SENATE.

MONDAY, *December 8, 1913.*

The Senate met at 10 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

LUKE LEA, a Senator from the State of Tennessee, and WILLIAM ALDEN SMITH, a Senator from the State of Michigan, appeared in their seats to-day.

The VICE PRESIDENT. The Secretary will read the Journal of the proceedings of the last legislative day.

Mr. SMOOT. Mr. President, there are very few Senators in the Chamber; this is the beginning of a week, and I suggest the absence of a quorum.

The VICE PRESIDENT. The Secretary will call the roll.

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

Ashurst	Cummins	O'Gorman	Smith, S. C.
Bacon	Gronna	Owen	Smoot
Bankhead	Hollis	Page	Sterling
Borah	Hughes	Perkins	Stone
Bradley	James	Poindexter	Sutherland
Brady	Johnson	Pomerene	Swanson
Brandegee	Jones	Reed	Thompson
Bristow	Kenyon	Saulsbury	Thornton
Bryan	Kern	Shafroth	Townsend
Burleigh	Lane	Sheppard	Walsh
Burton	Lea	Sherman	Warren
Chamberlain	McCumber	Shields	Weeks
Chilton	Martin, Va.	Shively	Works
Clapp	Martine, N. J.	Simmons	
Clark, Wyo.	Nelson	Smith, Ga.	
Clarke, Ark.	Norris	Smith, Mich.	

Mr. SHAFROTH. I wish to announce that my colleague [Mr. THOMAS] is necessarily absent upon departmental business. He will return to the Chamber in about two hours.

Mr. SHEPPARD. I wish to announce the necessary absence of my colleague [Mr. CULBERSON], and to state that he is paired with the Senator from Delaware [Mr. DU PONT]. This announcement may stand for the day.

The VICE PRESIDENT. Sixty-one Senators have answered to the roll call. There is a quorum present. The Secretary will read the Journal of the preceding session.

The Journal of Saturday's proceedings was read and approved.

TRAVEL OF EMPLOYEES OF WAR DEPARTMENT (S. DOC. NO. 263).

The VICE PRESIDENT laid before the Senate a communication from the Secretary of War, transmitting, pursuant to law, a detailed statement of all expenses incurred from June 30 to December 1, 1913, for the attendance of officers and employees at meetings of societies and associations, which, with the accompanying paper, was ordered to lie on the table and to be printed.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the Speaker of the House had signed the enrolled bill (S. 488) to authorize the sale and issuance of patent of certain land to H. W. O'Melveny, and it was thereupon signed by the Vice President.

PETITIONS AND MEMORIALS.

Mr. SHIVELY presented a petition of sundry members of the Bible class of the First Methodist Church of Mishawaka, Ind., praying for the passage of the so-called Kenyon red-light injunction bill, which was ordered to lie on the table.

Mr. THOMPSON presented a petition of the Wichita Association of Credit Men, of Wichita, Kans., praying for the immediate enactment of legislation reforming the banking and currency laws, which was ordered to lie on the table.

He also presented the petition of A. E. Maxwell and sundry other citizens of Pittsburg, Kans., and the petition of Arthur J. Boynton and sundry other citizens of Lawrence, Kans., praying for the immediate passage of the so-called Owen-Glass currency bill, which were ordered to lie on the table.

Mr. WEEKS presented resolutions adopted by the Boston Marine Society, of Massachusetts, favoring an appropriation for the improvement of the Pollock Rip Channel, in that State, which were referred to the Committee on Commerce.

He also presented a petition of the Ladies' Benevolent Society of the Congregational Church of Mittineague, Mass., praying for the passage of the so-called antipolygamy bill, which was referred to the Committee on the Judiciary.

He also presented resolutions adopted by the board of directors of the Board of Trade of Cape Cod, Mass., favoring an appropriation for the placing of aids to navigation in Buzzards Bay, in that State, which were referred to the Committee on Commerce.

Mr. TOWNSEND presented the memorial of Edna Loomis Chase and sundry other citizens of Jackson, Mich., remonstrating against the adoption of an amendment to the Constitution granting the right of suffrage to women, which was ordered to lie on the table.

Mr. SMITH of Michigan presented a petition of sundry citizens of Detroit, Mich., praying for the enactment of legislation for the relief of members of the United States Military Telegraph Corps during the Civil War, which was referred to the Committee on Pensions.

He also presented a petition of Menace Club No. 213, of Nashville, Mich., praying for the enactment of legislation to further restrict immigration, which was referred to the Committee on Immigration.

He also presented a petition of the Board of Trade of Fremont, Mich., praying for the adoption of a 1-cent letter postage, which was referred to the Committee on Post Offices and Post Roads.

He also presented petitions of the Chamber of Commerce of Alpena, of the Twentieth Century Club of Detroit, and of the Credit Men's Association of Grand Rapids, all in the State of Michigan, praying for the enactment of legislation to prevent floods along the Ohio and Mississippi Rivers, which were referred to the Committee on Commerce.

He also presented memorials of members of the faculty of the University of Michigan, Ann Arbor; of the Twentieth Century Club, of Detroit; and of sundry citizens of Alpena, all in the State of Michigan, remonstrating for the enactment of legislation granting to the city of San Francisco the right to use the waters of the Hetch Hetchy Valley, which were ordered to lie on the table.

BILLS AND JOINT RESOLUTIONS INTRODUCED.

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

By Mr. GRONNA:

A bill (S. 3576) granting a pension to Emil Moellendorf (with accompanying paper); to the Committee on Pensions.

By Mr. SHIVELY:

A bill (S. 3577) granting an increase of pension to Henry C. Smith;

A bill (S. 3578) granting an increase of pension to Austin Groninger;

A bill (S. 3579) granting an increase of pension to Serena J. Washburn;

A bill (S. 3580) granting an increase of pension to David Armstrong; and

A bill (S. 3581) granting an increase of pension to Henry Snyder (with accompanying papers); to the Committee on Pensions.

By Mr. JONES:

A bill (S. 3582) providing for the homestead entry of certain lands in the State of Washington, and for other purposes; to the Committee on Public Lands.

A bill (S. 3583) to authorize the changing of the names of the steamships *Buckman* and *Watson;* to the Committee on Commerce.

A bill (S. 3584) granting a pension to Augustus S. Hall; to the Committee on Pensions.

By Mr. WARREN:

A bill (S. 3585) for a grazing homestead and supplemental grazing entries; to the Committee on Public Lands.

By Mr. TOWNSEND:

A bill (S. 3586) granting an increase of pension to Walter L. Donahue; to the Committee on Pensions.

By Mr. WEEKS:

A bill (S. 3587) granting an increase of pension to Abbie E. Fairbanks (with accompanying papers); to the Committee on Pensions.

By Mr. POINDEXTER:

A bill (S. 3588) releasing the Dan Creek Gold & Copper Co. of assessment work on certain claims in the Territory of Alaska during the calendar year 1913; to the Committee on Mines and Mining.

A bill (S. 3589) for the relief of E. G. Will; to the Committee on Claims.

By Mr. TILLMAN:

A bill (S. 3590) to make the appointment of pay clerks in the United States Navy permanent, and to create the grade of chief pay clerk, and for other purposes; to the Committee on Naval Affairs.

By Mr. BURLEIGH:

A bill (S. 3591) granting a pension to Sibai S. Andrews; to the Committee on Pensions.

By Mr. SMITH of Michigan:

A bill (S. 3592) to remove the charge of desertion from the military record of Daniel Carpenter (with accompanying paper);

A bill (S. 3593) for the relief of William H. Southwell;

A bill (S. 3594) to correct the military record of Peter Duchane; and

A bill (S. 3595) to correct the military record of Frederick Keno; to the Committee on Military Affairs.

A bill (S. 3596) granting an increase of pension to Marion Robinson;

A bill (S. 3597) granting a pension to Theresa H. Smith; and

A bill (S. 3598) granting an increase of pension to Lyman M. Peck; to the Committee on Pensions.

By Mr. SMITH of South Carolina:

A bill (S. 3599) granting a pension to Katherine Ross Gaillard; to the Committee on Pensions.

By Mr. CHAMBERLAIN:

A joint resolution (S. J. Res. 86) authorizing the Secretary of War to detail two Engineer officers to cooperate with engineers of the Interior Department or the States of Oregon and Washington in investigating The Dalles (Oreg.) power project (with accompanying papers); to the Committee on Commerce.

By Mr. OWEN:

A joint resolution (S. J. Res. 87) relating to the transmission through the mails of publicity pamphlets; to the Committee on Post Offices and Post Roads.

RAILROADS IN ALASKA.

Mr. POINDEXTER submitted an amendment intended to be proposed to the bill (S. 48) to authorize the President of the United States to locate, construct, and operate railroads in the Territory of Alaska, and for other purposes, which was ordered to lie on the table and to be printed.

IMPORTATION OF MEAT.

Mr. CUMMINS submitted the following resolution (S. Res. 232), which was read, considered by unanimous consent and agreed to:

Resolved, That the Secretary of Agriculture be, and he is hereby, directed to inform the Senate whether the rules and regulations of the Department of Agriculture permit the introduction into our markets of foreign meats without any stamp or sign upon them showing that they have been imported from foreign countries; and in that connection to inform the Senate just what stamps, marks, or signs are placed upon imported meats before they are offered for sale in the markets of the United States.

LIEUT. COL. DAVID DU BOSE GAILLARD.

Mr. O'GORMAN. Mr. President, as chairman of the Committee on Interoceanic Canals, which has had Col. Gaillard's work on the canal under constant observation, and is therefore entirely familiar with the magnitude of the services he rendered the Nation, I beg to introduce the following resolution.

The PRESIDING OFFICER (Mr. WALSH in the chair). The resolution will be read.

The Secretary read the resolution (S. Res. 233), as follows:

Resolved, That the Senate of the United States has heard with profound sorrow of the death of Lieut. Col. David du Bose Gaillard, to whom the American people are under lasting obligations for the splendid service he rendered in overcoming some of the most perplexing difficulties in connection with the construction of the Panama Canal.

Resolved, That in further testimonial of our esteem the Secretary of the Senate be authorized to forward a copy of these resolutions to the family of Lieut. Col. Gaillard.

Mr. O'GORMAN. I ask unanimous consent for the immediate consideration of the resolution.

The PRESIDING OFFICER. Unanimous consent for the immediate consideration of the resolution is asked. Is there objection?

There being no objection, the Senate proceeded to consider the resolution.

Mr. SMITH of South Carolina. Mr. President, I should like to state in this connection that Lieut. Col. Gaillard was a native of my county and lived most of his early life in my county town. I am not going to make any remarks upon his character, for that is well set forth in an article which appeared in one of the newspapers of my State, which I send to the desk and ask unanimous consent to have printed in the RECORD. My colleague [Mr. TILLMAN] is unavoidably absent on account of sickness for the remainder of the afternoon. He being the senior Senator from South Carolina would naturally have presented these testimonials. If he were present, he would be glad to make some remarks upon the character and work of this splendid son of South Carolina.

The PRESIDING OFFICER. Without objection, the matter presented by the Senator from South Carolina will be printed in the RECORD. The Chair hears none.

The matter referred to is as follows:

CONQUERER OF CULEBRA SON OF SOUTH CAROLINA—DEATH OF COL. GAILLARD CAUSES SORROW IN COLUMBIA AND THROUGHOUT STATE, WHERE HIS FREQUENT VISITS HAVE KEPT HIM IN TOUCH WITH HOME FOLK—EARLY PREPARATION FOR HIGH DUTIES.

In South Carolina the death of Col. Gaillard brings first of all sorrow, and in the hearts of many a sense of personal loss which overshadows the feeling of regret at the ending of a career which cast so bright a reflection on this State, which for the moment blunts the realization of the tragedy and pathos of this quiet exit from the stage of life before the spotlight had been turned full upon his mammoth work or the applause of the Nation had reached his ears. For Col. Gaillard was not only admired, not only honored in his native State, he was widely beloved. Family and friends, of whom he had many, particularly in Clarendon and Sumter Counties, here in the city of Columbia, and in Fairfield, grieve not primarily because the eminent engineer has finished his career, not that the "conquerer of Culebra" has thus sacrificed himself in successfully circumventing nature's treasonable intent against the canal project, but that David Gaillard, the man, is dead. Those who knew him best valued him for the rare charm of his personality, for his refreshing fun and wit, for a sincerity, a simplicity, a modesty of nature which insured him through every success against a change in attitude toward people or an altered estimate of the real values in life.

IN COLUMBIA LAST JUNE.

On each leave of absence he came to put himself in fresh touch with South Carolina and South Carolinians, and only last June he spent a few days with relatives in Columbia and visited members of his family wherever they were scattered throughout the State. On that occasion, when a meeting with him or the mention of his name brought a realization of his achievement on Panama, he was to his friends unchanged, unaffected, cordial, and entirely lacking in self-consciousness. And as success and fame had seemed unable to work in him their perhaps not unexpected changes, so time, too, appeared to have made unsuccessful onslaughts; his eye was as keen and as kindly as ever, his figure as lithe and erect, his movements as quick and energetic, and his step as short and nervous as he advanced toward the fifty-fourth milestone in his life journey, in appearance a man of certainly a dozen years younger. It was almost immediately upon his return to the Canal Zone after that visit that his fatal breakdown occurred, shocking those who had so recently seen him and whose thoughts have since been very constantly with him in his losing fight for life.

Col. Gaillard's career since entering the Army is well known, there having been occasions from time to time to outline his assignments and attainments as one of Uncle Sam's most efficient engineers. Only a few know, however, that not the least of his achievements was made in early youth, when as a boy he surmounted many obstacles and by his innate ability, his pluck and perseverance reached the summit of his youthful ambition—West Point. He stepped from a small town store into the United States Military Academy, and thence out into the world of work and conspicuous accomplishment.

EARLY HANDICAPS OVERCOME.

At the age of 14 it was necessary for him to leave school, the old Mount Zion Academy in Winnsboro, and earn his living, and he became a clerk. His father, Samuel I. Gaillard, was living in the famous old social settlement in Clarendon, having invested the little he had saved from the war in a plantation adjoining that of his wife's father, David St. Pierre du Bose. There were no schools in the neighborhood and so, upon the death of the boy's mother, he was sent to Winnsboro to attend Mount Zion and to live with his grandmother, Mrs. David Gaillard. For her the war and Sherman's raid had wrecked a fortune and destroyed two plantation homes. She, as well as the boy's father, was unable to give him financial assistance, so he reluctantly left the schoolroom and went behind the counter. R. Means Davis, afterwards for many years professor of history at the University of South Carolina, was at that time principal of the old Winnsboro school. With an affectionate liking for young Gaillard, a recognition of his unusual ability and of his misfit—mentally, socially, and personally—with his surroundings, Mr. Davis kept him in mind with a constant desire to assist him. The opportunity came in a vacancy at West Point. Mr. Davis suggested to David Gaillard to stand the competitive examination, and Gaillard, eagerly seizing upon the suggestion, fell upon his long forsworn schoolbooks, Mr. Davis coaching him at night. With a few weeks' study West Point was won. It was this friend's and benefactor's sister, Miss Katherine Ross Davis, of State-wide popularity, whom young Lieut. Gaillard married not long after receiving his commission in the Army.

Born at Spring Grove, the old home of his maternal grandfather in Sumter County, September 4, 1859, David du Bose Gaillard was the only son of Samuel I. Gaillard, of Winnsboro, and of his wife, Susan Richardson du Bose. He spent his boyhood in Sumter, Clarendon, and Winnsboro, and it was in 1880 that he entered West Point. From the time he graduated, in 1884, he had an exceedingly varied career, intrusted with an unusual number of important Government commissions of peculiar character and not once having been with a regiment or a battalion except during the Spanish-American War, when he was colonel of an Engineer regiment. He had been out of West Point but a few years, having been a teacher in the Engineer School of Application and an assistant on the St. Johns River jetties and other river and harbor work in Florida, when he was appointed by the President one of the three commissioners to determine the boundary line between Mexico and the United States from El Paso, Tex., to the Pacific coast.

When he completed this work, which brought him many interesting and romantic experiences of camp life in the desert as well as many stern and strenuous mental and physical tests, he was complimented in a state paper by the Secretary of State. Then he was ordered on duty in the construction of fortifications and a sea wall at Fort Monroe. One of the most valuable works on which Col. Gaillard ever engaged was the Washington Aqueduct, having been put in sole charge of this work when he was only a first lieutenant.

