would be given the farmer to market his cotton in an orderly manner; in other words, that he could borrow money on his cotton for his immediate needs and hold the cotton until demand made a satisfactory market. But that fool's paradise was shattered on October 8, when, after another conference, held this time

in Birmingham, Gov. Harding ripped the mask from his policies and the cotton producer realized at last that he could expect no help from that quarter. Not only did he realize that he could expect no help, but he found out that what was supposed to be an agency of support to him in a crisis had been transformed into an instrument being used to beat him to his knees. With studied misunderstanding and with studied misrepresentation of the demands and needs of the cotton producer, Gov. Harding thus brutally blasted his hopes.

The action of the Federal Reserve Board promptly produced a buyer's panic, first in this country and later on in Europe. The United States being the creditor nation of the world, was certain to adversely affect financial conditions in foreign countries through the policies of drastic artificial deflation inaugurated in this country.

In this connection I will read a statement from "The Crime of 1920"—The Unpardonable Sin of Frenzied Finance, by George W. Armstrong, pages 160 and 161:

THE EXAMPLE OF TALAAT BEY.

This is truly an amazing official record. It is suggestive of the official directions of the late lamented Talaat Bey, brought out in the trial of the young Armenian who assassinated him, recently published in the daily press. Talaat Bey openly pretended to the Allies that he was moving the Armenian women and children to places where there was food and safety. He secretly instructed the officers in charge to treat them with great kindness in public but to take them to a certain unfrequented place and there kill and bury them. When accused of the crimes he denied them with much bravado and injured innocence; so much so that the Government did not really know the truth until revealed by his written orders. Talaat Bey admitted in his secret orders that his directions were inhuman and cruel, but justified them on the grounds of necessity and for reasons of state. We have here the same "safety" pretense, the same ulterior purpose of destruction, and the same injured innocence.

Although these sapient bankers, the Federal Reserve Board, knew that the inevitable and "logical result would be lower prices," with consequent disruption of industry, unemployment, bankruptcy, misery, despair, death, and suicide, they adopted their deflation program for reasons of State as coldly and as cruelly as did Talaat, and they have pursued it and do now pursue it as relentlessly and as ruthlessly as did Talaat, and they have lied about it as brazenly as did Talaat, and they have no doubt "kid" themselves into believing that they were acting for their country instead of their own ambitious designs as did Talaat. But Talaat was a "piker" in destructiveness as compared to them.

Gov. Harding said deflation must be judged by what it does to business, and I agree with him. I read:

[From Federal Reserve Bulletin, issued by Federal Reserve Board at Washington, July, 1920.]

Report from Boston district, No. 1. Cancellation of orders by retailers has been reported for some weeks, but this factor had no appreciable reaction in the form of reduced prices to the consumer. The cancellation movement has struck the New England cotton mills, and where actual cancellation of orders has not accrued there have been, in some cases, requests for delay in making shipments, all this being occasioned principally by curtailed bank credits.

In the same bulletin, under the headlines, "Working of credit control," we find this:

The general conclusion to be drawn is unmistakably to the effect that the operation of credit control through higher discount rates has had a marked success.

In the Federal Reserve Bulletin of August, 1920, we find the following:

In the South there has been some success in eliminating loans on United States obligations.

Federal Reserve Board Bulletin of February, 1920, quoting from Gov. Harding's speech to the bankers of the Federal reserve system on January 6, 1920, printed the following excerpts:

"There is no question that the credit structure of this country is expanded. We can not expect this year, nor next, nor in the immediate future, to regain a banking position which would be regarded as normal. The process is one that will require time and patience."

This is what he said, but the ruin wrought tells what he did.

In the same month in the same Federal Reserve Board Bulletin the Richmond (Va.) bank reported:

A material cut in the amount of credit available.

HARDING'S FORTY-FIVE-DEGREE BOGIE EXPLODED.

Let me read another short statement from John Skelton Williams:

An amusing feature of the distinguished Virginia Senator's speech was the ease with which he fell into Gov. Harding's "45-degree" trap. The reserve board governor has been prancing over the country shocking his audiences by pointing out to them how narrowly we averted disaster because of the fact that a chart showed that "loans and rediscards" at reserve banks had been advancing at the rate of "45 degrees," and he depicted vividly what would have happened if that 45-degree advance had kept up.

The average schoolboy, however, knows that whether "45 degrees" is a safe ratio for loans to advance or not depends upon the horizontal and perpendicular scales used in making the chart. If the chart, for example, has 1-inch squares, and these 1-inch squares represent on the horizontal the months of the year, and if the 1-inch squares on the perpendicular scale should start, say, with one hundred millions of loans and each upright inch represent an additional one hundred thousand loan expansion, the chart line might show 80 or 85 degree advance in one month, and yet the total increase in loans would only be about 1 per cent, or, say, \$1,000,000.

If the 1-inch square on the upright scale, starting at one hundred million, should represent one hundred million increase in loans, the angle of advance might be only about "22½ degrees," and yet represent an expansion of about fifty times as great as the chart on the other scale showed, or an 85-degree advance.

It is to be regretted that Senator GLASS should have fallen into Gov. Harding's stupid sophistries.

Mr. President, the people of the country ought to know the truth about these things. It takes mighty plain talk to get it to them. We can at least get it to them through the CONGRES-

SIONAL RECORD. I am satisfied that the boys in the press gallery sent out the statement which I made the other day, but it was not printed. I do not quite understand that. I do not believe there is one of those young men who would be a party to helping throttle the press and suppress the truth and refrain from giving information that went out from this Chamber from a Senator.

If we have come to that, then you are going to see a revolution in this country in a political way. The people will not stand for the Democratic Party or the Republican Party—and ought not to do so—throttling the press and keeping information from the people. If the Republicans are doing anything that is good, give it to the country; if they are doing wrong, give that news to the country. If the Democrats are right, give its position to the country; if they are wrong, condemn that conduct and give it to the country. But do not let us have a press that can be manipulated, facts suppressed, and information kept out of the columns of the newspapers of the country.

I do not know how that statement from the Senator from Virginia ever got into the Democratic Bulletin. It was not done at the instance of the committee. I never said a word to any of them about my speech. I was not trying to get anything before the country from a Democratic standpoint. I never paid any attention to it, so when I got one of those circulars I was surprised. A Senator said to me, "They ought not to put that in there; they ought not to have said anything at all about what occurred between you and GLASS." But they did that, and a newspaper friend of Gov. Harding's has circulated that statement through some papers down in my country referring to my statements as misrepresentations about the Federal Reserve Board. Yes, they may be able to get out statements like that, but I do not intend that the people shall be deceived by them.

I state again that the deflation policy of the Federal Reserve Board does not have the sanction of the Democratic Party. Every leading Democrat of any consequence denounces it except by friend the Senator from Virginia.

Mr. WATSON of Georgia. Mr. President—

Mr. HEFLIN. I am glad to yield to my friend from Georgia.

Mr. WATSON of Georgia. This fact may be of interest to the Senator from Alabama, and it is only a minor thought. A few moments ago my secretary informed me that the editor of the Manufacturers' Record had called up my office in an effort to get that bulletin of May, 1920, in which Gov. Harding foreshadowed his purpose to contract the currency and to bring down prices, and that the editor could not get a copy of the bulletin. I have promised to have my copy of the bulletin type-written in order that he may have a copy of it.

Mr. HEFLIN. I thank the Senator for that information. He will put that information in the hands of a brave warrior when he sends it to the editor of the Manufacturers' Record. In fact, practically all of those on this side that I know anything about and a few on the other side agree with my position.

Let me read in this connection an editorial from the New York Commercial, which throws light on the situation. This was in 1920 when deflation was on:

[Editorial.]

COMPTROLLER WILLIAMS ON EXCESSIVE INTEREST.

Comptroller of the Currency John Skelton Williams has created a disturbance in financial circles by his charges that the New York banks have been exacting excessive interest, which, of course, the bankers here promptly denied. The merits of the controversy, however, are rather overshadowed by the larger controversy between the two groups of Washington officials who have been at odds for some time as to the better method of restoring the financial equilibrium. Gov. Harding, of the Federal Reserve Board, and his colleagues thereon, have adopted the policy of a curtailment of credit for nonessentials for the purpose of causing a liquidation of commodities and bring prices down to something like a normal basis. The other group, as represented by John Skelton Williams, takes the ground that interest rates should be reduced, capital made easily obtainable, and production stimulated to meet the demand.

Mr. President, the Senator from Virginia defends the payment of \$1,106,000 to architects and engineers, saying 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 institution. The New York bank paid the standard charge. It could not have gotten a competent architect for any less money.

Now, listen, Senators:

Again the Senator is wrong. The huge toll of \$1,106,000 exacted was unnecessary. Architects and engineers just as competent as those employed could have been found to do quite as satisfactory or more satisfactory work for much less money, and architects working for less would not have been "turned out" of the American Institute of Architects. In fact, I have reason to believe and now affirm that in some of the reserve districts capable and efficient architects and engineers have been found who were willing to make special terms which have resulted, or will result, in material savings in the matters of architects' and engineers' fees, and I would ask that the reserve board furnish the Senate, in proof of this assertion, a statement showing precisely what fees and what percentages were paid or agreed to be paid

in each where Federal reserve banks have erected buildings or made contracts for their construction. Let that statement show the amount and percentage of fees to contractors and percentage and amount of fees on estimated cost of buildings allowed to architects and engineers. If this information is furnished, it will show that the distinguished Senator from Virginia has also been deceived in this respect by his advisers.

The Senator from Virginia asserts in so many words that the estimated cost of the building, having certain savings in view, will be "\$12,836,000," not \$20,000,000. Why did the Senator fail to add that the new estimate of cost fails to include over \$7,000,000 already expended in cash for land and the annex and the \$650,000 for vault equipment and other important items? Does he consider such a comparison as he has made fair or square under the circumstances?

These facts from John Skelton Williams speak the truth.

The Senator declares with much emphasis that the cost of this extravagant building does not take one dollar from the Federal Treasury. It would have been more fair if the Senator should have said that while they may not take money out of the Federal Treasury they prevent many millions of dollars from going into the Treasury which, but for these extravagant buildings, would have been available to help pay expenses of Government.

Why is he so silent on the big charge-off of about \$7,000,000 for "depreciation" on account of buildings not yet finished, and does he not know that under the Federal reserve act 90 per cent of that \$7,000,000 of depreciation, or more than \$6,000,000, would have gone into the Treasury but for those bookkeeping charges of the reserve banks?

So it does look as if they were affecting Alabama and the other States, too. If they had not appropriated that \$7,000,000 to their use we would have gotten \$6,000,000 in the Treasury.

How is it that the distinguished Senator from Virginia failed to make any allusion to the \$12,000,000 collected from the Federal Government by the Reserve Bank of New York for alleged expenses in connection with the placing of Liberty bonds and fiscal agency matters? I should like to have a little more information on that point. That little item, says John Skelton Williams, was tucked away in a small corner in one of the annual reports of the Reserve Board; but it is important and needs a little ventilation. I think the Senate should be furnished with a statement of what, if anything, has been paid to other reserve banks on the same account.

Gov. Harding, in one of his recent speeches, says that the Federal Reserve Bank Building is not so high as some other buildings in New York, but he fails to tell how many stories it is. The Reserve Board's report to the Senate mentions, incidentally, that the officers are to have their offices on the tenth story. Is that the top story? Even if it were true that the building is to cost only about \$13,000,000, exclusive of land and annex, that is largely in excess of the cost of the huge Equitable Building in New York, which is built on a larger area than the proposed main building of the New York Reserve Bank and is 40 stories high.

Do you get that, Senators? That was \$12,000,000 collected from the Federal Government; there is \$12,000,000 collected for that, and \$6,000,000 that would have gone into the Treasury, making \$18,000,000.

I want to say in this connection that the Senator from Virginia said "the Senator from Alabama thinks printing presses were made to print money." Well, if they were not made to print money why do we use them for that purpose? We print the money of the Government on the printing presses. The Government prints this money.

Mr. WATSON of Georgia. Mr. President—

Mr. HEFLIN. I yield to the Senator.

Mr. WATSON of Georgia. Why should there be any more prejudice against a printer than there is against a minister of the gospel?

Mr. HEFLIN. That is what I should like to know. The Senator from Virginia is himself a printer. Since the Senator from Virginia has suggested the question, I will say that is why these printing presses were made—to print money. I want to say to the Senator that the Federal Reserve Board has the power—and it has exercised that power time and time again—to issue Federal reserve notes. It prints those notes itself and sends them to the New York banks free of charge to them. There are some few of us learning something about this banking system. I never intend to entrust all knowledge on that subject to any one person any more. I am going to learn something about it myself, so that I shall know. We used to listen to some fellow tell us, "This will not do, and that will not do"; but I have learned something about it myself, and I have learned it mostly from John Skelton Williams. I have been reading what he says; and I will suggest to my friend from Virginia that it would be a good thing for him to peruse some of his pages.

Now, Mr. President, here is what happens: The Federal Reserve Bank in New York can come here to the Treasury and put up 40 per cent of collateral in gold and 60 per cent in other kinds of securities which are O. K'd by responsible parties in New York, and which the board will accept, and then the

Federal reserve system starts its printing presses to work and prints \$100,000,000 or whatever is necessary. The securities never get out of the community. Of course, they are subject to the call of the Government, but the owner keeps them and he gets \$100,000,000 without interest; he does not pay a penny of interest; and yet he gets that \$100,000,000 of Federal reserve money and he loaned it out at 7 per cent, the rediscount rate, or whatever he could get—it may be 10 per cent or 20 per cent or 30 per cent or 50 per cent. Then, when the time is out and he has run his course and has made millions out of the use of the Government's money, without paying a cent of interest, the notes are canceled and the printing presses print again for another concern, and so the Federal Reserve Board may go on using the printing presses of which my friend from Virginia has spoken.