He went from Washington to Alaska upon an important secret commission of the Government. Nominally, as the order reads, he was sent there upon work on the Portland Channel, but his task, it was thought, had something to do with international complications between this country and England. After he had finished this work, for which he was highly complimented by the Secretary of War, he was put on the staff of Maj. Gen. James Franklin Wade and served at Tampa and Chickamauga.

SANITATION IN CUBA.

During the War with Spain, Col. Gaillard recruited and organized the Third United States Volunteer Engineers and became brevet colonel of that regiment, remaining so until the regiment was mustered out in 1899. His regiment was sent to Cuba at the close of the war and he was placed in charge of the Department of Santa Clara, Cuba. He directed the sanitary work in Cienfuegos, Matanzas, and other cities of Cuba, effecting the same complete "clean up" in these cities as did Gen. Leonard Wood in Habana, though little was heard of the South Carolinian's achievement in this direction.

After his volunteer regiment was mustered out, Col. Gaillard was again assigned to the Washington Aqueduct, but was soon appointed assistant engineer commissioner of the District of Columbia. He was placed in entire charge of the water, sewer, and building departments. In 1901 he was ordered to Duluth and placed in charge of all river and harbor improvements on Lake Superior. Here, it is worthy of mention, he completed the largest dredging contract ever let by the United States Government up to that time, taking out over 21,000,000 cubic yards.

When the General Staff of the Army was established by law, there was a study of records to determine the fitness of men for first service in its membership. Col. Gaillard was one of the engineer officers chosen, and he served almost uninterruptedly as a member of the Staff Corps until he was ordered to Panama.

Col. Gaillard was one of the closest students in the Army and one of the most scholarly. For years he devoted his attention to the study of wave action, and the results of his studies were published by the Government as one of the "professional papers of the Corps of Engineers" under the title "Wave action." This work attracted wide attention, and engineers throughout many countries of the world wrote letters to him about it. He also prepared a number of papers for various engineering societies, and even before he solved the problem of the great Culebra slides he was considered one of the foremost of authorities on certain phases of engineering.

CULEBRA CUT.

In a book called "The Makers of the Panama Canal" it is said in regard to Col. Gaillard's work on the central division, known as the Culebra cut, which he undertook April 12, 1907: "It has been a project which the world will always regard as stupendous. He has unemotionally shoveled the clay out of the way much as the householder shovels the snow from his sidewalk, and gone about his business of cutting the backbone of Culebra." The apt expression "cutting the backbone" is used by the writer thus: "It has been Col. Gaillard's duty to break the backbone of the Isthmus of Panama and to clear away the vertebræ." This work, it is said, is the hardest digging work ever undertaken by an engineer, and while figures showing the cubic yards of all kinds of stuff which have been taken from the Culebra cut convey little to the mind, still some realization of the South Carolinian's task will be gained from the statement that up to the 1st of last January, six months before he was forced to give up his work, the amount of material excavated under his direct supervision aggregated 104,800,873 cubic yards, or just about half the total amount of excavation (212,504,138) estimated as necessary to complete the entire canal. On this work had been expended $64,530,184 at that date. Although the unprecedented slides did much to complicate and increase the difficulties of the work, they meant no cost to Uncle Sam above the estimated "division cost" for the completion of the canal, Col. Gaillard having succeeded in so cutting down the average cost per cubic yard as to cover the cost of all slides and still leave a considerable surplus. The average cost of excavation for the 12 months preceding Col. Gaillard's régime was $1.50 per cubic yard. A rapid reduction in the cost ensued under his management until by the fiscal year ending June 30, 1912, the unit cost averaged but 47 cents. Col. Gaillard, like his engineer comrades of the Army, labored at Panama, moved by the spirit of obedience to orders and a desire that the work should be well done, but also he was quickened to most painstaking endeavor by the knowledge that the Engineer Corps of the Army was on trial in a work upon which civilian engineers had turned their backs. He spared himself not at all, and it was only after he had solved his great problem and had sighted the end of his task that his strength failed.

The VICE PRESIDENT. The question is on agreeing to the resolution.

The resolution was unanimously agreed to.

LEGISLATIVE REFERENCE BUREAU (S. DOC. NO. 262).

Mr. LA FOLLETTE. Mr. President, there has been reported from the Committee on the Library and there is now on the calendar a bill, Senate bill 1240, to establish a bill-drafting bureau and a legislative reference division in the Congressional Library. The bill has been reported with an amendment. About a year ago the American Bar Association at its regular meeting appointed a committee to investigate the subject of legislative bill drafting. That committee made its report at the meeting of the American Bar Association held at Montreal, Canada, in September of this year. I have the report here, and, as there seems to be some misapprehension as to the purpose and scope of the proposed legislation, and as to its importance as well, I ask unanimous consent that the report and the appendix accompanying it may be printed as a Senate document.

The VICE PRESIDENT. Is there objection? The Chair hears none, and the order will be entered.

MESSAGE FROM THE HOUSE.

A message from the House of Representatives, by J. C. South, its Chief Clerk, announced that the Speaker of the House had signed the enrolled bill (H. R. 7207) granting to the city and county of San Francisco certain rights of way in, over, and through certain public lands, the Yosemite National Park, and Stanislaus National Forest, and certain lands in the Yosemite National Park, the Stanislaus National Forest, and the public lands in the State of California, and for other purposes, and it was thereupon signed by the Vice President.

RAILROADS IN ALASKA.

The VICE PRESIDENT. The morning business is closed, and the Chair lays before the Senate the following bill.

The SECRETARY. A bill (S. 48) to authorize the President of the United States to locate, construct, and operate railroads in the Territory of Alaska, and for other purposes.

Mr. CHAMBERLAIN. Mr. President, some time ago that bill was made the order of business for to-day and for this hour. I have talked with quite a number of my colleagues who feel that because of the pressure that is being urged in every part of the country in reference to the currency measure it might be well to have that bill proceeded with and to displace the regular order, temporarily at least. After such discussion I feel that probably it might be better to pursue that course.

I would ask unanimous consent that this regular order be postponed until the disposition of the currency measure. I did not want it to lose its place on the calendar, but I was perfectly willing to have this done in order to gratify what seemed to be the desire of most of the Senators with whom I have discussed the question.

Mr. SMOOT. Mr. President, I wish to say to the Senator that under the unanimous-consent agreement, there being also unfinished business, the only way for the bill to hold its place would be to take it up at 12 o'clock. I do not believe that there is any necessity for asking unanimous consent at this time to take this bill up at the conclusion of the consideration of the currency bill. That can be done after that bill is voted upon, whether it be by unanimous consent or by a vote of the Senate. I do not think at this time there should be a unanimous-consent agreement on this particular bill.

Mr. CHAMBERLAIN. I understood, Mr. President, when the currency bill was made the special order that there was an understanding expressed quite generally by Members of the Senate that it would not displace other matters which were set for a hearing. One of those matters was the Alaska railroad bill, and I assume that that understanding will be carried out now.

Mr. SMOOT. Mr. President, I do not see how it could be carried out with the currency bill made the unfinished business. If the Senator will notice the calendar, he will see that House bill 7837 is already the unfinished business. If the Alaskan bill be laid aside, then, of course, if the Senate wants to do so, it can take up the currency bill; but the proper course of procedure would be to proceed with this bill until that time, or else have it laid aside and have the currency bill now considered.

Mr. CHAMBERLAIN. I will say frankly to the Senator that I only wanted to have the bill temporarily laid aside. I did not want it to lose its place on the calendar.

Mr. SMOOT. If that is done, of course the unanimous-consent agreement is void, because the unanimous consent states positively:

It is agreed by unanimous consent that on Monday, December 8, 1913, immediately upon the conclusion of the routine morning business, the Senate will proceed to the consideration of the bill (S. 48) to authorize the President of the United States to locate, construct, and operate railroads in Alaska, etc.

Mr. CHAMBERLAIN. I will say to the Senator that, so far as I am concerned, I am prepared to go ahead with the bill now. I simply wanted to comply with what seemed to be the wishes of nearly all Senators who have spoken to me on the subject; but if that can not be done, let us proceed with the bill.

Mr. SMOOT. I do not think the Senator from Oregon will have any trouble whatever in bringing up the bill by a vote of the Senate after the currency bill shall have been disposed of.

Mr. SHIVELY. Mr. President, the Chair has laid the bill before the Senate, and it is now before the Senate. It seems to me, if the Senator from Oregon asks unanimous consent that the bill be temporarily laid aside, that that in no sense displaces it or causes it to lose its place in the order of procedure.

Mr. BRANDEGEE. Well, Mr. President, I do not think that the motion to temporarily lay aside the matter which is before the Senate by unanimous consent gives it any standing whatever. The Senator can ask unanimous consent to temporarily lay aside the unfinished business; that is one thing——

The VICE PRESIDENT. Would the Senator from Connecticut pardon the Chair for just one moment?

Mr. BRANDEGEE. I yield to the Chair.

The VICE PRESIDENT. The Chair is in doubt. Upon the calendar under the date of September 15, 1913, appears this entry:

It is agreed by unanimous consent that on Monday, December 8, 1913, immediately upon the conclusion of the routine morning business, the Senate will proceed to the consideration of the bill (S. 48) to authorize the President of the United States to locate, construct, and operate railroads in Alaska, etc.

On looking over the CONGRESSIONAL RECORD the Chair finds this to be the record:

RAILROADS IN ALASKA.

Mr. CHAMBERLAIN. Mr. President, I ask unanimous consent that the bill (S. 48) to authorize the President of the United States to locate, construct, and operate railroads in the Territory of Alaska, and for other purposes, be made the unfinished business for Monday, December 8, 1913, at 2 o'clock p. m.

The PRESIDING OFFICER. Is there objection?

Mr. BURTON. Mr. President, is that the Alaska railroad bill?

Mr. CHAMBERLAIN. It is.

Mr. BURTON. What is the request of the Senator from Oregon?

Mr. CHAMBERLAIN. Simply that the bill be set for a day during the next regular session.
Mr. BURTON. What day?
Mr. CHAMBERLAIN. On Monday, December 8, at 2 o'clock p. m.
Mr. BURTON. And that it be then taken up for consideration?
Mr. CHAMBERLAIN. That it be taken up for consideration. I have talked with a number of Senators about it——
Mr. BURTON. And that it be made the unfinished business for that time?
Mr. CHAMBERLAIN. Yes.
Mr. BURTON. I thought the request was for this session.
Mr. CHAMBERLAIN. No; for the next session.
The PRESIDING OFFICER. Is there objection to the request of the Senator from Oregon? The Chair hears none, and the order is made.

The Chair does not know how the unanimous-consent agreement ever got on the calendar of the Senate, but it is quite manifest that there is no unanimous-consent agreement, unless the Senator from Oregon can point out some other place in the RECORD where such unanimous-consent agreement was made.

Mr. JONES. Was it not in the unanimous-consent agreement that the bill should be made the unfinished business at 2 o'clock?

Mr. BRANDEGEE. I have the floor, I believe, Mr. President. I yielded to the Chair.

The VICE PRESIDENT. Yes; the Senator from Connecticut has the floor.

Mr. BRANDEGEE. I am perfectly willing to yield to any Senator who will address the Chair, if the Chair will ask me whether or not I yield.

Mr. JONES. Mr. President——

The VICE PRESIDENT. Does the Senator from Connecticut yield to the Senator from Washington?

Mr. BRANDEGEE. With pleasure.

Mr. JONES. I simply desire to suggest that the RECORD shows what my understanding has been all the time, that the agreement was that it should be made the unfinished business at 2 o'clock on this day. That is the unanimous-consent agreement.

Mr. BRANDEGEE. I have no dispute whatever with the Senator's understanding. From what the Chair has said it is apparent that the request for unanimous consent, whatever it was and whatever the Senator from Oregon had in mind when he made it, is not the one which is stated on the calendar.

Mr. CHAMBERLAIN. May I interrupt the Senator just a moment?

The VICE PRESIDENT. Does the Senator from Connecticut yield to the Senator from Oregon?

Mr. BRANDEGEE. Certainly.

Mr. CHAMBERLAIN. I may say that at the time the unanimous-consent agreement was asked the matter was in a written statement, and I am not sure but that the Secretary may have it in his possession now. It was, however, in writing, and whatever may have gotten into the permanent RECORD of the Senate which shows a different condition of affairs, I am not responsible for. I do know that not only I but other Members of the Senate have acted on the assumption all the time that it was the unanimous-consent agreement that the bill should be taken up to-day.

Mr. BRANDEGEE. Of course, Mr. President, I think it is exceedingly wise that every unanimous consent, or proposed unanimous-consent agreement, should be reduced to writing and reported to the Senate by the Secretary, because there are frequently misunderstandings about them. Without having had any previous knowledge that the Senator from Oregon had presented his request originally in writing, from what the Chair has read from the RECORD—which is authoritative evidence of what happened on the floor—it appears that the Senator from Oregon asked unanimous consent that this bill be made the unfinished business, which is not a parliamentary motion known in this body at all. If a motion is carried to proceed to the consideration of a bill after the expiration of two hours from the time the Senate convenes, that, ipso facto, if it prevails, makes the matter the unfinished business; but there is no such motion, as I understand it, as that to make a measure the unfinished business. The unfinished business is a parliamentary situation which results from some other motion having been made and carried.

Another feature of the transaction that is suggested by the Senator from Oregon is that in a colloquy between him and the Senator from Ohio it appears, according to the claim of the Senator from Oregon, that what he meant was to make the Alaska railroad bill a special order for 2 o'clock on this day, which is entirely inconsistent with what appears on the calendar—that the consideration of it should be proceeded with immediately upon the conclusion of the routine morning business, which has already been concluded. Those two statements conflict with each other in point of time as between half past 10, which the clock now indicates as the hour, and the hour of 2 o'clock. So that, to my mind, whatever ultimately may be unraveled in the mind of the Chair or of the Senate as to what this unanimous consent is for—in fact there was no unanimous consent to do any particular thing—it is a jumble; and now, on the 8th day of December, in another and a regular session of Congress, it is attempted to interpret unanimously what was the unanimous understanding in the minds of the Senators present on the 15th day of September last, in the special "extra-dry" session, which we were then attempting to bring to its interminable conclusion.

Mr. CHAMBERLAIN. Mr. President——

The VICE PRESIDENT. Does the Senator from Connecticut yield to the Senator from Oregon?

Mr. BRANDEGEE. Yes.

Mr. CHAMBERLAIN. I want to say to the Senator that he has not assisted very much in clarifying what he calls a "muddled situation."

Mr. BRANDEGEE. I did not say that that was my purpose.

Mr. CHAMBERLAIN. It is evident that that is not the purpose of the Senator. It seems to me, Mr. President, that the Senate has power to arrange for the discussion and the determination of this bill, if it has the disposition to do so; and if the Senate now feels that it is a matter that is pending before the Senate and it desires to go ahead with it, so far as I am concerned, I am ready to go ahead with it now; but I am simply undertaking to accommodate myself and my own views and my own constituents, if you please, to what seem to be the wishes of a great many Senators who have come to me and talked to me about the subject. As I have said, so far as I am concerned, I am perfectly willing to go ahead now.

Mr. BRANDEGEE. I am ready to go ahead with it now, if that is what the Senate has determined; but the question is, What has been ordered by the Senate?

Mr. WARREN. Mr. President——

Mr. BRANDEGEE. I yield to the Senator from Wyoming.

Mr. WARREN. I may not have heard some of the remarks that have been made, but I notice that the calendar makes the bill to establish Federal reserve banks, and so forth, the unfinished business. I assume that it is not the intention to have two measures pending as the unfinished business at the same time, and I ask how that situation is to be unraveled, as well as the matter of unanimous consent?

Mr. BRANDEGEE. Of course, if what the Chair has read from the RECORD was the action of the Senate, to wit, that the Alaska bill was at the last session made the unfinished business for to-day at 2 o'clock, that in itself would be an inconsistent situation, because at that time the Senate was meeting at 12 o'clock, and if a matter were made the unfinished business it would come up at 2 o'clock. Now the Senate is meeting at 10 o'clock, and if a matter were the unfinished business it would come up at 12 o'clock. But, however that may be, and without knowing whether the Chair will rule that what is on the calendar is the unanimous-consent agreement, or what is in the RECORD is to be understood as the unanimous-consent agreement——

The VICE PRESIDENT. The Chair will state to the Senator from Connecticut that the Chair must be governed by the RECORD.

Mr. BRANDEGEE. Very well. If that shall stand as the judgment of the Senate, then the unanimous-consent agreement, as stated on the calendar, is not what is before the Senate.

Mr. SUTHERLAND. Mr. President——

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

Mr. BRANDEGEE. I do.