We are learning a little something about this system. If the Government will grant the banks \$100,000,000 or \$200,000,000 and will not charge them any interest for six months, why, under heaven, does not the Reserve Board make those banks come to the rescue of the banks in my section and in other sections?

It has the power to do it. The Senator from Virginia intimated the other day that it had not, but it has. The Federal Reserve Board has the power to make one Federal reserve bank discount the paper of another. We know that. I guess some of them did not think we knew it, but it has that power; it can make them do it.

The Senator from Virginia left the impression by a considerable portion of his speech that the board had hardly any power at all. On the contrary, they have a great deal of power.

Mr. President, the Senator from Virginia tells us as an evidence of the amazing liberality of the reserve banks toward the agricultural districts that during the period of falling prices all of the member banks combined in South Carolina borrowed an aggregate of \$21,105,000, which, he says, was about \$13,000,000 more than their basic line. What has the Senator to say about the one bank in New York City which during the period of falling prices enjoyed accommodations from the Federal reserve system of \$150,000,000? Here is what the Comptroller of the Currency at that time says about that:

Now, Senator, I will give you some other comparisons drawn from official figures, showing what total amount of accommodations were received by the different reserve banks in the agricultural districts at the beginning of January, 1920. At that time the Federal reserve bank was lending to all the member banks in the States of Georgia, Florida, Alabama, and parts of Louisiana, Tennessee, and Mississippi on loans and accounts a total of \$88,000,000. In addition to that, it was carrying bought paper to the extent of \$16,000,000, and this amount included about \$10,000,000 with which they were accommodating other Federal reserve banks, principally in the North.

At the same time the Federal Reserve Bank of St. Louis was lending to all the member banks in that important district, including the greater part of Missouri, Arkansas, and parts of Illinois, Indiana, Tennessee, Kentucky, and Mississippi, a total of \$80,000,000, and in addition to that they held about \$31,000,000 of bought paper. These figures included over \$20,000,000 of paper which the St. Louis bank had taken from other reserve banks to accommodate them.

At the same time the total amount of loans and discounts which the Federal Reserve Bank of Kansas City held from all of the member banks in that great agricultural and live-stock district, including Kansas, Nebraska, parts of Missouri, Oklahoma, Wyoming, and Colorado, an aggregate of only \$88,000,000, and the additional bought paper which they held was about \$17,000,000.

At the same time, Senator, the total amount of accommodations which the Federal Reserve Bank of Dallas was extending to all of its member banks in the whole State of Texas and in parts of Oklahoma, Louisiana, New Mexico, and Arizona was \$57,000,000, to which is to be added about \$6,000,000 of bought paper. But, mind you, this amount included \$30,000,000 which the Dallas bank at that time was lending to the big banks of the North and East, which had invoked their assistance, as we find now, largely for the purpose of enabling them to lend principally to big speculators and for promotion schemes.

At this same time, the beginning of January, 1920, we find that one of the big banking institutions in New York City, which had become notorious for its speculative deals and operations and some of the executive officers of which were heavy borrowers, directly and indirectly, not only from their own banks but from other banks in the Federal reserve banking system which were being aided by the New York Federal Reserve Bank—that this big institution was borrowing about \$130,000,000 of funds from the Federal reserve bank in New York.

This means that that one big speculative institution at that time was being accommodated with about two and one-half times as much money as all of the member banks in the Dallas Federal reserve district.

Furthermore, that one bank had gotten from the New York Reserve Bank about 25 per cent more money than either the Federal Reserve Bank of Kansas City or the Federal Reserve Bank of Atlanta were lending at that time to all of the banks in either of those great and important districts.

And what is perhaps worse, we find that the Federal Reserve Bank of New York, in order to be able to lend that \$130,000,000 to that one bank and to enable it to make loans to other big speculative institutions, was borrowing in the middle of January, 1920, \$100,000,000 from other reserve banks, whose funds they were sucking up for such purposes as these.

At that time the total amount of money which all 12 Federal reserve banks were lending on agricultural and live-stock paper, or to all of the 9,000 member banks in all of the 48 States of the Union, was only \$51,068,000. Those were the figures for January 1, 1920, or, to be exact, December 30, 1919.

He continues:

The riotous prodigality with which funds were dispensed by the New York Reserve Bank, regardless of all considerations of prudence, is indicated when I tell you that it was in that same month, namely, January, 1920, I believe, that the Federal Reserve Board passed a resolution authorizing the waiving of the reserve requirements as to this same Federal reserve bank in New York.

And it was just 12 months later that this same Federal Reserve Bank of New York authorized the expenditure of \$25,646,000 for extravagant and wasteful banking quarters in New York City. The man at the head of that institution is the gentleman who is now drawing a salary equal to the salaries of six United States Senators and four times the salary of the Vice President of the United States and more than three times the salary of the Chief Justice of the United States, and at the time of which I speak he had not left for his vacation trip around the world, but was still on deck supposed to be looking after the management of the New York Reserve Bank, which, at that time, as I have shown you, was lending to one big speculative institution more than two and one-half times as much money as all 12 Federal reserve banks were lending on agricultural and live-stock paper at the beginning of January, 1920, to all of their member banks in the 48 States of the Union.

Mr. President, I was elected to represent in part the whole people of Alabama, and I am doing my best to do that. It is my duty as a United States Senator to safeguard to the best of my ability the rights and interests of the whole people of the country. In the discharge of my duty as a public servant I have incurred the displeasure of the Federal Reserve Board governor and those of the board with him who were guilty of maladministering the great Federal reserve banking system to the hurt and injury of millions of people. I have brought down upon my head the wrath of Wall Street newspaper yelpers, who always growl and bark at any public man who dares to attack the financial marauders who feed and fatten upon the substance of the people of the South and West.

I have made enemies of all those who greatly increased their fortunes out of the misfortunes of people stricken down and rendered helpless by the processes of drastic deflation. I have made enemies of those who did not want the truth told and their crooked conduct exposed.

Mr. President, the Senator who will shrink from the faithful discharge of his duty because of the fear of making enemies is himself a contemptible wretch and cringing coward. So every enemy made in the discharge of duty is an additional testimonial to faithful service rendered.

He hath no enemies, you say.

My friend, your boast is poor.

He who hath mingled in the fray of duty that the brave endure must have made foes:

If he has none, small is the work that he has done.

He has hit no traitor on the hip.

He has removed no cup from perjured lip.

He has never turned the wrong to right.

He has been a coward in the fight.

What would you have thought of one of our soldiers on the firing line in France if he had gone back and sought some safe and easy place? What would have been your opinion of him if he had considered his own personal comfort and ease above the cause of his country? When our boys were fighting on the battle fields of France they were battling against military despotism and the deadliest war machine that ever appeared upon the earth. If they had sought the lines of least resistance and failed us, then they would have had the contempt and scorn of every patriotic man and woman in America.

What are you to do and what am I to do when we see the Nation's great banking system changed by those in charge of it from the purpose of its creation? Are we to remain silent when we see this great banking system so mismanaged that it brings business distress and disaster to millions of people that it was intended to serve and to save from business ruin? Power to control the volume of currency and credits in this country is the most vital power in the economic life of the Nation. Prior to the late spring of 1920 that power, lodged in the Federal Reserve Board, was never abused. On the contrary, it was used so as to meet and supply the business needs of every section of the country. But under the deflation policy in 1920 I saw that power employed, not to uphold and sustain legitimate business but to strike it down and destroy it. I saw it hoarding the Nation's money supply and withholding credits from business when the Government's Comptroller of the Currency, John Skelton Williams, declared that the Federal Reserve Board could issue and put into circulation \$2,000,000,000 of currency and prevent distress among millions of people and the loss of many hundreds of millions of dollars. If condemning that cruel and wicked usurpation of power and exposing that infamous crime against the people brings me enemies, I welcome them. They are the enemies of my country, and I neither fear nor seek the favor of the enemies of my country.

CAROLYN UPSHAW.

Mr. WATSON of Georgia. I send to the Secretary's desk and ask to have read an editorial from the Washington Star of yesterday.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and the Secretary will read as requested.

The Assistant Secretary read as follows:

CAROLYN UPSHAW.

Peace hath her victories no less than war. The city has its heroines no less than the battle field. Perhaps no field of war ever held a pluckier person than the little high-school girl, victim of the Knickerbocker tragedy, who died after a week of suffering, and who, shortly before her death, turned to her sister and said, with a smile, "I haven't cried yet."

Scores, reading, felt their eyes moisten; scores, remembering, will be braver through life as the result of that simple sentence from the lips of the dying girl, little more than a child, yet possessed of the brave soul of an American woman at her best. This was the spirit of those brave women who went to the West and Middle West and made the wilderness and forest smile; this was the spirit of those women, earlier yet, who came across the fearsome width of ocean to battle with unknown conditions.

The name of Carolyn Upshaw will live in Washington as that of a heroine, a woman who suffered bravely and went to meet her Maker with a smile on her lips. If this child, under such stress, could smile through pain and suffering, and take pride in her ability to refrain from weeping, surely in the ordinary affairs of life there is little excuse for such demonstrations. Men and women alike may learn from the example of this brave girl how to endure.

Mr. WATSON of Georgia. Mr. President, there was an old saying that "those whom the gods love die young." The most beautiful short poem in the literature of England commemo rates a girl whom the gods loved and who died young; the most beautiful short poem in American literature hands down the name of a girl whom the gods loved and who died young.

This little Georgia girl, who was one of the victims of the tragedy which occurred here a few days ago, must have been beloved by the gods and by our God. Death never plucked a whiter, sweeter flower than when it plucked her; death never stilled a braver heart than when it halted hers.

Mr. President, she said, "I have not cried yet"; but I venture to say that the editor who wrote that beautiful tribute wept when he wrote it; I venture to say that every Senator who read it cried when he did so; I venture to say that countless thousands of people here in Washington and in regions round about cried when they read it; and I know in my heart that, as she was carried back to be given to the soil of Georgia, there could have hardly been a dry eye from our mountains to our seaboard.

ADDRESS BY SENATOR PEPPER—MICHIGAN SENATORIAL ELECTION.

Mr. LODGE. Mr. President, I move that the Senate proceed to the consideration of executive business.

Mr. ASHURST. Mr. President, will the Senator withhold that motion for a few moments to enable me to propound an inquiry?

The PRESIDING OFFICER. Does the Senator from Massachusetts withhold his motion?

Mr. LODGE. I withhold it for a moment, but it is getting pretty late.

Mr. ASHURST. I do not wish to provoke discussion of any length, but wish to be fair regarding a discussion I precipitated this morning.

The Senate will remember that the morning papers carried the report of a speech alleged to have been made by the able junior Senator from Pennsylvania [Mr. PEPPER], and the alleged speech reflected so severely upon the Democratic Members of the Senate and, as I construe it, upon the eight Republicans who voted to deny a seat to Mr. NEWBERRY that I should like, if the Senator from Pennsylvania will not consider it offensive or presumptuous on my part, to ask him if the report in the various papers regarding his remarks on the Newberry case is correct?

Mr. PEPPER. Mr. President—

The PRESIDING OFFICER. Does the Senator from Massachusetts yield to the Senator from Pennsylvania?

Mr. LODGE. I yield.

Mr. PEPPER. Of course, I do not regard the question as in the least offensive. I have not seen the reports in the newspapers to which the Senator refers, but I have every reason to believe that they are accurate, because what I said was said advisedly, and a copy of my remarks was given to the newspapers; so I assume that they have correctly quoted me.

Mr. ASHURST. Mr. President, during the absence of the Senator I took the liberty of saying that I believed he would avow or disavow that speech when he came into the Chamber. I see that I was not mistaken. I have been handed from the press gallery a copy of the purported speech alleged to have been made by the Senator before the Albany County Republican

Club last evening; that I realize that one Senator has no right to catechise another—and if he feels that I am improperly doing so he can object and I will sit down; that is his privilege—but the Senator is alleged to have said, amongst other things, the following:

I now mention an example of individual courage. I refer to the action of those Republican Senators who steadfastly refused to be terrorized into voting to expel from the Senate the man who had been sent there by a clear majority of the voters of his State. When you realize the success attained by Senator NEWBERRY's implacable enemy in misstating the issue to the public—when you realize how millions of good people in this country had been fooled by Ford's insidious publicity into believing that not they themselves but the Michigan electorate had been duped—you will understand that it took no small degree of courage to face public moral condemnation which was as vehement as it was unjust. And in this test of moral courage every single Democrat in the Senate was found wanting.

Not one soul was man enough to vote in accordance with his convictions. They mouthed about the honor of the Senate and the integrity of the individual, and then they proceeded to tarnish that honor and impair that integrity by voting like a flock of sheep. Every single Democrat voted slavishly to dishonor his own colleague for what an unimpeachable majority of the people of Michigan had done when, with full knowledge of all the facts, they freely registered their preference for Senator NEWBERRY.

Will the Senator advise us whether or not that is a reasonably correct report of his speech?

Mr. PEPPER. Mr. President, I believe it to be a reasonably correct report, and in answering that question perhaps the Senator will permit me to include this observation as a part of it:

When I, as a Member of this body, approached the consideration of the Newberry case, I assumed that the question would be considered as a judicial question upon which individual Senators would make up their minds upon the merits, as disclosed by the record and as elucidated by arguments on the floor. As far as I have observed, Mr. President, that was the spirit in which Republican Senators approached the question, because I observed that a number of them voted on one side and a number on the other; and I wish it understood that I have made no comment or criticism upon what seemed to me a perfectly permissible difference of opinion; but from what occurred on the floor I inferred, rightly or wrongly, that the Senators on the Democratic side thought the case one suitable for treatment as a party question.