Mr. SUTHERLAND. Does not the Senator from Connecticut think that we can complete the consideration of the currency bill in ample time to take up the special order at 2 o'clock to-day?

Mr. BRANDEGEE. I observe that on the calendar there is a notice that the junior Senator from Virginia [Mr. SWANSON] will this morning commence a speech on that subject. Whether or not it can be concluded in time to vote on the bill this morning I do not know; but if the unanimous consent, as stated on the calendar, is what the Senate agreed to, it is perfectly nugatory and idle, because all it purports to have agreed to is that we would, after the routine morning business, proceed to the consideration of the Alaska bill. That has been done. The Chair has laid it before the Senate, where it now reposes, and we are considering it. Any Senator can now move to proceed to the consideration of the currency bill, and, if that motion is carried, it immediately displaces the Alaska bill and fulfills the unanimous-consent agreement, which does not provide that we shall continue the consideration of it until final disposition.

Mr. OWEN. Mr. President, when the Senator from Oregon, on the 15th of September, asked for unanimous consent that

Senate bill 48 be made the unfinished business for Monday, December 8, at 2 o'clock p. m., it is perfectly obvious that his request for unanimous consent meant to make it a special order to be taken up at that time for consideration and proceeded with. There must be some allowance made for the frailty of human language; but obviously that was the meaning; obviously that was what the Senate understood; and that unanimous-consent agreement can not be set aside by quibbling over the term "unfinished business." That was the agreement of the Senate.

Mr. CLAPP. Mr. President, will the Senator pardon me?

Mr. OWEN. I yield to the Senator from Minnesota.

Mr. CLAPP. In support of the Senator's contention, I wish to suggest that after that, when it was proposed to place business upon the December calendar, it was stated time and again that it would not do, because we already had two matters which were in a position to interfere with the passage of the currency bill.

Mr. OWEN. The RECORD shows from time to time that that was recognized as a unanimous-consent agreement of the Senate, and it should not be set aside by any mere quibbling over the meaning of words. Mr. President, I ask unanimous consent that the Alaska bill be made the order of business immediately after the currency bill is disposed of.

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

Mr. POINDEXTER. Mr. President, I object to that. I have no desire to interfere with or to obstruct in any way the consideration of the currency bill, but I object to the Alaska railroad bill losing the place it has upon the calendar of the Senate under the unanimous-consent agreement. I think it can retain that place; and if it should be the sense of the Senate that it should be temporarily laid aside for the consideration of the currency bill, that can be done.

Mr. OWEN. I will, then, modify the request and ask that the Alaska bill be temporarily laid aside without losing its place under the agreement.

Mr. BRISTOW. Mr. President, I am in accord with the Senator from Washington [Mr. POINDEXTER] in regard to the desire to have the Alaska railroad bill maintain its place as the unfinished business, and I should like to have the Chair indicate whether he considers, under the unanimous-consent agreement, as indicated in the RECORD, that the Alaska railroad bill will become the unfinished business at 2 o'clock?

The VICE PRESIDENT. The Chair does not believe that it is possible to make anything unfinished business by consent. The Chair does believe that under a fair and reasonable interpretation of what took place on the 15th of September and the colloquy which occurred at that time, the request of the Senator might fairly be construed into an agreement upon the part of the Senate to make the Alaska bill the special order for 2 o'clock to-day.

Mr. POINDEXTER. Mr. President, a parliamentary inquiry.

The VICE PRESIDENT. The Chair, however, is not deciding that question, but proposes to leave that to the Senate.

Mr. CHAMBERLAIN. Mr. President, may I ask whether the Chair feels disposed to rule now that at 2 o'clock the Alaska railroad bill will come up automatically as the business to be disposed of?

The VICE PRESIDENT. In view of the discrepancy between the calendar and the RECORD, and in view of the former rulings of the Chair that all unanimous-consent agreements must be construed by the Senate, the Chair feels that it is for the Senate to decide what the RECORD really does mean. In expressing an opinion the Chair was not ruling.

Mr. POINDEXTER. Mr. President, a parliamentary inquiry. Is it not within the power of the Senate, by unanimous consent, to give a bill such a status in the proceedings of the Senate as it would have if it were the unfinished business? My recollection is that we have often done that; that it has been more or less frequent practice to agree that certain measures should be the unfinished business of the Senate.

Undoubtedly, as the Senator from Oklahoma has said, the intention of the Senate in making this unanimous-consent agreement was that the bill should be taken up and its consideration should be proceeded with. It seems to me that necessarily would give it, when its consideration was dispensed with, the position of the unfinished business of the Senate.

I hardly see how the Senate could take up a bill for consideration at a certain date, and by a unanimous-consent agreement, at the conclusion of the routine morning business or at a certain hour, and then, if it should conclude to lay it aside, that the bill should not have the place of the unfinished business of the Senate.

The VICE PRESIDENT. The Chair will read what the rules say. The Chair assumes that unanimous consent is just as good as a two-thirds vote.

> Any subject may, by a vote of two-thirds of the Senators present, be made a special order; and when the time so fixed for its consideration arrives the Presiding Officer shall lay it before the Senate, unless there be unfinished business of the preceding day, and if it is not finally disposed of on that day it shall take its place on the Calendar of Special Orders in the order of time at which it was made special, unless it shall become by adjournment the unfinished business.
>
> When two or more special orders have been made for the same time, they shall have precedence according to the order in which they were severally assigned, and that order shall only be changed by direction of the Senate.

Mr. WARREN. Mr. President, will the Senator from Washington yield to me?

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

Mr. WARREN. I think the rule is perfectly plain. I think the Alaskan matter is the special order for 2 o'clock, and will be so considered unless it is already under discussion at that time. Even then it will have to come up.

Mr. POINDEXTER. I agree with the Senator from Wyoming that according to the RECORD, which seems to be in conflict with the notice on the calendar, this matter does not come up until 2 o'clock. I suppose the proper time to decide its status would be at that hour. I do not know what effect notices and unanimous-consent agreements printed upon the calendar of the Senate, and standing there day after day, have in the practice of the Senate.

Mr. WARREN. There are occasional errors in the calendar, and I do not consider the calendar as strong as the RECORD. So far as my remembrance goes, however, a special order has always been respected over all other business.

Mr. BRISTOW. Mr. President, knowing that the Senator from Oregon is very much interested in this bill, as a number of us are, I desire to call his attention to the fact that if this is interpreted to mean a special order for 2 o'clock it will be taken up at that time and considered and then set aside, and it will be gone. It will have lost all relation. It will not have any standing whatever, any more than any other business on the calendar.

For one, I am not content to have that kind of a disposition made of this bill. I am more interested in it than I am in currency legislation. I believe it is a more important measure.

The currency bill has been given importance for political purposes. Very simple amendments to the present currency law would have corrected all of the existing abuses. This bill, however, is one that is constructive in its character. It is a very important bill, and will be an important one in the economic history of the United States.

Mr. CHAMBERLAIN. If I may interrupt the Senator, I think the Senator's association with me in the preparation of this bill makes him realize full well that I do not want to have any such thing happen to the bill.

Mr. BRISTOW. I know the Senator does not. That was the reason I called his attention to it.

Mr. CHAMBERLAIN. As I have stated before and as I state again, I simply wanted to accommodate what seemed to be a majority feeling of the Senate. I am unwilling to have this bill lose the place it has; but it seems to me that if we could get rid of some of our great parliamentary lawyers here and get down to a prompt disposition of business, there would not be any trouble about arranging for this and other measures which we are continually wrangling over here in the Senate, occupying the time which really belongs to the people of the country.

Mr. POINDEXTER. Will the Senator yield to me for a moment?

Mr. BRISTOW. If the Senator will pardon me just a minute, I desire to concur fully in what the Senator from Oregon has said. I do not want the railroad bill to interfere with currency legislation, because, while I do not think the currency bill is of such very great importance, I know a majority of the Senate does. I want to have the currency bill go ahead and be enacted; but I do not want it to displace this railroad bill, so that it will lose any relation whatever, and can not be considered unless it shall hold its position upon the calendar.

Mr. SWANSON. Mr. President, I understand this matter goes over until 2 o'clock, even under the contention of those favorable to the bill. Consequently, it seems to me this discussion would be better in order at that time. I had given notice that I should address the Senate on the currency bill immediately following the routine morning business, and I suppose this discussion will come up again at 2 o'clock. It seems to me, therefore, to be a waste of time to continue it now. If it is in order for me to do so, I should like to proceed with my speech on the currency question.

Mr. SMOOT. Mr. President——

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

Mr. SWANSON. I do.

Mr. SMOOT. I simply want to call the attention of the Chair, and also of the Senator from Oregon, to the fact that if they will notice the calendar, on page 5, under "General orders," they will find the following:

S. 48. A bill to authorize the President of the United States to locate, construct, and operate railroads in the Territory of Alaska, and for other purposes.

Then this note is made on the calendar:

September 15, 1913. Made the unfinished business for December 8, 1913, at 2 p. m., by unanimous consent.

Mr. BRANDEGEE. Mr. President, may I be allowed to say a word?

Mr. SWANSON. I prefer that this discussion shall be resumed at 2 o'clock. I am satisfied that if it is indulged in now it will simply be gone over again at that time.

Mr. BRANDEGEE. What does the Senator propose to discuss?

Mr. SWANSON. I propose to discuss the currency bill, which I understand is the unfinished business until 2 o'clock.

Mr. BRANDEGEE. I disagree with the Senator about that.

Mr. BACON. Mr. President, the Senator will recognize the fact that, whether it is the unfinished business or not, when a Senator has given notice that he would address the Senate on a certain bill at a certain time during the morning hour it has been the unanimous practice of the Senate to concede to him the right to do so. The Senator from Virginia gave that notice last week, and he is proceeding now upon that notice.

Mr. BRANDEGEE. Yes; but we were discussing another matter. All I wanted to say to the Senator from Utah was that the mere annotation of the clerk on the calendar as to what is unfinished business or what is not does not bind the Senate.

Mr. POINDEXTER. Mr. President——

Mr. SMOOT. I fully——

Mr. BACON. I hope Senators will recognize the propriety of allowing the Senator from Virginia to proceed.

The VICE PRESIDENT. There is no way for the Chair to enforce that request.

Mr. POINDEXTER. Mr. President, I should like to ask that the Alaska railroad bill go over until 2 o'clock, and that it then be taken up and disposed of under whatever status it may be entitled to on the records of the Senate.

The VICE PRESIDENT. The Chair has already ruled that 2 o'clock is the time for it to come up. It will then be time for the Senate to say what the record really means.

BANKING AND CURRENCY.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means for rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. SWANSON. Mr. President, there is no question confronting us to-day of more importance, of more vital concern to the vast and varied interests of our country, than the one relating to our currency and banking system. Our action upon this matter concerns in a marked degree our farming, manufacturing, commercial, and banking interests. There is not an industry in this Republic, not a citizen, from the highest to the lowest, from the richest to the poorest, who will not in some way be affected by the legislation we are considering. Wise legislation upon this question means to this Nation an era of increased prosperity, of larger and better opportunities for all classes of our citizens. Foolish and ill-advised legislation means distress, depression, and disaster. Thus a matter fraught with such great possibilities for good or evil should in its solution be approached with the utmost care, prudence, foresight, and investigation. For the last decade this has been one of the most prominent questions of discussion in America and has enlisted the thought and investigation of our wisest and ablest men, and has been viewed from every possible standpoint. The time has arrived when we can safely and prudently act upon this matter. Further delay is unnecessary and will but add to the difficulties of a wise solution and will but intensify and increase the evils of our present system and put greater barriers in the way of currency and banking reform. The Democratic Party, which is now in control of all the branches of our Government, has determined faithfully to fulfill all the pledges and promises made in order to obtain power. Congress, convened in extraordinary session by the President, but recently enacted a tariff bill which completely fulfilled the pledge made to relieve the people from the burdens of excessive tariff exactions. Having faithfully discharged this duty, the Democrats are now undertaking to fully perform their promises to give the country currency and banking reform. The present Democratic administration and a vast majority of the Democrats of the House and Senate, after thoroughly and conscientiously considering the matter, and as far as possible reconciling minor differences of opinion, have practically agreed upon a plan of currency and banking reform which they believe will preserve what is good and desirable in our present system, eliminate the evils which are conceded, and furnish additional legislation which will be productive of great prosperity and development. This is not presented as a partisan measure. We realize fully that no party advantage can accrue from the enactment of any legislation on this subject, except so far as it may be promotive of the best interests of all our fellow citizens. We feel that the measure supported by us should be in accordance with Democratic principles and platforms. Being given power of legislation by the people, we feel that the responsibility is with us as a party to enact legislation just and beneficial to all the industries and interests of this Nation. If benefits accrue from this legislation, all those who aid in its passage, to whatever party they belong, are deserving of credit and commendation.

Mr. President, the plan proposed follows the course of wise, prudent, and constructive legislation. It does not recklessly destroy our existing system. It does not foolishly jeopardize the business and fortunes of this Nation to the hazard of untried experiments and speculative theories, however plausible. We feel that it would be a folly almost criminal to put rude and destroying hands upon our entire present system, which has become so interwoven with the habits and business of our people, and which in many respects is exactly what we need, and has been most instrumental in our growth and development. Where evils have existed which are injurious to the legitimate commercial, manufacturing, agricultural, and banking interests of this country we have boldly applied the surgeon's knife and eradicated the cancerous growth. We have not sought to satisfy the extreme radical, who would destroy everything, whether good or evil, nor the predatory reactionary, who would preserve everything that benefits him, whether it is destructive to the best interests of the country or not. We have prepared what we conceive to be a just, fair, equitable, progressive measure. We have retained in our present currency and banking system what experience has taught us to be just and beneficial. Despite the suggestions of the academic theorist or the clamor of the selfish capitalist, who desires to lessen the supply of money, and hence increase its purchasing power and his own riches, we have refused to retire the $350,000,000 of Treasury notes, but we retain them and permit them to still circulate, to invigorate business and commerce. Against the earnest opposition of these same classes we have refused to retire $684,000,000 of silver coin and silver certificates, but we retain these, realizing fully the beneficial results which have accrued from their circulation. We have alike turned a deaf ear to those who would retire $743,000,000 of national-bank notes, and thus produce financial stringency, with business depression and beneficial only to a few. Our gold and gold certificates, aggregating $1,700,000,000, are preserved. Thus, under the proposed plan there can be no reduction in our money or circulating medium. This is preserved in its present quantity and quality. Our present circulating medium, amounting to about $3,600,000,000, is left undisturbed.

Mr. BRISTOW. Mr. President——

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

Mr. SWANSON. I would prefer not to yield now. When I get through, I will be glad to yield for any question.

Mr. BRISTOW. I merely wanted to inquire whether the Senator wishes to proceed without interruption now.

Mr. SWANSON. I prefer to proceed without interruption.

Thus the claim made by some that this bill can produce a contraction is unreasonable and unfounded. The provisions of this plan are so drawn that all changes affecting currency must result in increases, not in decreases. The increases that are made, as I shall subsequently explain, are such as are absolutely safe and occur only in response to the legitimate demands of business and commerce. The plan wisely preserves our system of individual banks. When this plan is in operation each of the 25,000 banks in this country will continue to exist and be permitted to continue safe and legitimate banking business. We have refused to create a great central bank with branches extending to all sections of the country, ultimately resulting in a monopoly of money and bank credits. We realize that such a bank, if created, would destroy all banks who dared to compete with it or would not submit to its dictation. If such a bank was created, the only banks that

would be preserved would be those that would be subservient to the suggestions or submissive to the purposes of this great central institution. I believe that nothing has contributed more to the rapid development and the great prosperity and wealth of this Nation than our system of independent banks. The 25,000 banks scattered in every section of our country, from the small towns to the large cities, each containing the resources of that community and furnishing credit to its citizens, have been one of the greatest factors in our material development. It has enabled this Nation to do more than 95 per cent of its business with checks drawn upon banks, thus economizing in a most remarkable degree the use of money. In this respect we surpass every nation except Great Britain. This system is far preferable to the system existing in other countries, with a few large banks with branches extended in all sections. It gives more competition in the banking business and produces less monopoly in money and bank credits. The Bank of England, with its 11 branches, and 9 or 10 other large banks in England, with their numerous branches, practically control and dominate the banking business of England. The Bank of France, with its 188 branches, and 6 or 7 other large banks, with their numerous branches, control the banking business of that nation. The Reichsbank of Germany, with its 93 head branches and 400 subbranches, with 8 or 10 other large banks with many branches, in a less degree, but substantially, control money and bank credits in that nation. In Germany there are only 14 clearing houses, with only 160 members. The banking business of Canada is controlled by 29 banks, with their more than 2,000 branches. In Canada no bank can start with less capital than $500,000. In Scotland we have 8 large banks with 1,200 branches. The eight banks of Scotland act in complete harmony, and there is a money trust or monopoly there. In each of these nations the number of banks each year decreases.