That gave rise merely to a question of taste; and I should like it understood, Mr. President, that I made no comment or criticism upon that. But Senators on the Democratic side went further, Mr. President. They saw fit, through responsible spokesmen on the floor, to make the vote in the Newberry case a question of personal honor. There are pages in the CONGRESSIONAL RECORD to which I can refer in which it is stated by responsible spokesmen of the Democratic Party that Senators who voted against the resolution of expulsion dishonored themselves and wrote dishonor across their political records.

Mr. President, I assumed that the Senators were within their rights in making the vote a question of honor; and, assuming that the question of honor was properly raised by them and being conscious of undimmed honor myself and of unimpaired personal integrity, I chose to accept the issue, only I reversed the sides, sir, and put my friends upon the defensive; because I, sir, in the language which has been properly attributed to me, deliberately chose to stake my honor and my integrity against that of the Senators on the other side, and that issue can not be decided by the Senators in question. I am content to leave it to the decision of all who know us both.

Mr. ASHURST. Mr. President, after a brilliant eulogy upon his own "undimmed" honor, the Senator from Pennsylvania does not see fit to retract anything that he has said reflecting upon the honor of the men with whom he will be associated here for some time. Being a man of such punctilious "honor," as the Senator says of himself, and seeing in it a matter of honor where possibly dull and obtuse men might not, I will now advert to the record in the case.

Mr. LODGE. Mr. President—

Mr. ASHURST. I hope the Senator will permit me to proceed briefly. I am going to conclude soon.

Mr. LODGE. If we are going to take up the whole Newberry case and discuss it, we shall probably run pretty late.

Mr. ASHURST. I am not going to take it up. I hope the Senator will not press his interruption.

Mr. LODGE. I shall not interrupt the Senator.

Mr. ASHURST. I knew the Senator would not; but let me call attention to this:

On the 12th day of January last the case was up, and the case is over as far as I am concerned. I have not brought it up. If the Senator from Pennsylvania had not seen fit to make this speech, I never would have mentioned the Newberry case; but a resolution regarding the Newberry case was voted on, an

amendment was adopted, and the resolution then read as follows:

*Resolved, etc.,* (3) That whether the amount expended in this primary was \$195,000, as was fully reported and openly acknowledged, or whether there were some few thousand dollars in excess, the amount expended was in either case too large, much larger than ought to have been expended.

The expenditure of such excessive sums in behalf of a candidate, either with or without his knowledge and consent, being contrary to sound public policy, harmful to the honor and dignity of the Senate, and dangerous to the perpetuity of a free Government, such excessive expenditures are hereby severely condemned and disapproved.

So this knight of the common people, the Senator from Pennsylvania, who has lifted many a lance, who has shot out many whizzing javelins in behalf of the cause of truth, entered the Senate on the 10th of January, with a record of 2,000 pages of testimony in the Newberry case before him—I would not be so offensive as to presume that he voted without reading those 2,000 pages, although he had but two days in which to do it—voted for that resolution, and then voted to seat the beneficiary. The Senator from Pennsylvania saw no moral question involved and he saw no difficulty, he found no obstacle, in voting to condemn the vast expenditures in the Newberry case, which the resolution said were contrary to public morals and derogatory to the best interests of the country, and were undermining the foundations of the Republic; he put his blessing, his seal of approval upon the seating of Mr. NEWBERRY, although he condemned the methods used, and then he charges all of the Democrats with having violated their consciences and stained their own honor in voting to deny a seat to a man who procured it by methods which he says undermine the Republic.

So, Mr. President, I will now, again disclaiming any desire to be contentious or offensive, ask the Senator into what category he puts WILLIAM E. BORAH, WILLIAM S. KENYON, ARTHUR CAPPER, EDWIN F. LADD, HOWARD SUTHERLAND, WESLEY L. JONES, ROBERT M. LA FOLLETTE, and one other Republican? I can not remember them all. Did those eight men who happened to vote and view the matter as the minority side viewed it, violate their honor, or are they absolved from all blame because they happen to be Republicans, or did they give this question a judicial investigation? Is the Senator excusing them, or is he condemning them? What is his answer to that?

Mr. PEPPER. Mr. President, without specifying individual Senators, I think I can fairly answer the question addressed to me by saying that my remarks had no application to any Senator who dissents from the following statement, on page 2020 of the CONGRESSIONAL RECORD, but were directed at any Senator who reaffirmed those remarks. The remarks to which I refer are these, and I quote from the speech of the senior Senator from Missouri [Mr. REED]:

Mr. President, there is not a Senator who voted for this resolution who did not brand in red letters above and over and across his political record the word "dishonor."

I answer the Senator by saying that my remarks have no reference to any Senator who dissented from that view, and they are applicable to any Senator who subscribed to it.

Mr. ASHURST. Then why did not the Senator say that in his speech before the Albany County Republican Club?

Mr. PEPPER. Mr. President, I am not sufficiently familiar with the procedure in the Senate to be aware to what length a catechism of this sort should be carried. I am quite ready to answer any questions that the Senate will be patient enough to have me answer, but I am not desirous of continuing the matter further.

Mr. ASHURST. Mr. President, I do not wish to pursue the matter any further. The Senator has avowed the speech, and said that every Democrat stained himself with dishonor, but that the eight Republicans who voted with them did not.

When the Senator was appointed to the Senate, a number of men in the Senate Chamber and out of it who are attempting to conduct a campaign to bring the Government back to the people rejoiced; a commendation went up, and the Philadelphia North American had an editorial that I read twice, entitled "Thank God," rejoicing over the appointment of the Senator from Pennsylvania; but he disappointed us to-day.

Mr. BRANDEGEE. Mr. President, I rise to a question of order.

The VICE PRESIDENT. The Senator will state his question of order.

Mr. BRANDEGEE. The point of order is that the Senator from Massachusetts [Mr. LODGE] made a motion that the Senate proceed to the consideration of executive business. He stated that he withheld it, but I submit the Senator can not have a motion pending, which is not debatable, and then a series of speeches proceed upon the floor indefinitely. If this matter is of serious moment to the Senate, it can be continued to-morrow.

The Senator from Massachusetts must either withdraw his motion, or the Senate must proceed to the consideration of executive business.

Mr. ASHURST. The Senator from Massachusetts has been generous, and I am going to conclude now by asking that the speech of the junior Senator from Pennsylvania, which has been furnished me by the press gallery, be printed in the RECORD, and that opposite the paragraph wherein he says the Democratic Senators acted with dishonor there be printed the resolution, No. 172, upon which Senator Newberry was seated. Having made that request, I am through.

The VICE PRESIDENT. Is there objection?

Mr. SPENCER. I hope the Senator will not designate the place where the printer shall be required to put the resolution.