The branch banks are controlled entirely by the central bank. The branch banks have no directors, but only agents and officers appointed by the authorities of the central banks. How vastly different is this from our system of independent banks. All of our 25,000 banks have their directors and stockholders, who are usually men of business and enterprise in the communities in which the banks are located. These men own the stock of the bank and are particularly interested in the development and prosperity of their communities. Hence, in addition to making money for their bank, they are desirous of using the resources of the bank for the enrichment and betterment of the adjoining section. These independent banks and the communities where they are located have a mutual interest, the prosperity and success of one being measured by the success and prosperity of the other. This is vastly different in a branch bank. The main purpose of a branch bank is to make money for the central bank. It is created to obtain local deposits to be under the control of and to be used for the general purposes of the central bank. Our local country banks are created as much to help the community as to make money for the stockholders. I think it would be disastrous to us if we should destroy our system of independent banks and substitute for it the foreign system of a few large banks with numerous branches. This would but increase in a greater degree a monopoly of money and bank credits which in recent years has crept into our system and been growing and which this bill proposes, as far as possible, to eliminate. Hence I heartily approve of the plan of the bill in not interfering in the slightest degree with our system of independent banks. It leaves undisturbed to continue profitable business the 25,000 banks in this country. This bill, by its splendid provisions extending legitimate aid and accommodations to all the banks of the country who will accept it, strengthens our system of independent banks and will increase the facility of these to accommodate their customers. It has been sought to produce the impression that the Federal reserve banks created by this bill will monopolize the banking business of this country, and thus have control of money and bank credits. This is a gross and unfounded misrepresentation. Under the provisions of this bill, the capital of all the Federal reserve banks when fully paid will amount to only $105,000,000. From the last report of the Comptroller of the Currency the aggregate capital, surplus, and undivided profits of all banks—National, State, and private—and trust companies reporting were about $4,160,000,000. Thus the capital provided for this system will be about one-fortieth of the banking capital of this Nation. It is estimated that the resources of all the banks provided in this bill will amount to about $636,000,000. The resources of all the banks in the United States—National, State, and private—and trust companies were $24,986,000,000. Thus the resources of these banks created by this bill will be about one-fortieth of the banking resources of the Nation. Thus we can readily see that there can be no monopoly of money, bank credits, or banking business and accommodation under the operations of this bill.

The capital and resources of the banks which will be left absolutely free and unaffected by any provisions of this bill will be forty times more than all that are brought under its provisions. Completely answered in their contention that these banks would create a monopoly and a dominating influence, the opponents of the plan then insist, with glaring inconsistency, that the capital and resources are entirely too small to accomplish the purposes sought to be achieved. But we can make complete answer to this objection and show that the capital and resources are amply sufficient. The capital and surplus of the Bank of England, as of August 12, 1908, which is recognized as a model of stability and strength, is only $87,690,685, being $17,000,000 less than the capital stock of the banks proposed under this bill. The resources of the Bank of England are about $335,000,000, a little more than one-half of the resources of the proposed banks under this bill. The capital of the Bank of France, as of December 24, 1907, is $35,222,500, about one-third of the proposed capital of the banks under this bill. The resources of the Bank of France are $201,711,335, about one-third of the resources of the proposed banks. The capital and surplus of the Reichsbank, of Germany, as of December 31, 1907, is $58,265,666, and its resources $234,096,331. Thus we perceive that the capital and resources of the Federal reserve banks far exceed those of the central banks, with their various branches in each of these three great nations, and are amply sufficient for the purposes sought to be obtained. The plan is wisely drawn, giving the banks sufficient capital and resources to accomplish what is desired, and yet not large enough to produce a monopoly or a dominating influence upon the money and bank credits. In this respect the proposed bill is prudent, wise, and to be most highly commended. It happily veers between helpless weakness and tyrannic strength. It gives to the banks of this country neither a master nor a slave. It gives them a strong friend, an equal coworker to assist them in faithfully discharging their duties and responsibilities to our great and varied interests.

Mr. President, having preserved in their integrity and usefulness each of our 25,000 banks, let us examine the evils prevalent in our banking system to-day and ascertain to what extent the proposed plan corrects these. One of the chief and admitted evils of our present national banking system is the concentration of our reserves in a few cities. Under our present banking law each country bank is required to keep a reserve of 15 per cent on all its liabilities, 6 per cent of which must be kept in the vaults of the bank and 9 per cent can be kept either in the banks of a reserve city or a central reserve city. The banks located in the reserve cities are required to keep a reserve of 25 per cent, 12½ per cent of which must be kept in their own vaults and 12½ per cent can be kept with banks in the central reserve cities, which consist of banks located in New York, Chicago, and St. Louis. The banks in the above three cities, known as central reserve cities, must keep a reserve of 25 per cent in their own vaults. The effect of this law has been to concentrate the reserves of the country in New York, Chicago, and St. Louis, mostly in New York. The banks of New York have adopted the policy of paying 2 per cent on balances kept in their banks by either country banks or reserve city banks. In order to obtain this 2 per cent of interest the banks in other cities have usually kept in New York all of their reserves, except such as the law requires them to keep in their own vaults. The effect of this law in creating this concentration of reserves is remarkably disclosed by the report of the banks in these three cities made to the Comptroller of the Currency on the 14th of June, 1912, This report shows that the banks in the city of New York were due other banks on account of deposits made there $510,513,847. In Chicago on the same date was due other banks on account of deposits $169,718,506. At St. Louis was due other banks on account of deposits made there $40,626,616. Thus these three cities had on that date $720,858,969 due other banks. Thus practically the reserves of the entire Nation to be used in times of emergency or trouble were deposited in the banks of these three cities. This vast concentration of reserves has been most detrimental to the best interests of this country. The money thus concentrated has been used for the flotation of large schemes of trusts, combines, and monopolies. But for the vast funds here concentrated the many trusts that have been organized in this country would have been impossible. Here are found the money and resources that have been utilized for the organization of monopolies. Without these vast deposits made by other banks and controlled by a few capitalists and financiers of New York innumerable trusts would have never been created. The concentration of these reserves in New York marked the beginning of monopoly, and their dissemination will mark

its end. These reserves breathed into the nostrils of monopoly the breath of life.

Mr. President, to inveigh against industrial monopoly and yet to continue the banking system which alone makes it possible is the supreme of hypocrisy. The greatest blow that industrial monopoly will receive in this Nation is when existing law is changed and the vast reserves the banks are now required to hold are controlled and placed where they will be used for the good of the entire country, and not for the enrichment of a few financiers and speculators. Another evil which has resulted from this concentration of reserves in these three central cities is that the money thus deposited has been mostly used for speculation on the stock exchanges. This speculation is a part of a system of organizing and floating combines and monopolies. The stocks of these monopolies when organized are listed on the stock exchanges, and fictitious sales and purchases are made of them to establish a value in order either to sell to the public or to constitute the basis of loans from banks. Thus stock speculation and organization of trusts go hand in hand. The report made by the banks of these cities to the Comptroller of the Currency on June 14, 1912, discloses in a most unmistakable manner that these reserves and the resources of the banks in these cities are largely used for stock speculative purposes. The report made by the New York banks for that time show that their loans made on collateral security, which are loans made for stock speculation on the exchange, amounted to $1,169,822,895. The loans of a similar character in Chicago amounted to $316,096,807. The loans made in St. Louis amounted to $140,234,284. Thus in these three cities the loans made on securities dealt in on the stock exchange exceeded $1,700,000,000, aggregating more than double the reserves or deposits of all the banks in these cities. Thus we have unmistakable proof that these vast deposits or reserves are used to make loans for stock speculations, and not to encourage the commercial, manufacturing, and agricultural interests of this country. The law that required these reserves to be held by the banks intended that they should be used in times of emergency or distress for the benefit of the legitimate business of the country and to prevent disaster.

The banks in New York, which hold more than two-thirds of these central city reserves or deposits, have never considered that they were put there to be used in time of danger or distress for the public good, but have considered that they were put there to be used for their own profit.

Mr. O'GORMAN. Mr. President——

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

Mr. SWANSON. I would prefer to yield later.

Mr. O'GORMAN. Just at this point I should like to make a single observation.

Mr. SWANSON. I will yield later.

Mr. O'GORMAN. The country banks, I think, all over the country have been sending money——

Mr. SWANSON. Mr. President, I decline to yield at this time. I will yield later.

Mr. O'GORMAN. If the Senator does not desire to have a palpable inaccuracy corrected, he may proceed with his speech.

Mr. SWANSON. I desire to proceed with it.

The banks in New York are dominated by the large financiers and speculators of this country, and these reserves have been used for their enrichment and not for public good. By this great concentration of reserves here the few financiers who control these banks in New York have been able to precipitate panics and produce depression and financial disturbance whenever their selfish interest dictated. The panic of 1907 has taught this Nation a lesson which it will never forget. It proved beyond dispute that the banks and financiers of New York felt no public responsibility for the bank reserves under their control. The panic of 1907 was precipitated by wild stock speculations in the city of New York, engineered by the financiers there who control the great banks. This is clearly shown by an article written by Prof. Sprague for the National Monetary Commission and printed with its publications. Everything was adroitly and spectacularly arranged for a great rise and boom in stocks in order to unload and sell them to the public. Previous to this panic the dividend upon the Union Pacific stock was increased from 6 to 10 per cent. The Southern Pacific stock was placed upon a 5 per cent dividend basis. Dividend upon United States Steel common stock was resumed. The national bank note circulation was increased more than $100,000,000, and $54,000,000 worth of gold was imported from Europe. The Government of the United States was induced to deposit in the banks $23,000,000 of Treasury money. All of this occurred within the year preceding the panic, and everything was done to make the skies look bright and everything appear propitious and prosperous. Not a cloud appeared to portend the coming disastrous storm. Money was readily obtained from the banks on stocks as collateral security. The prices of stocks advanced rapidly, and the public, excited and wild, made immense purchases. Thus the first act in the well-planned drama was most successful. The intended tragedy soon followed.

In the autumn of 1907, when the banks outside of New York desired to withdraw the reserves and money they had deposited in these banks to be used for the purpose of moving the crops of cotton, wheat, corn, and oats, they were unable to obtain their money. The report of the Comptroller of the Currency on the 38 New York banks of August 22, 1907, just preceding the panic, shows that from the banks of New York there was due to national banks $259,300,000; was due from national banks $45,500,000; was due to other banks $206,100,000, and from other banks $9,700,000, making an aggregate due to other banks a balance of about $410,000,000. On October 31, 1907, the banks of New York telegraphed their correspondents that they would no longer honor their drafts for money and actually suspended payments. This suspension continued until the 1st of January. These banks in New York suspended payment with $224,000,000 in their vaults, as shown by their statement on November 2. On November 23, nearly three weeks afterwards, their statement shows that this reserve had only been reduced $9,000,000. What a contrast does this action of the New York banks present to the condition of the Bank of England at that time, which also practically held the reserves of all the banks of England. The reserve of the Bank of England—which was only $120,000,000—in two weeks of this crisis was reduced to $85,000,000, and yet the Bank of England did not suspend payments. The lowest reserve that the banks of New York had during the entire suspension was $215,000,000. Thus the lowest reserve of the banks of New York was more than double that of the Bank of England, and yet they suspended payment and refused to make payments to banks outside of the city of New York. What is still more remarkable, in regard to these banks of the city of New York, was that while they refused to make payments to the interior banks they actually increased their loans during that time. In the three weeks preceding November 9 the New York banks increased their loans to the extent of $110,000,000. They could not pay their depositors, but they could accommodate their favored customers. The report made to the Comptroller of the Currency on December 3, 1907, by the banks shows that between August 22, 1907, and December 3, 1907, the loans of the entire country were contracted $85,000,000, while in New York they were increased $63,000,000, of which $54,000,000 was on call-collateral loans and $4,000,000 on time-collateral loans, thus showing that while these banks would not pay the interior banks the money due them on deposits they were making loans to their customers for stock speculation.

The banks of New York have claimed credit that during the panic from time to time they would ship currency out to interior banks. This is true, but the currency they shipped to interior banks was less than the Government and other deposits made to the banks in New York. During this panic the Government deposited in the banks of New York $36,700,000, most of it coming from outside sources, more than $30,000,000 of it in the six leading banks, which mostly make loans for stock speculations. The New York banks assert that they improved the situation by importing $96,000,000 in gold, for which they claim much praise. They had nothing to do with the importation of this gold except as agents through whom the importation was made. The gold was imported in exchange for the commodities of the West and South which were exported to Europe, the payment for which passed through New York. The $96,000,000 of gold imported did not belong to New York; the bills of exchange simply passed through New York, as is usually done. This $96,000,000 belonged to the West and South. During the panic New York sent to the interior $106,000,000. It received in gold which belonged to the West and South $96,000,000 and from Government deposits $36,000,000, aggregating $132,000,000 that it received during the panic which did not belong to it, and only sent out $106,000,000, thus really gaining during the panic $26,000,000. The suspension of payments in New York practically compelled the rest of the country to suspend. The banks of only 53 cities in the United States were able to continue payments. Two of these cities were located in Virginia—Richmond and Norfolk. No one can estimate the disaster that was brought to this country by the action of the banks in New York during this emergency.

Business was suspended, commerce paralyzed, factories made idle, the stocks and securities unloaded on the public reduced one-half in value, and fortunes swept away. The disastrous effect of this panic is perceptibly felt to-day. All this disaster was produced because the banks of New York holding the de-

posits of and a large part of the reserves of interior banks stubbornly refused to surrender them. These funds were used by these banks and their customers to repurchase the stocks and securities, which they had previously sold at high prices, at the greatly reduced prices. This panic has convinced the country of the necessity of making some changes in our banking system. It has conclusively shown the necessity of not congesting and concentrating our reserves in banks with no public responsibility and controlled for individual purposes. In addition, this great concentration has had a tendency to create in this country, to a large extent, a "money trust," in which a few large financiers and their associates are enabled practically to dominate the money supply and the bank credits of this country. This state of affairs was disclosed in a remarkable degree by the Pujo investigation committee of last year. The report of this committee shows that a small group of financiers, usually acting in accord, control bank and trust companies, insurance companies, express companies, railroads, industrial and public-utility companies aggregating resources of more than $23,000,000,000. This group of financiers are enabled, as their interests or caprices may dictate, to produce good times or bad times. They can frequently contract credit and produce money stringency whenever their interest or caprices may dictate. They largely control the construction of new lines of railways. Large industrial and manufacturing enterprises feel their dependency upon them.

Until the Interstate Commerce Commission was created, which regulates the charges made by railroads for transportation, they completely dominated the transportation of the country, and thus made and unmade communities, cities, sections, and almost States. Heretofore their power has been so great that frequently Federal administrations were elected or overthrown as they might desire. Language can hardly overestimate the vast control exercised by these groups of financiers upon the industrial and financial life of this Nation. Their domination is so tyrannical and complete that even men of large wealth, influence, and courage are afraid to antagonize them, and become subservient and submissive. The pathways of their power are marked by wrecked fortunes and ruined enterprises. Men of independent spirit, of great business genius and activity, are their most prized victims. These are conditions which exist and menace the industrial freedom and the future welfare of this people. Many of these evils will have to be corrected by legislation other than what is contained in this banking and currency bill. The Interstate Commerce Commission has been created to regulate the railroads, to see that all communities, sections, and individuals are treated with justice and fairness. Legislation is necessary upon the trust question to eliminate industrial monopoly and bring back again competition and free and fair opportunity. This bill reforming our currency and banking system proposes, as far as possible, to create a system of banking, and to provide for the issuance of currency which shall save the Nation from the domination of small groups of financiers and give to each individual, every business, every lawful corporation an opportunity to obtain all proper and legitimate needs for bank credit and currency. This is accomplished in the bill by providing that 6 per cent of the capital and surplus of all national banks shall be assessed to form a fund which shall be used for the creation of Federal reserve banks, the banks thus created to be not less than 8 and not more than 12, the country to be divided into as many sections, and 1 of the Federal reserve banks to be located in each. All banks that shall continue as national banks must become members of the Federal reserve bank of the section in which they are located.

The bill contains liberal provisions for State banks and trust companies, without losing their present identity and useful functions, becoming members of these Federal reserve banks. The member banks are required finally to deposit all the reserves required by law within their own vaults or in these Federal reserve banks. Each of these reserve banks is controlled by a board of directors consisting of nine members, six to be elected by the banks and three to be elected by a Federal reserve board, which has general supervision over these Federal reserve banks, the members of the Federal reserve board consisting of seven members, six appointed by the President and confirmed by the Senate, and the other being the Secretary of the Treasury. Three of the six members selected by the banks must be selected to represent the general public interests of the reserve district by the stockholding banks. The Federal reserve board, constituted as above, which shall have general supervision of all these reserve banks, is given authority to remove these three directors if they find that they do not fairly represent the general public interests. Thus without taking away the control of these banks from the member banks, who furnish the capital and money, assurance is given that these banks will be run for the general public interest, and also the advantage and profit of the member banks. These banks will have, as previously stated, a capital of about $105,000,000 and deposits of $531,000,000, provided all the national banks enter the system, which I am satisfied they will do. This capital and deposits will be increased to the extent that the State banks and trust companies enter the system. There can be no question that many of these will enter the system and thus greatly add to the capital and deposits of these reserve banks. Thus there will be created banking resources of more than $600,000,000, to be used for the general public good in developing the commercial, manufacturing, and agricultural interests of this country.

There are many who oppose this system of regional banks and prefer a great central bank with branches such as exists in other countries. After careful thought and investigation I am satisfied that this system of regional banks is far preferable to a great central bank. I would prefer not less than 12 banks, and these to be increased as investigation and experience may prove beneficial. The advantages of the regional system over the one central bank are many. It prevents the danger of monopoly and concentration of money and credits in the hands of a few people. I would view with great apprehension a law which would compel the 25,000 banks of this country to contribute capital and deposits to one bank, which would become supreme in finance in this Nation. Those who should control this one central bank would control the industrial, commercial, and agricultural life of this Nation. It is too vast a power to be put in the hands of a few men. The Democratic Party has clearly and positively declared against a central bank. Such a bank when once created would be dominant alike in the financial and political history of this country. If this bank were entirely under governmental control it would offer but a large prize for the small group of financiers of this country to grasp and control government and through it this bank. This system of regional banks requires the capital and resources of a regional bank to be held in and used for the accommodation of those interests existing in that section or region. It does not take the resources and capital of one section and transfer it to another. These resources are continued in the section from which they are furnished. In case of emergency or business distress these regional banks are expected to use their resources primarily for the sections in which they exist. Besides, it has been wisely thought that there is such a diversity in the various industrial, agricultural, and commercial conditions of our Nation that a system of regional banks with one for each section or region could be more successfully and profitably conducted for the benefit of that section than one great central bank. The success of our various State governments has clearly proven that this diversity renders necessary separate governments to take care of peculiar local conditions.

Our wonderful banking development under our system of individual banks, each suited to do the business of its locality, has also shown the wisdom of permitting this diversity. The more one examines into the matter the more one must be convinced that the system of regional banks is far preferable to one central bank. Of course those who are benefited by monopoly, whether in industry or in banking credits, will naturally prefer the central bank. But monopoly is one of the evils against which we are contending and which the regional banks will be instrumental in destroying. There are some who contend that a central bank offers superior advantages for relief in times of emergency. There is some truth in this. The reserves of a central bank being more concentrated and mobilized can be more readily and promptly used. But this advantage is far offset by the other evils and disadvantages which would inevitably come from a central bank, however created and however controlled. This bill has a wise provision which obtains all the advantages that can accrue from a central bank without its evils and disadvantages. A Federal reserve board is created, as previously stated, which will have general supervision of these regional banks, seeing that they are honestly administered and fulfill the purposes of their creation. This Federal reserve board is also empowered to require one Federal reserve bank to rediscount the discounted paper of another Federal reserve bank. This provision practically gives all the advantages that could accrue from a central bank. It permits the entire reserves and resources of all the regional banks to be used where most needed in time of financial distress or emergency. A central bank could do no more than this. What is most remarkable is that those who most favor a central bank are most opposed to this provision which, when needed, practically unifies the resources and reserves of all the banks. Thus by this method the only advantage which comes from a central bank is obtained without its accruing evils.

The benefits which will accrue from these regional, or, as named in the bill, Federal reserve banks are great and many. The reserves of the Nation, which are needed in times of financial distress and stringency, will be held by those who have a public responsibility for their just and proper use, and not as now, by those who have no such responsibility and no purpose of public benefit in their use. The member banks, being satisfied that their reserves and deposits are held where they will always be forthcoming when needed and are held to take care of these banks and the public in times of emergencies, will be relieved of daily apprehension of trouble and distress. These Federal reserve banks will become to all the banks of this country like the Bank of England is to the English banks, the Bank of France is to the French banks, and the Reichsbank of Germany is to the German banks—places of refuge and hope in time of financial trouble. The banks of this country removed from this apprehension can accommodate their customers and the legitimate demands of business without continual trepidation. These reserve banks, practically under Government control and supervision, having a broad vision of financial matters, can be used to prevent dangerous inflation or ruinous depression. They will have a steadying influence on the finances of the country and produce that stability which is the most propitious for the growth and development of the Nation. This bill provides that the rediscounts that these reserve banks shall make for their member banks shall be for paper arising out of actual commercial transactions and for agricultural, industrial, and commercial purposes. This prohibits the resources of these reserve banks being used for the purposes of stock speculation. It provides that $636,000,000 shall be set aside and dedicated for the development of our commerce, our agriculture, and our manufactures. It gives preference to legitimate business over stock speculations. It makes impossible another panic in this country, with its distress and disaster, precipitated by Wall Street speculation with the reserves and deposits of interior banks.

When this bill becomes law the farmers of this country can sow and plant with the confidence that money will be available for the profitable marketing of their crops. The manufacturer can enlarge his operations with the assurance that from these reserve banks funds will be forthcoming to successfully finance his undertakings. The merchants can liberally buy and sell, knowing that currency and bank credits can be obtained for all prudent and legitimate purposes. Genuine business and enterprise will be stimulated and only stock speculation lessened. If this bill accomplish no other purpose than setting aside and devoting this vast sum of money to legitimate business interests, it would produce inestimable benefits and is deserving of support. This bill, by the creation of these reserve banks, will create in this country, which has long been needed, a discount market where commercial paper can be readily discounted. This will enable all the banks of this country to extend to their customers all prudent and legitimate accommodation. This will be to the alike benefit of the banks and their patrons. It removes the perils of a money trust and brings relief to all American industries.

Mr. President, the next great purpose sought to be accomplished by this bill is the creation of an elastic currency. It is universally admitted that there is a great necessity in this country for such a currency. Our present currency is rigid. It does not ebb and flow according to the needs and demands of commerce and business. At times it becomes redundant and encourages reckless speculation with the consequent reaction and depression. At other times our currency becomes so stringent that the rates of interest become exorbitant and business of all kinds is practically paralyzed. We need a currency that can increase and decrease according to the legitimate demands of business and commerce. All nations who have a modern financial system have provided for such a currency. Every year during the three autumn months there is a great demand for currency in order to move our great agricultural crops. During these three months we market and move our great cotton crop, which practically clothes the world, our great oats, corn, and wheat crops, which fill the granaries of the world, and our great crops of tobacco, which are distributed in all the markets of the world.

We must have the currency to pay cash for these during these few months of marketing and moving. The cash thus expended in the purchase of these vast crops in this short time can only be returned when these vast crops are sold and distributed in the world's markets. It takes nearly a year for this to be completely accomplished. It is estimated that it takes more than $200,000,000 each autumn to market and move these crops. Heretofore we have been enabled to accomplish this by drawing drafts and getting accommodations in London, Berlin, and Paris. When we can get these accommodations upon what is known as financial bills our crops are marketed and moved without much financial disturbance. But if the financial conditions of Europe are such as to prevent us from getting these loan accommodations, then during these months we have acute financial stringency which brings depression and distress. For years everyone has recognized the necessity of making provision for this yearly recurring currency demand. Yet from year to year relief has been delayed and denied, resulting in immense losses to our merchants and farmers, which it is impossible to estimate. This bill provides for the creation of such a currency which will give prompt and efficient relief. It provides that the Federal reserve board may, in its discretion, issue to the Federal reserve banks on application currency in amount equal to collateral presented and indorsed by this Federal reserve bank and member banks deposited with it as security for such currency issues, the collateral thus deposited being notes, drafts, or bills of exchange arising out of actual commercial transactions or being issued or drawn for agricultural, commercial, or industrial purposes, or the proceeds of which have been used or are to be used for such purposes, having a maturity not exceeding 90 days. The currency is issued by the United States Government, is its obligation, and is redeemed by the United States Government or any Federal reserve bank to which it is presented for redemption.

The Federal reserve bank is required to keep a reserve of 35 per cent either in gold or lawful money for the redemption of these notes. Such portion of this redemption fund as is necessary may be required to be deposited in the Treasury of the United States in order to facilitate the redemption of this currency. This currency is perfectly safe. First there is deposited as collateral security for its issuance notes and bonds indorsed by a member bank with the additional indorsement of the Federal reserve bank. The Federal reserve board may require at any time it thinks necessary the deposit of additional collateral security. There is kept a reserve fund of 35 per cent to provide for prompt redemption and in addition this currency is a first lien upon all the assets of the Federal reserve bank. I can not conceive how greater security could be provided.

Mr. President, in order to form a conclusion as to the merits of this proposed method of currency issue, we will examine and compare it with the methods followed in other countries. The banks of England issue notes to the amount of $90,000,000 against government securities. All other currency issued must be covered by gold coin and gold and silver bullion held by the bank. Silver bullion must at no time exceed one-fourth of the gold bullion held in the issue department of the bank. This bank has not for many years exercised its privilege of holding silver bullion. The notes issued by the banks are legal tender in England and Wales above $25, but not in Scotland.

There are 23 other provincial banks in England which are authorized under law and can issue notes to an amount not exceeding $6,000,000. These banks have only issued about $1,500,000 of what they are permitted to issue. These notes are not legal tender. They are a lien on the general assets of the bank, and the stockholders incur an unlimited liability for their redemption. The banks of Scotland have an authorized circulation of about $13,000,000 not required to be covered by gold. All other issues of Scotch banks are required to be covered either by gold or silver, the amount of silver permitted to be thus used for the issuance of notes not to exceed one-fifth in silver coin. The reserve required for the issuance of notes in Scotland must be held at the head office, the amount thus required being ascertained by averaging the notes in the hands of the public issued by the banks for every four weeks. The notes are not a legal tender. There is an unlimited liability of the stockholders for the redemption of these notes. There is a tax on all issues of notes of 1½ per cent. The Government of the Dominion of Canada issues treasury notes to the extent of $30,000,000 for which it must hold 15 per cent in gold and 10 per cent in Government securities. In all note issues in excess of $30,000,000 there must be on deposit an equivalent amount in gold. The notes issued by the Dominion of Canada are redeemable in gold and are legal tender. The banks in the Dominion of Canada are permitted to issue notes equal to their paid-up capital without the deposit of security or any tax. In 1909 the circulation of these bank notes amounted to $81,400,000. In 1908 an act was passed authorizing the banks of Canada to issue during the crop-moving season, from October 1 to January 31, notes in excess of its unimpaired paid-up capital to the amount of 15 per cent of the sum of its paid-up capital and surplus. Any bank taking advantage of this provision was required to pay interest upon the excess at a rate not to exceed 5 per cent per annum, to be fixed by the governor in council.

The bank notes of Canada are not legal tender, nor does the Government bind itself to receive them in payment of dues, nor is a bank required to accept the notes of other banks. The notes

circulate everywhere at par. No one has ever lost any money on account of notes issued by Canadian banks. These notes must be redeemed by each bank at its head office and such commercial centers as are designated by the treasury board. These redemption cities are at present the eight largest cities in the Dominion and are the same for all banks. The banks are required to keep on deposit with the minister of finance a sum of lawful money—gold or Dominion notes—equal to 5 per cent of their average circulation. This deposit is called the circulation redemption fund, and is a guaranty or insurance fund for use, if need be, for the redemption of the notes of failed banks. Bank notes are first lien upon the assets of a bank, and bank stockholders are liable to an assessment equal to the par value of their stock. The law of Canada makes no requirements as to reserves for bank deposits or note issues. As previously stated, these provisions have been found amply safe to secure all notes circulated in Canada, which are taken everywhere at par, and no one has sustained a loss on account of note issues. We will next examine the method of France. The Bank of France has the privilege of a maximum note issue of $1,600,000,000. These notes can only be issued against cash or statutory loans and discounts. Every note issued has its counterpart either in the metallic reserve or in drafts, bills, and notes discounted. The notes, drafts, and bills thus discounted by law must not have more than three months to run and must have three good signatures, except the bank is authorized to accept paper bearing only two signatures when the third signature is replaced by a deposit of securities belonging to the class of securities admitted by law for loans or by warehouse receipts for merchandise. Two of the signatures must be of parties domiciled in France. The Government of France owes the Bank of France about $36,000,000, upon which it appears it has the privilege of issuing notes.

We will next examine the system of Germany. The Reichsbank, which is the central and governmental bank of Germany, can issue notes for gold bullion, and for gold, silver, copper, and nickel coin; for all Government notes held; for notes of all other banks held by it, which banks have the issue privilege, and uncovered notes to the extent of about $118,000,000. All other notes issued by the Reichsbank in excess of this must not be greater than three times the amount of gold bullion, and gold, silver, copper, and nickel coin, and must be covered by statutory notes, drafts, and bills of exchange, and acceptances discounted and held by the bank. The notes, drafts, and so forth, thus discounted must have three months or less to run and have two good signatures. The notes are redeemable in either gold or silver. There is no limitation on silver, except that the silver coinage in Germany is limited by law to about $5 per capita. All other issue of notes by the Reichsbank in excess of the above is taxed 5 per cent. There are four other banks of issue in Germany, with the privilege of issuing about $35,000,000 of notes. The systems of England, Scotland, Canada, France, and Germany are considered the best existing for examination and for the adoption of their best features. I believe the system proposed in this bill offers advantages possessed by neither. To a large extent it utilizes the best features of each of these countries. England, Germany, and France to a limited extent utilize Government securities for the issuance of notes. While this note issue is rigid, yet it furnishes absolute security and is valuable to be retained, provided it is supplemented with an elastic currency. This plan, by a retention for some time of our national-bank note issues and by an amendment which is proposed in the Senate giving the Federal reserve banks the privilege of issuing notes on Government securities, retains this feature, which has long existed in this country, with many advantages, and which has also, as previously stated, been utilized beneficially in England, France, and Germany. We compel a reserve of 35 per cent for all note issues, which is somewhat larger than the requirement of the Reichsbank of Germany, and which we think is far preferable to that of France, which requires no specific reserve.

This insures prudence and safety. It is preferable to the note-issue system of Canada, which also requires no specific reserve. This reserve requirement of 35 per cent gives an elasticity in the issuance of currency to the extent of nearly three times the reserves of the Federal reserve banks. This gives an advantage over the system of the Bank of England, which is rigid, having its note issue limited to $90,000,000, based upon Government securities and the deposit of an amount of gold coin equal to the amount of the circulation, which really makes only gold certificates. England, having no elasticity in note issues of currency, has been compelled to supply her elasticity by bank checks. This elasticity can be acquired by the use of checks in a small country like England, where checks are promptly and almost daily issued and collected, but not in a large and extended country like this, where there are frequently many weeks before a check can be deposited and collected. Thus, I am convinced that the system is far better suited to this country than the English system. The proposed system is modeled largely after the German system, and has its conceded benefits with some additional advantages. The German system could not be utilized in time of a financial crisis or a great emergency as efficiently as the system proposed in this bill. The German system provides that there shall be a tax of 5 per cent upon all emergency currency issued. The tax or interest charge upon the currency issued under this bill is regulated by the Federal reserve board. This board can increase or decrease this tax or charge as the requirements of the situation demand. By being privileged to fix the tax or charge upon currency they can retard excessive inflation or in time of gloom and depression give needed encouragement and stimulation. This system, as previously stated, by permitting the Federal reserve board to require one Federal reserve bank to rediscount the discounted paper of another Federal reserve bank, gives the system all the benefit that can be derived from one great central bank in the time of an emergency, yet permits in normal times these Federal reserve banks scattered through the country to look specially after their regions or sections in extending to them their special aid and benefits. Then this system of currency issue has an advantage over the systems of all of these countries in that it is controlled by the Government and is a Government obligation.