Mr. ASHURST. I do not blame the Senator for objecting. He does not want to see the speech of the Senator from Pennsylvania in juxtaposition to the resolution.

The VICE PRESIDENT. Objection is made to the request of the Senator from Arizona.

Mr. BRANDEGEE. I renew my point of order.

Mr. ASHURST. I am through. I yield the floor.

#### EXECUTIVE SESSION.

Mr. LODGE. I renew my motion 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 five minutes spent in executive session the doors were reopened, and (at 5 o'clock and 52 minutes p. m.) the Senate, in accordance with the order previously made, took a recess until to-morrow, Friday, February 10, 1922, at 11 o'clock a. m.

#### NOMINATIONS.

*Executive nominations received by the Senate February 9 (legislative day of February 3), 1922.*

#### PROMOTION IN THE DIPLOMATIC SERVICE.

##### CONSUL GENERAL OF CLASS 2.

Maxwell Blake, of Missouri, now agent and consul general at Tangier, Morocco, to be a consul general of class 2 of the United States of America.

#### UNITED STATES MARSHAL.

Harvey Sullivan, of Alaska, to be United States marshal, third division, District of Alaska, vice F. R. Brenneman, whose term expired January 7, 1922.

#### APPOINTMENTS IN THE OFFICERS' RESERVE CORPS OF THE ARMY.

*To be brigadier generals, to date from February 4, 1922.*

Luke Henry Callan, colonel, Engineers.

John Campbell Greenway, colonel, Infantry.

Edward Gottlieb Heckel, colonel, Infantry.

John Van Bokkelen Metts, colonel, Infantry.

Robert Henry Tyndall, colonel, Field Artillery.

Guy Merril Wilson, lieutenant colonel, Infantry.

Lincoln C. Andrews.

Charles Xavier Zimmerman.

Henry A. Shaw, Medical.

John Hodgen Rice, Ordnance.

#### PROMOTIONS IN THE REGULAR ARMY.

*To be lieutenant colonels.*

Maj. Robert Gray Peck, Infantry, from December 16, 1921.

Maj. William Arden Alfonse, Infantry, from December 16, 1921.

Maj. Daniel Andrew Nolan, Infantry, from December 16, 1921.

#### POSTMASTERS.

##### ARIZONA.

James E. Harris to be postmaster at Mayer, Ariz., in place of M. B. Mayer, resigned.

##### ARKANSAS.

William H. Moreland to be postmaster at Tyronza, Ark., in place of Roy Wilson, removed.

Herschel Neely to be postmaster at Paragould, Ark., in place of A. S. Snowden. Incumbent's commission expired July 25, 1921.

##### CALIFORNIA.

Thomas W. Henry to be postmaster at Paso Robles, Calif., in place of W. D. Wood, resigned.

##### COLORADO.

Robert L. Wilkinson to be postmaster at Burlington, Colo., in place of R. J. Yersin. Incumbent's commission expired January 11, 1920.

#### DELAWARE.

Howard Rash to be postmaster at Cheswold, Del. Office became presidential January 1, 1921.

James E. Willey to be postmaster at Seaford, Del., in place of O. W. Short. Incumbent's commission expired October 5, 1921.

#### FLORIDA.

William B. Wingate to be postmaster at Callahan, Fla. Office became presidential January 1, 1921.

Edwin E. Williams to be postmaster at Passagralle, Fla. Office became presidential October 1, 1920.

Burdett Loomis, jr., to be postmaster at Pierce, Fla. Office became presidential January 1, 1921.

Jesse F. Warren to be postmaster at Apalachicola, Fla., in place of C. I. Henry. Incumbent's commission expired August 1, 1921.

#### ILLINOIS.

Henry C. Norcross to be postmaster at Carlyle, Ill., in place of W. C. Shoupe, removed.

Edgar C. Seik to be postmaster at Grafton, Ill., in place of W. T. Byrnes, resigned.

John R. McIntire to be postmaster at Grand Chain, Ill. Office became presidential July 1, 1920.

Alger H. Simpson to be postmaster at West Union, Ill. Office became presidential January 1, 1921.

#### INDIANA.

Zeno I. Moore to be postmaster at Paoli, Ind., in place of W. S. Tindall. Incumbent's commission expired January 24, 1922.

#### IOWA.

Richard G. Hulet to be postmaster at LeClaire, Iowa. Office became presidential April 1, 1921.

William R. Prewitt to be postmaster at Forest City, Iowa, in place of F. L. Wacholz. Incumbent's commission expired January 30, 1921.

Inga E. Cheely to be postmaster at Hornick, Iowa, in place of E. C. Baggs. Incumbent's commission expired January 13, 1921.

#### KANSAS.

Sidney H. Knapp to be postmaster at Concordia, Kans., in place of A. B. Carney, removed.

#### KENTUCKY.

Margaret Bondurant to be postmaster at Lynch Mines, Ky., in place of R. J. Bondurant, resigned.

#### LOUISIANA.

Solomon C. Knight to be postmaster at Elizabeth, La., in place of Joseph Muth, deceased.

Edgar A. Barrios to be postmaster at Lockport, La., in place of U. J. Barrios. Incumbent's commission expired July 21, 1921.

Elwyn J. Barrow to be postmaster at St. Francisville, La., in place of R. M. Leake, resigned.

Emmie G. Webb to be postmaster at Minden, La., in place of Charlton Fort, deceased.

#### MICHIGAN.

Charles W. Kates to be postmaster at Wells, Mich. Office became presidential October 1, 1919.

Bert W. Klackle to be postmaster at Bridgman, Mich., in place of B. W. Klackle. Incumbent's commission expired July 21, 1921.

#### MINNESOTA.

Nels E. Hawkinson to be postmaster at Grove City, Minn., in place of N. E. Hawkinson. Incumbent's commission expired August 7, 1921.

Edward J. Bahe to be postmaster at Hancock, Minn., in place of G. A. Blackman. Incumbent's commission expired August 7, 1921.

Ole E. Nelson to be postmaster at Marietta, Minn., in place of E. C. Sommermeyer. Incumbent's commission expired August 7, 1921.

Alton E. Martin to be postmaster at Woodlake, Minn., in place of A. E. Martin. Incumbent's commission expired August 7, 1921.

#### MISSISSIPPI.

Charles F. Harris to be postmaster at Bentonia, Miss. Office became presidential July 1, 1920.

Maude D. Montgomery to be postmaster at Hermanville, Miss. Office became presidential July 1, 1920.

Irvin F. Brownlee to be postmaster at Sledge, Miss. Office became presidential October 1, 1920.

Clara L. Wright to be postmaster at Enterprise, Miss., in place of H. R. Ward. Incumbent's commission expired December 20, 1920.

Cecil W. Tinnin to be postmaster at Isola, Miss., in place of C. W. Tinnin. Incumbent's commission expired March 16, 1921.

Raymond H. Fairhurst to be postmaster at Lake, Miss., in place of J. A. Freeman, resigned.