It is believed that the issuance of money or currency that passes as money is a governmental function. As every business and industry of America are dependent for success or failure upon the volume and circulation of currency, it is believed its issuance should be controlled by the Government for the public good, not by large individual banks whose policy would be directed by their own profit and interests. The currency issued under this bill is controlled by the Federal reserve board. This board is appointed by the President of the United States, representing all the people of this country. It is believed that the President of the United States, feeling the weight of his great office and responsibility, knowing the possibilities of weal or woe in this system of banking and currency, will faithfully, fearlessly, and patriotically discharge his obligation and appoint a splendid Federal reserve board, who will use the powers given them for the benefit of all the people and not the enrichment of a few. It is only through accredited Government officers that the people can act in this matter. What better person could be selected to discharge this great responsibility than the President of the United States? Chosen to represent all sections and all interests, he is the best suited to be given the power of the appointment of this board, to see that the purposes in this proposed plan are carried out as designed for the betterment of all the people. Is it not far preferable to intrust this great power to a direct representative of the people than to private individuals who have no public responsibility and hence no obligation to work for the public interest in preference to their own selfish interests? The President of the United States names the judges of the Supreme Court, who are supreme in the determination of life, liberty, and the rights of property. Has this trust in any way been violated? No. The President of the United States names the members of the Interstate Commerce Commission, who fix transportation rates for communities, cities, and sections and thus largely control the development of this country. Has this trust been violated? No. The members of the Federal reserve board when appointed by the President must be confirmed by the Senate. Can not the Senate be trusted to see that those selected are men of character and capacity, worthy to discharge the duties imposed upon them in this bill?

Mr. President, I am satisfied that a better system of appointment could not be devised, and I am satisfied that the Federal reserve board when constituted will wisely, faithfully, fearlessly, and patriotically discharge the duties conferred upon them to the benefit of the whole country and without favoritism to any. I believe we will have under this system the assurance that the capital and resources placed in the Federal reserve banks will be strictly used for the benefit of commerce, manufacture, and agriculture. I believe that the board will see that all sections of the country are provided when needed with ample bank credits and currency. I believe the board with the resources at its disposal and its power of supervision will distribute credit and currency like rich blood passing through all parts of the body, giving health and stimulation to all sections. I believe it will be able ultimately to prevent the financial dependence of any section of our country upon the favors of large capitalists and financiers. We will have the assurance that largely the currency and bank credits of our country

will be controlled by the Government and used for the general welfare.

Mr. President, I do not look with apprehension, but I look with hopeful expectations of a wise and patriotic exercise of the functions given Government officers under this proposed plan. Government is now divorced from big business. New ideals have come in public life. Public officials now realize that the powers given them are held in trust for all the people. We witness able and patriotic men entering public life, willing to consecrate their lives for public good. This reform and betterment is but begun, and I believe that each year we will witness more patriotic and efficient Government officials. Government in the past has been mistrusted largely because some of its officials were selfish or corrupt. Government can only only be beneficial in its work and undertakings when its selected officials are capable, honest, and patriotic. I believe the present President of the United States, animated by only lofty and noble principles in all of his work, will select as members of this Federal reserve board men fully equipped, men with noble purposes and whose administration of their office will redound to the great betterment of this Nation.

Mr. President, being satisfied that these banks will be controlled in the interests of the people, let us examine and see the benefits that will come from the establishment of this system. The issue of currency provided in this bill is particularly fortunate. It gives an opportunity for the issuance of all that could actually be needed without possibility of dangerous inflation. If all the national banks join the system, which is fully expected, as previously stated, the resources of the Federal reserve banks would be about $636,000,000. If the Federal reserve banks in accommodating their member banks for rediscounts should issue currency notes instead of using the resources at their disposal, the currency could be expanded to the extent of $1,817,000,000 after providing for their required reserves, and the member banks accommodated for rediscounts to that extent. There are those who are apprehensive that this plan would produce an immense inflation and hence reckless speculation, to be followed by financial depression and distress. But, Mr. President, this contention can not be sustained. The Bank of France, which many contend is the greatest financial institution in the world, weathering all financial storms and political revolutions, and frequently in hours of distress furnishing relief to the Bank of England and the Reichsbank of Germany, has authority to issue notes to the extent of $1,600,000,000. Thus the excess that all the Federal reserve banks can issue over that of the maximum issue of the Bank of France is $217,000,000. The capital and resources of these reserve banks are three times larger than those of the Bank of France. The resources alone of these reserve banks exceed those of the Bank of France by more than the excess of currency issue permitted. Our population more than doubles that of France. Our wealth far exceeds that of any other nation. The products of our factories exceed those of Britain and continental Europe combined. Our mines furnish the world more than half its mineral products and wealth. Our western prairies are the granaries of the world. The world's comfort and clothing are dependent upon the white cotton fields of the South. We occupy to-day the foremost place in the world's commerce, our exports exceeding those of Britain.

Our internal commerce exceeds all the foreign commerce of the world. Our banking capital and resources exceed those of any other nation. The immensity of our business and commerce may be realized when we reflect that the clearances of the 252 cities in which clearing houses are located average more than $650,000,000 daily. Every hour during the five hours of banking business more than $100,000,000 of checks are cleared and settled in these 252 cities. The aggregate for the entire country is so vast that even a vivid imagination is powerless to form a just conception. We are a new country, throbbing with life, enterprise, and need of development. Our demands for currency are great and urgent. Mr. President, the excess of currency issue possible under this bill over the amount permitted to the Bank of France does not exceed the legitimate demands of our greater business, commerce, and manufacture. Besides, inflation under this bill can be readily prevented by the Federal reserve board increasing the tax-interest charge upon the currency issue. The Federal reserve board with its powers stands as a watchman to look out for dangers and a guardian to exercise its power to prevent either undue inflation or depression. Of course, if the State banks and trust companies enter the system the possibilities of an increase of currency would to that extent be augmented, but even then there is no chance of undue inflation. The currency notes are only issued when there is a demand for them first by the customer of a member bank who desires accommodation for commercial, manufacturing, or agricultural purposes. This member bank, knowing its customer and knowing his purposes, must approve the demand and present it to the Federal reserve bank for its consideration and action. The Federal reserve bank must approve the necessity for the demand and present it to the Federal reserve board. The Federal reserve board must finally approve this demand. Thus we have every safeguard against undue and reckless inflation and speculation. The currency notes can only be issued when there is a demand for them for business purposes emanating first from business enterprises.

The undue inflation of currency is further protected by providing that they shall be promptly redeemed by each reserve bank and also by the further provision that, when received by a reserve bank other than the one who issued it, it can not be reissued but must be sent either to the reserve bank or to the Treasury of the United States for redemption. Thus when the notes have been issued and have performed their purpose they will be returned and retired. Under the bill currency will ebb and flow in every community and section as the legitimate demands of business may require. The amount of currency provided is ample for all legitimate business purposes. It provides ample currency to move all our crops of wheat, corn, oats, cotton, and tobacco during the autumn months, to take care of our daily increasing business, and to give credit and currency in the South and West, which are now going through a process of development and where large amounts are needed. Another benefit accruing to the Government on account of the method of issuing these notes is that, being Government notes, the profits derived from their issuance will go to the Government and thus to all the people. All the profits of these reserve banks which issue these currency notes, after the payment of 6 per cent interest on their capital stock, will go to the Government. In addition the Federal reserve board is given the power to fix the tax which shall be imposed upon the issue of notes, thus giving them ample authority to look after the interests of the Government in this respect. Another advantage of this system over the systems of other countries is that this is intended to be a bankers' bank. This was necessary in order not to destroy our great system of individual banks, which we believe is indispensable to the growth of our country, and which when properly regulated and the evils eliminated as proposed in this bill will save the country in the future from a monopoly of money and bank credits. A system which would have put large governmental banks in competition with the small banks scattered all over our country, we believe, would have been most disastrous to the best interests of this Nation.

These banks, owned by the citizens of the various communities, gather unto themselves the funds and resources of these communities to be utilized for their development. What is needed to aid the country in its development is not antagonism, warfare, and destruction of these local banks, but the creation of a system which can extend to them needed benefits and accommodations. This plan is devised with that idea. The Federal reserve bank, in rediscounting paper, in accepting deposits, confines its operations to business with member banks. It only rediscounts notes, drafts, bills of exchange, and acceptances indorsed by a member bank. Thus it is an assistant and not an antagonist of its member banks. This system is a great advantage to a vast majority of the farmers and business men of this country. If the Federal reserve banks had to pass upon the credits and value of individual notes, many worthy men deserving of credit and of financial responsibility would have their paper rejected. It would be impossible for the reserve banks to know the financial standing of a vast majority of the farmers and business men of the country. If a different plan was pursued, the large financial concerns like Swift, Armour, and others, who daily offer their notes for discount, would be practically the only people accommodated; but by accepting the paper indorsed by a member bank, the member bank knowing the financial standing of its customers in their community can readily indorse their notes and have them rediscounted with the Federal reserve bank, which otherwise could not be done. By adopting this plan the bill will enable the small business men and farmers of all sections to get the banking accommodation and credit extended to the large financiers and financial institutions. The plan was devised to accomplish this purpose, and its beneficent results will be readily seen in all sections of the country when it commences its operations.

Mr. President, as far-reaching in their beneficial effects as are the advantages already presented of the proposed plan, there are still others which will be derived from the adoption of this system. The system provides that all the general current assets of the Treasury of the United States shall be deposited in these Federal reserve banks, the banks being permitted to use them for loans and business purposes as other deposits are used.

The current funds in the Treasury of the United States run from $125,000,000 to $225,000,000, and frequently more. It is conservatively estimated that this would result in placing in these banks about $210,000,000 of money by the Treasury of the United States. This money heretofore has either been locked up in the Treasury or deposited in national banks. When locked up in the Treasury of the United States, usually amounting to far more than $100,000,000, this amount of money is actually withdrawn from circulation and business, and to that extent produces money stringency and depression. When deposited in national banks, the Government has required the loan to banks to be secured by deposits of either Government bonds or other securities. The securities which the banks deposit in order to obtain these governmental deposits usually exceed in amount the deposits given the banks by the Government. Thus, when the Government makes deposits to the national banks under the present system, it really does not increase to a very great extent the ability of these banks to accommodate their customers. Under the proposed plan these deposits are put in the Federal reserve banks and the Government checks upon them as other depositors. Thus the funds in the Treasury are not withdrawn from circulation, but are available under this plan for the business of the country. This obviates the necessity of the banks depositing securities in order to obtain these funds. It prevents the favoritism which has heretofore existed in regard to the deposits of Government money in national banks. The benefits that will accrue from this plan are great and the stimulating effect upon legitimate business and commerce will be promptly felt. Heretofore these deposits of Government money have been mostly in large national banks in New York City and used for stock-speculation purposes. Under this proposed plan these governmental deposits will be put in Federal reserve banks and used entirely for legitimate business purposes. This is an advantage to all sections.

As the Government will receive all profits in these reserve banks after the payment of 6 per cent interest upon the capital stock to the member banks, the Government in addition will receive the profits derived from the use of its own money. The profits made by these Federal reserve banks have been variously estimated. Of course any estimate can only be conjectural. Mr. James G. Cannon, president of the Fifth National Bank of New York, an able and most conservative banker, estimates that the Federal reserve bank in New York City after paying a dividend of 6 per cent on stock to the member banks, and no interest on Government deposits, would earn more than $4,000,000 a year clear profit. The capital of the Federal reserve bank in New York City, upon which he estimates this profit, was placed at about $20,000,000, which is about one-fifth of the entire capital of all the Federal reserve banks. If the other Federal reserve banks should conduct their business as profitably as Mr. Cannon estimates the Federal reserve bank in New York City would, the net profits of all these banks would be about $20,000,000. But it is doubtful if all the banks could conduct as profitable a business as the one located in New York. However, from the estimate made by Mr. Cannon it would be safely concluded that the profits of all these Federal reserve banks if properly conducted would aggregate about $15,000,000, which would belong to the Government of the United States. This system also greatly facilitates the transference of funds from one section of the country to another, saves to the business men and bankers of this country yearly vast sums of money expended in obtaining exchange or transfer of funds. This will be of great benefit alike to bankers and their customers. The plan proposed, having provided a safe plan for the deposit of a large part of the reserves required of the banks entering the system in the Federal reserve banks and realizing that these reserves being under proper and patriotic control will be used for the general good, has safely reduced the reserve requirements of all the banks.

The reserve requirements of the country banks are reduced from 15 per cent to 12 per cent, the country banks being required to keep four-twelfths of this in their own vaults, five-twelfths in the Federal reserve banks, and the remaining three-twelfths either in their own vaults or in the Federal reserve banks as they may determine. The reserves required of banks located in the reserve cities have been reduced from 25 to 15 per cent. Two years after the date of the passage of this act the reserves of the banks located in the reserve cities shall be held six-fifteenths in the Federal reserve banks and the balance held permanently either in the Federal reserve bank or in its own vaults or in both at the option of the bank. A bank in a central reserve city has its reserve requirements reduced from 25 per cent to 18 per cent, of which after two years these banks shall be required to hold in the Federal reserve bank six-eighteenths, or one-third of its reserves, and the remaining twelve-eighteenths either in its own vaults or in the Federal reserve bank or both, at its option. The plan further provides that on all time deposits the requirements of the reserve shall only be 5 per cent, which heretofore has been 15 per cent in country banks and 25 per cent in other banks. The law provides that all deposits due within 30 days shall be considered as due on demand and have the reserve requirements of demand obligations. This makes legal the present system in national banks of paying interest on deposits, which heretofore has been the subject of great doubt as to its legality. By thus reducing the reserve requirements on time deposits and reducing, as previously stated, the general reserve requirements of all the banks, a vast sum of money now locked up as reserves will be released and can be utilized for business purposes. It is estimated that the 7,106 country banks, on account of the reduction of the reserve requirements on demand and time deposits, will have thus released about $140,000,000; it is estimated that the 367 reserve city banks, by the reduction of their reserve requirements, will have thus released about $200,000,000; it is estimated that the 52 banks in the central reserve cities will have thus released, by reduction in their reserve requirements, $110,000,000.

Thus it is estimated that by reduction of the reserve requirements in all the national banks and creation of this plan of Federal reserve banks $450,000,000 now required to be kept in the vaults of these various banks under existing law will be released under this proposed plan and be made available for trade, commerce, and business. This should be reduced by the 5 per cent redemption fund deposited by the national banks in the United States Treasury to provide for the redemption of their notes, and which was permitted to be counted as a part of its reserve. This is not permitted under this act and is an independent required reserve. Deducting this $35,000,000 leaves the real reserves thus released $415,000,000. It is impossible to overestimate the advantages which will accrue to commerce and business by this great release of funds which are now locked up and are of no advantage to commerce and business. The reserve requirements reduced under this proposed plan will nearly provide all the funds needed by the national banks to furnish their capital and reserves for the Federal reserve banks. The interest that the banks will receive upon the $105,000,000 of the capital stock for the Federal reserve banks and the privileges of rediscount which these Federal reserve banks will at once extend to all national banks in the country will far exceed any loss sustained by the national banks on account of failure to get interest on their reserve deposited in other national banks as now permitted by law. In addition to being relieved from apprehension and fear in time of financial stress and trouble, which is a great consideration to all bankers, the banks will find their profits greatly increased by becoming members of this proposed system. As all the banks in the country will be made stronger and better and have opportunities for rediscount, they will thus be enabled to extend greater and more liberal accommodation to their customers, to the benefit of all communities and all sections. As previously stated, this proposed plan is designated to assist the banks and thus enable the banks to assist and accommodate their customers. The requirements for the payment of capital stock and for the shift of the reserves to the Federal reserve banks are so adjusted and extended over two years that it can be accomplished without any disturbance of existing conditions or the creation of any contraction of credits.

By the reduction of the reserve requirements and the extension of the time for the payment of capital stock and the deposit of reserves, the system should be enabled to be put in operation with an expansion and not a contraction of currency. The plan should result in giving immediate relief to the present stringent conditions existing in this Nation. I believe the passage of this bill will witness a brightening of the financial skies and dissipation of the clouds of trouble and doubt at present overshadowing our business skies. In order to meet our financial troubles, panics, and currency famine, such as existed in 1907, the plan proposed authorizing the Federal reserve board to suspend for a period not exceeding 30 days, and from time to time to renew such suspension not exceeding 15 days, each and every reserve requirement contained in this act except the reserve requirements with reference to the issuance of Federal reserve currency. This is a much-needed amendment, and if we had had this law in 1907 the panic and financial distress of that time would have been greatly moderated if not avoided. The reserve requirements are imposed for the purpose of having a fund available in time of emergency and financial crises. The banks are required to keep these reserves in their vaults or in specified places of deposit to meet such emergencies and to avoid financial troubles, and yet our existing law is so foolish as to absolutely lock

these reserves up so they are available for no use at the time they are most needed. The panic of 1907 furnishes a striking illustration of the folly of the present system. During that distressing period the banks of New York, with more than double the reserve of the Bank of England, suspended specie payment and locked up these reserves, and, so far as being a benefit and relief to the country, they were perfectly useless. The Bank of England, as previously stated, during this time relieved the business conditions in England by making loans and thus dissipating the feeling of apprehension existing. The reduction of our reserve requirements in this plan is not unsafe, as contended by many.

The banks of Canada have no reserve requirements fixed by law. These are fixed by the judgment and management of the banks. The banks of England have no reserve requirements. The banks of France have no legal reserve requirements. The reserve of each bank is fixed by the management of the bank. But we have established legal reserve requirements in order to insure the safety and prudent management of our banks and to provide a fund available for use in times of emergency and financial troubles. Thus upon examination of the system of other countries it can not be safely contended that the reserve requirements of this bill are other than wise and all that conservative management could require. The proposed plan presents another benefit in permitting banks to discount notes and bills which are based upon foreign exportation or importation or the domestic shipment of goods. This creates a new class of paper and transactions nearly unknown in this country, but which are greatly used in Europe to great advantage of trade and commerce. It will open a new line of business, profitable alike to the banks and their numerous customers. Nearly all of our foreign business is now conducted through acceptances drawn through London or some foreign money center. This country, having no system of acceptances in vogue by banks, has been compelled to resort to the foreign system in order to conduct our foreign business. All of our transactions in exportation and importation of goods is thus conducted in foreign money centers. The bankers and their customers in this country have to pay immense sums annually for this accommodation. The reserve banks, by being permitted to rediscount the acceptances of member banks, will soon do this class of business to the great benefit of the banks and their customers, and result in the saving of many millions of dollars annually. In addition to giving the Federal reserve banks the privilege of rediscounting the acceptances of member banks, the privilege is further extended in the plan so as to permit any national bank to accept drafts or bills of exchange drawn upon it for either domestic or foreign shipments of goods not having more than six months to run and limiting the amount of such acceptances to one-half of the capital stock and surplus.

This will open up a new field of business for our national banks, much to their profit and to the benefit of their customers, and will also enable them to utilize their resources promptly and efficiently for the moving and marketing of our crops. This enables both the national banks and the Federal reserve banks to aid in this important work. Both of these provisions are of special benefit to our great agricultural interests. The proposed plan extends further benefits to our farming interests. Under existing law national banks are prohibited from making loans on real estate. They are prohibited from making loans upon this, the safest and best security. This prohibition contained in the national-bank act has been most detrimental to the development of our rural sections and very injurious to our farming interests. It has prevented farmers from obtaining money to improve their farms, to raise and market their crops. It has been an unjust discrimination in favor of the industrial and manufacturing interests against the farming interest. This unfair discrimination is to a large extent eliminated in this bill, and national banks are permitted to make loans upon farm lands, within safe limits. I regret that this bill did not contain a system of rural credits which would enable the agricultural sections of our country to obtain for a proper and reasonable length of time at a low rate of interest money to purchase farms, to improve and develop their farms when purchased, to raise and move their crops. There is nothing that our country needs more than such a financial system in order to result in rural betterment. I regret that this is not a part of our proposed plan, but we have an assurance that this plan will be followed by the creation of a system of rural credits which will give this needed relief to our agricultural sections. I hope that this promise will be fulfilled and that such legislation will be promptly enacted. I shall certainly do all I can to accomplish this. The rural sections of our country must be developed if we are to attain the possible summit of our usefulness, wealth, and greatness. We must have not only rural credits but better schools, better roads, better facilities in mail and parcel post in country districts.

The time has come when the rural sections should receive treatment in all respects equal to our great commercial centers. There is no problem confronting American life more important than a progressive development of our rural communities. I wish this bill contained more liberal provisions for the acceptance of warehouse receipts and bills of lading for farm products as security for loans and discounts. I hope the promises made that these shall be more liberally provided for in the bill for rural credits for the relief of farm communities will be fulfilled, and that there will be an extension of such accommodations to the farmers on lines of safety and prudence.

Mr. President, this plan provides a relief which economists have long contended was needed in our system of currency and banking. It has long been contended that we had no adequate means to protect our gold supply. Economists have continually frightened us by pointing out that our gold supply was completely at the mercy of other nations, and that we could be divested of it at any time, and had no means of prevention. The main reason that has been urged for the creation of a great central bank is to provide the means of protecting and preserving our supply of gold. This is the main argument that has been presented for such an institution.

Yet, Mr. President, despite all the theorists of the academic school of financiers, despite the foreboding prophecies of the selfish financiers for many years, we have to-day the largest stock and supply of gold of any nation in the world. I have no apprehension that this great supply, the greatest accumulation of gold in the world, will be depleted. The balance of trade is largely in our favor. This is a guaranty that we can obtain gold when we need or desire it.

Mr. President, as long as our exports exceed our imports, and our exports consist of the necessities of life that the world must have, whether in times of stringency or not, and our imports consist mainly of luxuries, which in times of depression we can cease purchasing and importing, there is no danger of our supply or stock of gold being impaired.

This condition creates for us an impregnable position, which enables us to obtain gold whenever needed or desired. As long as this condition exists any gold that is withdrawn from us is but temporarily withdrawn as a loan and can be called back whenever we demand it. This condition is the one which has enabled us to accumulate our great stock of gold and furnishes us the guaranty that we will retain it and add to it when we desire. It is a better guaranty than any central bank or any system of banking and currency that could be devised. But in order to prevent a temporary shipment of gold in time of financial trouble and distress, which might accentuate the conditions then existing, this bill provides that the Federal reserve board can control the discount rates of the Federal reserve banks. The rate of discount is the method used by the Bank of England, the Bank of France, and the Reichsbank of Germany to control the importation of gold within these countries or to prevent its exportation. This has been found effective in these countries, and the power is given the Federal reserve board in order to use this power when necessary in this country. But in order to further protect and add to our gold supply the Federal reserve banks are empowered to purchase and sell foreign and domestic bills of exchange, bankers' bills, to purchase gold and silver bullion, to borrow gold and to give as security for it United States bonds and other securities, to buy and sell bonds of the United States and its dependencies, State, county, district, or municipal bonds. These powers given to the Federal reserve board and Federal reserve banks are amply able to furnish every possible protection to our present supply of gold and to add to it whenever the best interests of this country require it. The power given in this respect is all that can be desired and will be found, when used, most effective. The bill also permits under safe and conservative conditions the creation by national banks of branch banks in foreign countries. This is prohibited under the existing law.

By permitting the creation of branches in foreign countries we will enable the banks of this country largely to conduct our foreign business, with benefit and profit to the bankers and increased accommodation and the saving of many million dollars to the people of our country. In addition it will give a great stimulus to our foreign trade and give us our own banking facilities in foreign countries, so that we can successfully meet our foreign competitors. It will relieve us from dependence in this vast trade upon foreign bankers. In this great trade it will ultimately result in giving us financial independence,

to the great benefit of our agricultural, manufacturing, and commercial interests.

Mr. President, this proposed plan will give to this country an additional benefit which can not be exceeded by any heretofore enumerated. It will give us a more uniform and a lower rate of interest. The rate of interest charged by each Federal reserve bank for discounts to its member banks will be uniform. Thus in each section presided over by a Federal reserve bank there will be a uniform rate of discount. This will have a tendency to make a uniform rate of interest in that section. It will give to country sections and to new communities where there is a great demand for money a lower rate of interest, which will be most productive of their progress and development. The Federal reserve board having to approve the rate of discount of the Federal reserve banks will exercise that power to establish as far as safety and prudence will permit a uniform rate of discount for the country. This can but have a tendency to lower the rate of interest in the West and South, where there is now a great demand for money on account of their rapid development. It is impossible to make an estimate of the benefits to agriculture, manufacture, and commerce of all the sections of this country which will come by the facilities given by these Federal reserve banks for loans and discounts and the lowering of interest rates which must come.

I believe that the greatest benefit which will first accrue from this lowering of the rate of interest will be to our rural sections. I believe that these sections will have an opportunity for development from which they have heretofore been deprived on account of the high rate of interest and the difficulty of obtaining discounts and loans. The development and prosperity of our rural sections will necessarily add to the growth, wealth, and prosperity of our cities and commercial centers. Agricultural crops, on account of lower rates of interest and increased facilities for loans and money, will be produced more cheaply and abundantly. The profit and the prosperity of the farmer will be greatly augmented. Thus their purchasing power will be greatly increased. This will result in greater output to our manufacturers, with increased profit to the owners, with increased wages to the employees, and more constant employment. It will increase the business of our great mercantile interests. It will increase the transportation of our railroads and steamship companies. It will thus inevitably increase the deposits and business of the banks, with corresponding increase in profits.

Mr. President, it seems to me that this proposed plan of banking and currency reform deals justly and fairly with all the varied interests of our country and has within it sources for the great benefit and betterment of each. It is not a perfect system. Such a system has not been and will never be devised. It does not contain all that any of us may desire. There are none of us who, if we had power, would not make some modifications and insert in it some additional provisions. It is constructed on wise, prudent, and conservative lines. It preserves existing conditions where they have been found to be beneficial. Its modifications are to eliminate evils which are great, and which are universally conceded. Its changes are made safely and slowly, so as not to produce a shock to business and finance, unsettlement and disturbance. It follows the pathways which experience in this and other countries has pointed out as safe and beneficial. It will be found efficient in lessening the monopoly of money and bank credits and opens the door of opportunity to every enterprising business man and every legitimate business.

I believe it is the best measure that present conditions will now permit us to obtain. Its worst opponents have been forced to confess that its benefits far exceed its defects. Banking and currency is not an exact science like mathematics. The system can only be perfected by experience. If any defects are disclosed in the future, Congress can readily remedy them. In the future as the operations of the plan shall be disclosed we will perceive what is good and promptly correct what is wrong. For more than the last decade we have been discussing banking and currency reform, and the demand for such a reform is urgent and universal. The time for prolonged debate has passed; the time for action has arrived. The time has come when the differences upon this question, as far as possible, should be reconciled, and the insistent demand of the country for this legislation should be promptly realized.

Mr. President, to my mind the duty of the Democratic Party is plain. The country has given us power to enact the legislation promised in our platform, included in which is banking and currency reform. The responsibility for failure to enact such legislation will lie with us. When power is given, platform promises should be transferred into legislative enactments. United with individual responsibility is a combined party responsibility. Hence it is the duty of the Democrats to reconcile their differences, as far as possible, and to unite on a measure which can command sufficient Democratic strength to secure its enactment. If each individual Member of Congress will only support measures that meet his entire approval, legislation becomes impossible. Concessions must be made. Differences must be reconciled. The country will refuse to continue in power a party which is unable to act on account of irreconcilable individual differences. Individual pride of opinion should be abandoned for the accomplishment of common good. In the hour of our power and responsibility the time has come for Democratic harmony, not discord; for lessening, not magnifying, differences; for reconciliation, not recrimination.

The Democratic Party should discredit those who for selfish purposes and advancement seek to continue party strife and bitterness which will render impossible that accord and concert so necessary for us in order to discharge our duty and obligations to the country. Poor, indeed, is that Democrat who in this great hour of our opportunity will not bury self and seek the good of his party, and with that the progress and prosperity of our country. The measure here proposed has the support of the judgment of a large majority of the Democratic Members of the House and the Senate. It is a result of the investigation and thought of these Members and the present Democratic administration. The measure as outlined is the common basis upon which the opinions of these upon whom the responsibility lies for legislation have united, and which they believe will fulfill their promise made to the country and will result in great betterment to all our varied interests. It has my cordial support. I shall earnestly and actively do all I can to secure the prompt enactment of this legislation. I have confidence in the wisdom of the President and the Secretary of the Treasury, who have thoroughly investigated this question and approved this measure as wise and beneficial. No one can doubt the ability and patriotism of the President. He possesses in a preeminent degree the elements of statesmanship. An eminent writer has well defined statesmanship as "not only the wisdom to discern, but also the valor to lead along the right pathway."

The President, during the months he has exercised his great office, has displayed in a preeminent degree capacity and courage, the two great elements of statesmanship. In this conflict he has without hesitation and without fear stood by the masses of the people, and determined, as far as he was able, to give the country a banking and currency system promotive of all the interests of all the people and with a view to save the country from the paralyzing influence of monopoly of money and bank credits. He has refused to either compromise or capitulate to a few strong and powerful financiers or banking interests who slowly surrender the privilege hitherto enjoyed of despoiling the many for their enrichment. In this conflict he has been sustained by the Democratic Members of the House and Senate. The day of his and our triumph is fast approaching. The time for the passage of this bill may be delayed, but not defeated. Before many weeks have passed this country will have witnessed the passage of this measure with all its great reforms and benefits. The country will receive with acclaim a Democratic President and a Democratic House of Representatives and a Democratic Senate who have the courage and the constancy to fulfill their promises and to enact this measure, and thus enable the agricultural, commercial, manufacturing, and legitimate banking interests of this country to be freed from selfish and sinister domination, and thus permit this mighty Republic to advance rapidly and continuously along the pathways of progress, prosperity, and equal opportunity.

During the delivery of Mr. SWANSON's speech,

Mr. WEEKS (at 11 o'clock and 7 minutes a. m.). Mr. President, I dislike to interrupt the Senator from Virginia, but I am going to make the point of no quorum, and I want to state to the Senate why I am going to do it.

An order has been adopted that we shall meet at 10 in the morning and continue, with an interruption for dinner, until 11 o'clock at night, presumably for the purpose of hastening this legislation. No one is more anxious than I that the legislation shall be passed at the earliest possible moment, but there is not any use in devoting any time to its consideration unless Senators are going to give it consideration. Here is a Senator making a carefully prepared, deliberately considered speech on this subject which has in it information. If the Senate wishes information it should be here to hear him, because we all know we have not the time to go over the RECORD and read what Senators have said the day before.

It is the business of the majority under these circumstances to maintain a quorum in this body. Ten minutes after the call

was made for a quorum on the convening of the Senate to-day there were 12 Democratic Senators on the floor and 19 Republicans. At 10.50 there were 12 Democrats on the floor and 11 Republicans. At 11 o'clock there were 10 Democrats on the floor and 11 Republicans. At no time when I have happened to count the majority——

Mr. SWANSON. Mr. President, I do not yield for a speech. The Senator has a perfect right to ask for a quorum, but I do not yield in my remarks for a speech.

Mr. WEEKS. Will the Senator pardon me half a minute? I am about through. I want to give definite reasons for this, and I am not going to do it again.

Mr. SWANSON. The Senator has a perfect right to insist on a quorum. I will yield for a minute more, though.

Mr. WEEKS. I make the point of no quorum, and later I will explain my reasons a little more in detail.

The VICE PRESIDENT. The Secretary will call the roll.

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

Bacon	Hughes	Page	Smoot
Borah	Johnson	Perkins	Stephenson
Brady	Jones	Poindexter	Sterling
Brandegee	Kern	Pomerene	Stone
Bristow	La Follette	Ransdell	Swanson
Bryan	Lane	Reed	Thomas
Burleigh	Lea	Robinson	Thompson
Chamberlain	Lewis	Root	Thornton
Chilton	McCumber	Shafroth	Tillman
Clapp	Martin, Va.	Sheppard	Townsend
Clark, Wyo.	Martine, N. J.	Sherman	Walsh
Cummins	Nelson	Shively	Warren
Dillingham	Newlands	Smith, Ga.	Weeks
Fletcher	O'Gorman	Smith, Mich.	Williams
Hollis	Owen	Smith, S. C.	

Mr. HOLLIS. I desire to announce that the Senator from Kentucky [Mr. JAMES] has been called to one of the departments suddenly on important business, and also that the junior Senator from Delaware [Mr. SAULSBURY] is absent on important business.

The VICE PRESIDENT. Fifty-nine Senators have answered to the roll call. There is a quorum present. The Senator from Virginia will proceed.

Mr. SWANSON resumed his speech.

The VICE PRESIDENT (at 12 o'clock m.). The Chair lays before the Senate the unfinished business, the morning hour having expired. It will be stated.