Charles J. Hyde to be postmaster at Meridian, Miss., in place of B. F. Hyde. Incumbent's commission expired April 19, 1921.

Lemanuel S. Jones to be postmaster at Yazoo City, Miss., in place of E. F. McCormick, resigned.

#### MISSOURI.

James D. A. Hood, jr. to be postmaster at Republic, Mo., in place of H. B. Ingler. Incumbent's commission expired July 25, 1921.

#### NEBRASKA.

Henrietta Andrews to be postmaster at Bellwood, Nebr. Office became presidential July 1, 1920.

#### NEW YORK.

Emil G. Schumacker to be postmaster at Valley Stream, N. Y., in place of W. H. Weise, deceased.

Fred H. Woolshlager to be postmaster at Castorland, N. Y., in place of G. E. Hufcut. Incumbent's commission expired December 20, 1920.

Lee W. Locke to be postmaster at Edmeston, N. Y., in place of C. A. Talbot. Incumbent's commission expired July 21, 1921.

Charles A. Daniels to be postmaster at Gilbertsville, N. Y., in place of C. A. Daniels. Incumbent's commission expired July 21, 1921.

McKenzie B. Stewart to be postmaster at Moers, N. Y., in place of J. B. Fitch. Incumbent's commission expired February 2, 1921.

Peter H. Zimmerman to be postmaster at Wayland, N. Y., in place of J. B. Mattice. Incumbent's commission expired March 16, 1921.

#### NORTH CAROLINA.

John W. Chambers to be postmaster at Roxboro, N. C., in place of J. W. Noell. Incumbent's commission expired July 1, 1921.

#### NORTH DAKOTA.

Lawrence D. Larsen to be postmaster at Kindred, N. Dak., in place of M. H. Strehlow. Incumbent's commission expired December 20, 1920.

#### OHIO.

Milton J. Scott to be postmaster at Chillicothe, Ohio, in place of A. R. Wolfe. Incumbent's commission expired January 31, 1922.

Allen G. Bogart to be postmaster at Columbus Grove, Ohio, in place of H. B. Mapel. Incumbent's commission expired January 31, 1922.

#### OKLAHOMA.

Lena R. Allen to be postmaster at Owasso, Okla. Office became presidential January 1, 1921.

William N. Williams to be postmaster at Broken Arrow, Okla., in place of N. L. Sanders. Incumbent's commission expired July 23, 1921.

Ara N. Click to be postmaster at Jenks, Okla., in place of C. S. Cravens, resigned.

William A. Peters to be postmaster at Sallisaw, Okla., in place of A. S. Forman, resigned.

#### OREGON.

Ira Wimberly to be postmaster at Drain, Oreg., in place of Ira Wimberly. Incumbent's commission expired August 7, 1920.

Ben Weathers to be postmaster at Enterprise, Oreg., in place of Ben Weathers. Incumbent's commission expired July 21, 1921.

#### PENNSYLVANIA.

George C. Hughes to be postmaster at East Stroudsburg, Pa., in place of A. E. Eckert, deceased.

#### SOUTH CAROLINA.

Jasper E. Johnson to be postmaster at Gray Court, S. C. Office became presidential July 1, 1920.

Thomas J. Karnes to be postmaster at Georgetown, S. C., in place of R. T. King, jr., resigned.

#### SOUTH DAKOTA.

John R. Todd to be postmaster at Bowdle, S. Dak., in place of H. B. Baer. Incumbent's commission expired July 21, 1921.

#### TENNESSEE.

Sanders S. Proffitt to be postmaster at Concord, Tenn. Office became presidential January 1, 1921.

John G. Taylor to be postmaster at Mason, Tenn., in place of K. S. Booker. Incumbent's commission expired July 25, 1921.

#### TEXAS.

Sidney J. Eaton to be postmaster at Mullin, Tex. Office became presidential April 1, 1920.

Homer B. Young to be postmaster at Shiro, Tex. Office became presidential January 1, 1921.

Layfitte T. Perateaux to be postmaster at Spring, Tex. Office became presidential July 1, 1920.

Robert N. Porter to be postmaster at Gregory, Tex. Office became presidential January 1, 1921.

Virgil A. Smith to be postmaster at Kenedy, Tex., in place of R. M. Bennett, resigned.

Charles L. Long to be postmaster at Graham, Tex., in place of N. S. Farmer. Incumbent's commission expired July 21, 1921.

Ralph C. Eubank to be postmaster at Liberty, Tex., in place of E. W. Sharman, resigned.

#### VERMONT.

Emeroy G. Page to be postmaster at Hyde Park, Vt., in place of E. G. Page. Incumbent's commission expired July 21, 1921.

#### WASHINGTON.

Henry R. James to be postmaster at Rochester, Wash., in place of H. R. James. Incumbent's commission expired July 21, 1921.

Orie G. Scott to be postmaster at Tekoa, Wash., in place of C. M. Vaupel. Incumbent's commission expired January 5, 1920.

#### WEST VIRGINIA.

Parsons M. Nelson to be postmaster at Beverly, W. Va. Office became presidential April 1, 1921.

#### WISCONSIN.

M. Vivian Brown to be postmaster at Minong, Wis. Office became presidential October 1, 1920.

Arnold E. Langemak to be postmaster at Sawyer, Wis., in place of W. R. Stephan. Incumbent's commission expired September 8, 1921.

#### CONFIRMATIONS.

*Executive nominations confirmed by the Senate February 9 (legislative day of February 3), 1922.*

#### NAVAL OFFICER OF CUSTOMS.

Stephen S. Jewett to be naval officer of customs, district No. 4, Boston, Mass.

#### UNITED STATES MARSHAL.

Guy S. Brewer to be United States marshal, southern district of Iowa.

#### REGISTER OF THE LAND OFFICE.

Charles W. Miller to be register of the land office, Topeka, Kans.

#### RECEIVER OF PUBLIC MONEYS.

Isidoro Armijo to be receiver of public moneys, Santa Fe, N. Mex.

#### POSTMASTERS.

##### GEORGIA.

William T. Rudolph, Thomaston.

John D. Baston, Thomson.

##### MAINE.

Charles H. Bussell, Pittsfield.

##### MISSOURI.

Samuel A. Jones, Burlington Junction.

Birkley F. Wells, Clarksville.

Edwin K. Lett, Marquand.

Enos D. French, Skidmore.

##### NEBRASKA.

Isaac A. Reneau, Broken Bow.

Frank N. Thomson, Winnebago.

##### NORTH DAKOTA.

William A. Borderud, Davenport.

Minnie E. Anderson, Leonard.

Desha V. Poland, Parshall.

Joseph J. Simon, Thompson.

##### OHIO.

Charles H. Murlin, Celina.

##### OKLAHOMA.

Milton F. Gaylor, Slick.

William G. Pardoe, jr., Stroud.

## SOUTH DAKOTA.

Fred Boller, Beresford.  
 Gertrude M. Hall, Harrold.  
 Richard A. Hummel, Hot Springs.  
 Harley H. Cable, Hudson.  
 Sidney N. Dorwin, Midland.  
 Jacob A. Norby, Peever.  
 Fred W. Hink, Raymond.  
 Richard E. Scadden, White.  
 William F. Berens, Worthing.

## TEXAS.

James I. Carter, Arlington.  
 Okey B. Cline, Emory.  
 Alfred M. Finger, Hondo.

## WEST VIRGINIA.

Joe Bell, Boomer.  
 Frank O. Trump, Kearneysville.  
 Andrew B. Canterbury, Pax.  
 Melvin O. Whiteman, Wallace.  
 Newt J. Neadle, Williamson.

## WITHDRAWAL.

*Executive nomination withdrawn from the Senate February 9 (legislative day of February 3), 1922.*

## POSTMASTER.

## VIRGINIA.

James K. Carter to be postmaster at Clinchport, in the State of Virginia.

## HOUSE OF REPRESENTATIVES.

THURSDAY, February 9, 1922.

The House met at 12 o'clock noon.

The Chaplain, Rev. James Shera Montgomery, D. D., offered the following prayer:

Unto Thee, our heavenly Father, we come. Thou alone hast a staff for the valley and a song for the plain. We are here with an open hand. From Thy bountiful supply satisfy our need. Impart to us strength to push through the strata of human fault, human strife, and human ignorance until we breathe the air of the upper clime. Be Thou the architect and the builder of our characters. May the temples of our souls grow and expand without noise, under the inspiration of Thy spirit, and rise to the music divine. Let Thy thoughts burn through our lips and speak through our conduct and always direct the counsels of our hearts. Through Christ. Amen.

The Journal of the proceedings of yesterday was read and approved.

## DAMAGES TO PRIVATE PROPERTY FROM NAVAL COLLISIONS.

The SPEAKER. The unfinished business is H. R. 5349, which the Clerk will report by title.

The Clerk read the title of the bill (H. R. 5349) to amend the act authorizing the Secretary of the Navy to settle claims for damages to private property arising from collisions with naval vessels.

The SPEAKER. The previous question has been ordered, and the question is on the passage of the bill.

The question being taken, on a division (demanded by Mr. BLANTON) there were—ayes 33, noes 1.

Accordingly the bill was passed.

On motion of Mr. MANN, a motion to reconsider the vote by which the bill was passed was laid on the table.

## MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Craven, its Chief Clerk, announced that the Senate had passed with amendments the bill (H. R. 2373) to authorize association of producers of agricultural products, in which the concurrence of the House of Representatives was requested.

The message also announced that the Vice President had appointed Mr. TOWNSEND and Mr. MCKELLAR members of the joint select committee on the part of the Senate as provided for in the act of February 16, 1889, as amended by the act of March 2, 1895, entitled "An act to authorize and provide for the disposition of useless papers in the executive departments," for the disposition of useless papers in the Post Office Department.

## ST. LAWRENCE SHIP CANAL.

Mr. KIESS. Mr. Speaker, I desire to make a privileged report from the Committee on Printing.

The SPEAKER. The gentleman from Pennsylvania submits a privileged report, which will be read by the Clerk.

The Clerk read as follows:

The Committee on Printing, to which was referred the resolution (S. Con. Res. 18) providing for the printing of 16,800 additional copies of Senate Document No. 114, Sixty-seventh Congress, entitled "Message of the President of the United States transmitting the report of the International Joint Commission concerning the improvement of the St. Lawrence River," having had the same under consideration, report the resolution back with a recommendation that it do pass.

The Public Printer estimates the cost of printing at \$3,014.

Senate concurrent resolution 18.

*Resolved by the Senate (the House of Representatives concurring),* That there shall be printed 16,800 additional copies of Senate Document No. 114, Sixty-seventh Congress, entitled "Message of the President of the United States transmitting the report of the International Joint Commission concerning the improvement of the St. Lawrence River," of which 5,000 copies shall be for the use of the Senate document room, 500 copies for the Senate Committee on Foreign Relations, 100 copies for the Senate Committee on Commerce, 10,000 copies for the House document room, 1,000 copies for the House Committee on Interstate and Foreign Commerce, and 200 copies for the Committee on Rivers and Harbors of the House of Representatives.

Mr. WALSH. Mr. Speaker, how voluminous a document is this, and does it contain maps, plans, and drawings?

Mr. KIESS. Mr. Speaker, it does contain certain maps and drawings. The cost of the 16,800 copies is estimated by the Public Printer to be \$3,014. There has been an unusual demand for this from the Members and Senators of the States directly affected, and for that reason we provided that these copies should go to the document room rather than to the folding room, so that the Members and Senators directly interested could get sufficient copies.

Mr. WALSH. You increase the number by how many?

Mr. KIESS. The resolution provides for the printing of 16,800 additional copies.

Mr. WALSH. I understood there were 10,000 copies for the use of the Senate.

Mr. KIESS. No; 5,000 for the Senate and 10,000 for the House.

Mr. SMITH of Michigan. Are these copies to be distributed proportionately to the Members?

Mr. KIESS. No; these are to go to the document room.

Mr. SMITH of Michigan. And each Member can go there and get 500 or 1,000 copies if he wants them?

Mr. KIESS. Whatever he requires. Very many Members are not interested in this particular document, and that is the reason we do not want to send it to the folding room.

Mr. SMITH of Michigan. I should think they would all be interested in it. It is an important document and covers a very important measure.

Mr. KIESS. I think this will supply all that anyone will need.

The SPEAKER. The question is on agreeing to the resolution.

The resolution was agreed to.

## LEGISLATIVE APPROPRIATION BILL.

Mr. CANNON. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the consideration of the legislative appropriation bill.

Mr. GARRETT of Tennessee. Mr. Speaker, does the gentleman want to arrange for the division of time for general debate?

Mr. CANNON. Now is the proper time to do that. The ranking minority member is the gentleman from Massachusetts [Mr. GALLIVAN] and the next minority member is the gentleman from Kentucky [Mr. JOHNSON]. The gentleman from Massachusetts is sick, and the gentleman from Kentucky obtained leave of absence because of a death in his family. I will ask the gentleman from Tennessee [Mr. BYRNS] how much time is desired for general debate?

Mr. BYRNS of Tennessee. The gentleman from Massachusetts [Mr. GALLIVAN], who is the ranking member of the subcommittee, is ill with the flu at Walter Reed Hospital, and, as stated by the gentleman from Illinois, the gentleman from Kentucky [Mr. JOHNSON], the other minority member, obtained leave of absence on account of a death in his family. The gentleman from Massachusetts [Mr. GALLIVAN] informed me through his secretary that he had agreed to yield some time to the gentleman from Louisiana [Mr. O'CONNOR], and the gentleman from Georgia [Mr. VINSON] also desires some time. Other gentlemen have just said they desired some time, and if they are to be taken care of I think we will require an hour and a half on this side.