The SECRETARY. A bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

The VICE PRESIDENT. The Senator from Virginia will proceed.

After the conclusion of Mr. SWANSON's speech,

Mr. O'GORMAN. Mr. President, may I now ask the Senator from Virginia a question?

The PRESIDING OFFICER (Mr. LEA in the chair). Does the Senator from Virginia yield to the Senator from New York?

Mr. SWANSON. I shall be very glad to yield to the Senator from New York.

Mr. O'GORMAN. Did I understand the Senator to say that during the latter part of 1907 the banks in New York held the reserves of the country banks and refused to pay them, and that in consequence a panic was precipitated?

Mr. SWANSON. I stated specifically that the New York City banks owed the country banks, I think, over $400,000,000—nearly $410,000,000, to state the figures with more accuracy—by the reports of August 22 of that year.

Mr. O'GORMAN. May I ask the Senator where he obtained that information?

Mr. SWANSON. I obtained it from the report of the Comptroller of the Currency made at that time.

Mr. O'GORMAN. It is possible that the Senator has made a mistake in his statement.

Mr. SWANSON. I think not.

Mr. O'GORMAN. Well, Mr. President, if the Senator had the advantage of the testimony taken before the Senate Committee on Banking and Currency for a period of three weeks, I am sure he would not make that statement. I know of no public question about which more misinformation abounds in this country than about the banking and currency problem. Much of the inaccuracy indulged in from time to time respecting this problem is based on ignorance, and at times it is based upon a desire to aid in disseminating information that thoughtful persons know to lack real foundation.

I desire to call the attention of the Senator from Virginia to the testimony of one or two of the country bankers who testified before the Senate Committee on Banking and Currency, and their testimony reflects the testimony given by almost every country banker who was interrogated on the subject.

Mr. George W. Rogers, president of the Bank of Commerce, of Little Rock, Ark., whose testimony will be found on page 2254 of the hearing, made this statement. The Senator from Ohio [Mr. POMERENE] asked the question:

> Did you have any trouble in 1907?
>
> Mr. ROGERS. No, sir; in 1907 I borrowed all the money I wanted to. Fortunately, I was paying off discounts instead of borrowing at the time. But I received from the banks of New York that I did business with cash at par to an amount three times the amount of my balance at the time they put the lid on.

Mr. SWANSON. Now, Mr. President——

Mr. O'GORMAN. The Senator will pardon me until I conclude this statement.

Mr. Francis W. Foote, the vice president of the First National Bank of Hattiesburg, Miss., the second largest bank in the State, testified as follows:

> Senator WEEKS. Mr. Foote, do you think the New York banks did the best they could to take care of their customers during the panic of 1907?
>
> Mr. FOOTE. I certainly do; and I feel that we owe them a debt of gratitude which we can never repay. I will never forget the kind treatment they accorded us. We owed one New York bank $145,000, and our balances averaged almost that amount. I was in New York during the panic, and we had $90,000 to our credit and owed them $145,000—all of which was payable on demand. They told us they would loan us more money in the way of credits, but they could not give us cash; but that if we could check on them and satisfy our correspondents they would let us have $100,000 more money.

And continuing he states:

> They know more about the banking business of this country than any other class of bankers. You will go to New York and be treated with more consideration by a New York banker than any other class of city bankers we have. He knows more about your community, more about your assets and your liabilities and what you can do than any other class of men we have. They are more in touch with the situation than any other bankers in this country. I have yet, in the 25 years of my experience, to have any personal knowledge of any unkindness or lack of consideration that a deserving country banker has received at the hands of his New York correspondent.

Speaking, now, of the attitude of New York bankers in the panic of 1907, on page 1530, Mr. Foote stated:

> They did not seem to care anything about that. They seemed intent upon saving the situation. I never was impressed more with anything in my life than I was with the absolute loyalty of the bankers of New York City to the country at large.

That is the testimony of a banker in the State of Mississippi. The preceding reference was the testimony of a banker in the State of Arkansas.

Now, I call your attention to the statement of Mr. Alexander Gilbert, the president of the Market and Fulton National Bank, of New York, for 50 years a banker.

This bears upon the attitude of the New York bankers with reference to the rest of the country. He was speaking of the bank balances on September 24 of that year, and he showed from the record that the entire loans made by the New York bankers on that day aggregated $1,226,000,000, out of which only $264,000,000 was made to New York bankers, and that almost $1,000,000,000 were sent out by the bankers of New York to bankers throughout the country.

Much has been said by the Senator from Virginia which will provoke no controversy in this Senate. Fortunately we are approaching the day when we will enact a currency bill which will have the confidence of the country; fortunately the 12 members of the Banking and Currency Committee were practically a unit on the vital features of this legislation; they all recognize the need of improving our methods respecting the mobilization of reserves and of providing elastic currency, and where the members of the committee disagreed, they disagreed only with respect to matters of detail; but when the Senator from Virginia, prefacing his reference to this proposed legislation, indulges in what I conceive to be unwarranted, inaccurate, and unfair criticism of the city of New York, he does himself an injustice, and he does an injustice to his own constituency if he thinks he reflects their views. I very much doubt whether he reflects their views, because the people of Virginia are an intelligent electorate; they know the merits of this and other great questions; they are not going to be misled by the thoughtless vaporing of populistic doctrine, whether they hear it from the housetops, or even though it may penetrate the Senate Chamber.

Mr. SWANSON. Mr. President, I have listened to the Senator from New York [Mr. O'GORMAN]. I have before me a summary made from the report of the Comptroller of the Currency of August 22, 1907, just prior to the panic, when the banks were called on for their reports, which shows that the banks of New York owed the national banks $213,000,000, and that they owed the State banks $196,000,000, making $409,000,000 of money on deposit in New York on that date due other banks in the country. It has not been disputed by the Senator from New

York that on October 31 the banks in New York telegraphed and refused to make payments to the interior banks. At that time the banks of Richmond had due them—I had an estimate made at the time—between $2,000,000 and $3,000,000 from New York, and they could not get any money. There were not bankers in any of the cities of this country at that time who did not have money due them in New York. The New York banks suspended payment; they did not send out any money; and it was absolutely impossible to get shipments of currency. The position I take is that they suspended the payment of currency when they had $224,000,000 in their reserves. The Bank of England had only $120,000,000, but the Bank of England did not suspend payment, but it continued to make payments. The banks of New York could have continued the shipment of currency to make payments to the interior banks and not have precipitated a suspension of payments. They either got scared too quickly or else their action had a sinister motive in it. I have stated in this matter nothing but facts derived from the reports made by the banks themselves.

It is impossible for me to determine how individuals may have been treated by the banks. All that I know is that the large part of the reserves of the country in 1907 were locked up; all that I know is that the interior banks of the country that had deposits in New York in 1907 for two or three months were unable to obtain currency, and that they had to suspend because they could not get the currency to which they were entitled which was on deposit in New York.

Mr. BRISTOW. Mr. President——

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

Mr. SWANSON. I do.

Mr. BRISTOW. Apropos to the discussion between the Senator from New York [Mr. O'GORMAN] and the Senator from Virginia [Mr. SWANSON] in regard to the banks of Virginia and New York and their relation in 1907, I should like to read a letter which I received from Mr. A. W. Wallace, of the National Bank of Fredericksburg, Va., under date of September 23, as it relates to this subject. He says:

> I see you ask to hear from country bankers on currency; so I submit the following: My father, brother, and self have controlled the above bank for about 100 years. First, there is no need to bring up haste. If we are to have 12 large breakwaters to impede the free and natural circulation of money, the stock should be subscribed to voluntarily, etc., and all the people who wish to subscribe should have an opportunity. * * * Deposits should be induced, and the Government and depositors put on the same footing, interest paid in proportion to the amount of deposit, if interest is paid at all. My bank pays no interest for taking care of people's money. The banks should be controlled by the owners of the stock.
>
> * * * * * * *
>
> Money goes where it is needed, regardless of banks. If New York could lock up all the money for a month, New York would starve. This bank in the panic of 1907 sold New York currency at 105 every week.

Mr. WEEKS. Mr. President——

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

Mr. WEEKS. I will wait until the Senator concludes.

Mr. SWANSON. In reply to the Senator from New York [Mr. O'GORMAN], I will state that the figures which I have given in my address to the Senate were compiled from reports of the Comptroller of the Currency. They show a condition of affairs which has impressed this country ever since, and that is the necessity of having the bank reserves of the country put in banks where there is a public responsibility for their proper use.

Mr. O'GORMAN. Mr. President——

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

Mr. SWANSON. I will in a moment. The figures also show beyond dispute or contravention that the deposits of the interior banks were held in New York, and that in the time of the panic the interior banks could not get their deposits. That is not disputed.

Mr. REED. Mr. President——

The PRESIDING OFFICER. Does the Senator from Virginia yield, and to whom?

Mr. SWANSON. I yield to the Senator from New York, who first asked recognition.

Mr. O'GORMAN. I simply want to ask a question. Do I understand the Senator from Virginia to say that the banks of the city of New York had $400,000,000 of the reserves of the country banks and withheld those deposits?

Mr. SWANSON. On August 22, 1907, according to the report made just before the panic—another one was made in December, or some other time during the panic—the New York banks had $410,000,000 on deposit due to national banks and State banks outside of New York.

Mr. O'GORMAN. Has the Senator the record of the loans made by the New York City banks to the country banks at the same time?

Mr. SWANSON. I have not.

Mr. O'GORMAN. The Senator would find—and it is a fact, and not a matter of opinion—that the loans, accommodations, and credits made by the New York City banks at that time to the banks of the country exceeded the amount of reserves on deposit in the New York City banks by the country banks.

Mr. SWANSON. I am satisfied that it will show exactly the reverse. I should like to ask the Senator this question: What right has a reserve bank to take the money put on deposit with it by another bank, loan it out, and then suspend payment and refuse to pay the deposits of the banks in the interior, which were forced to suspension throughout the entire country? I recall that at that time the banks of the city of Richmond had between two and three million dollars on deposit in the banks of New York and that the banks of New York would not furnish the Richmond banks any currency. I came here at that time to see the Comptroller of the Currency and the Secretary of the Treasury, at the suggestion of a committee of bankers of Richmond, but instead of giving us the money we ought to have, they were withdrawing the internal-revenue deposits from Richmond and sending them to New York.

Mr. O'GORMAN. Mr. President, I can only remark at this time that I very much regret that when the junior Senator from Virginia was preparing his exhaustive treatise on the subject of banking and currency, with some incidental references to the pending legislation, he did not read the testimony taken before our committee for three or four weeks, which would demonstrate that the statement contained in his initial address was without foundation in fact; that it was misleading; and that it did not correctly state the conditions that prevailed in 1907; and his statement is in part refuted by the very letter just read by the Senator from Kansas [Mr. BRISTOW] from one of the constituents of the Senator from Virginia.

Mr. SWANSON. Mr. President, it is exactly the reverse of what the Senator from New York states. He endeavors to get some isolated evidence of witnesses here and there to controvert the reports made by the banks themselves. I have given no opinion of my own; I have simply taken facts that can not be disputed and shown how the reserves in 1907 were utilized. I have shown that the reserves should be taken from the great reserve centers and put in Federal reserve banks to be used entirely for the public good, as provided in the currency bill here proposed.

Mr. WEEKS. Mr. President——

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

Mr. SWANSON. I will yield to the Senator in a moment. I should like to say, further, that a profound impression was produced in the country when the suspension originated in New York in 1907. All the Senator will have to do to get the facts will be to read the reports of the Monetary Commission, which investigated this matter. He will find the same facts and same statements therein contained. Now, I yield to the Senator from Massachusetts.

Mr. WEEKS. Mr. President, I wish to call this fact to the attention of the Senator from Virginia. When the panic of 1907 broke at the end of October, in round numbers the New York national banks had deposits of $1,200,000,000, and of those the deposits of all banks, including savings banks, were about $525,000,000. I am stating this from memory. It is required by the law—for which Congress is responsible and not the national banks—that the reserve city national banks shall keep 25 per cent of their deposits in their vaults in cash. Therefore it was necessary that they should have $300,000,000 in their own vaults. The statements show that the New York national banks at that time had the reserves required by the law enacted by Congress. What happened? As soon as the panic came on the country banks and others commenced to withdraw their deposits; and the Senator is complaining because the New York banks stopped paying when they had gotten down to $224,000,000 of reserves, which was not 25 per cent of their deposits or anything like 25 per cent of them.

Mr. SWANSON. The Senator makes——

Mr. WEEKS. Just a moment. As a matter of fact, every New York national bank was breaking the law when they suspended as they did. Now, I ask the Senator if it is fair to criticize the banks for stopping at some point when they knew that they were breaking the law which we had deliberately imposed upon them?

Mr. SWANSON. I will answer very frankly that the statement of the Senator is correct. They had $224,000,000 in their reserves, which was somewhat less than their reserve require-

ments, but the law does not prohibit a bank from paying a depositor in order to keep up its reserves, although it can not loan money when the reserves are less than 25 per cent. The reserves are kept to make payments to depositors and not to make loans. As I understand the law, it is the duty of a bank to contract its loans, if necessary, in order to pay its depositors their money. The complaint I make of the New York banks is that they did not contract their loans sufficiently to pay the interior banks their deposits.

Mr. WEEKS. Mr. President, the Senator is wrong about that. A bank has no right to reduce its reserves below the legal requirements of the law; and if it does reduce its reserves below that requirement, the comptroller may order it to cease loaning until its reserve is made good. The reports that have been made about the New York banks have been very largely exaggerated. Let me give the Senator an instance of a statement made to me when I returned to Washington in December of that year. A representative from a large and representative southern city told me that the banks of his locality had been unable to get any currency from New York, and he went on to tell me just what had happened—how the New York banks had refused to give them currency, and had finally said that it could be purchased at a premium of 2 or 2½ per cent. The next time I went to New York I went into the bank which was the correspondent of that particular southern bank, and I found that its average deposits, we will say, were $300,000, and that during the time from the 28th day of October until the 5th day of December the New York correspondent of that southern bank had sent it more currency than its average deposits in the New York bank. The only basis for the statement that it had refused to send any more was a telegram from the southern bank asking at what premium they would be able to purchase more currency if they needed it, recognizing the fact that they had received all they were entitled to. That was the kind of statement made by the country banks everywhere. When the Comptroller of the Currency called for a bank statement in December, it was clearly demonstrated that the country banks had very much more than their required reserves, and that all the reserve city banks had very much less, which in time completely demonstrated the fact that the country banks had been calling home deposits which they did not require.

Mr. SWANSON. The bank statements showed that the country banks had contracted their loans $83,000,000, and that during that time, when the country banks were contracting their loans, loans had been expanded in New York by $64,000,000 and contracted in the rest of the country by $83,000,000.

Mr. WEEKS. The Senator is very much mistaken about that; but if he were correct about it, he would be making an argument for just exactly what we want as the result of this proposed legislation. Every other nation in the world, when a panic is impending, increases its loans, while we restrict credit.

Mr. SWANSON. Loans should never be increased to the detriment of depositors. The depositors are entitled to a higher consideration from the banks than people who want to loan money. The banks of the entire country were embarrassed because they could not get their currency from New York. As to whether or not New York was frightened and suspended too early is a question of debate; but I know that at the time I was governor of Virginia the banks of Richmond appointed a committee, of which I was one, and we came in to see the Secretary of the Treasury and the Comptroller of the Currency. That committee made an estimate at the time they came here of the amount owed to the banks in the city of Richmond by the national banks in New York, which showed that the amount was between two and three million dollars, for which they could not get any currency.

Mr. WEEKS. What I want particularly to point out is that this is not the time to complain of what the New York banks did or did not do at that time. Everybody admits that we ought to change the system; that we ought to make our reserves more mobile and put them where they will be available in case of necessity. I believe that the New York bankers did everything they could under those conditions; there may be an honest difference of opinion on that subject, but let us not do an injustice to a set of bankers simply for the sake of bolstering an excuse for legislation when that injustice is not necessary to find reasons for it.

Mr. SWANSON. Mr. President, I have done no bankers, I have done no city, I have done no Senator an injustice, unless to point out the facts disclosed in the report of the Comptroller of the Currency is an injustice.

The point I make, Mr. President, is this: Most of the reserves in the panic of 1907 were in New York City. Whether it was done intentionally, whether it was done unwisely, or how it was done, we know, at least, that the system broke down in 1907.

Mr. WEEKS. And always has done under such circumstances.

Mr. SWANSON. And always has done so. We know there is a concentration there, and we know that there is an imperfect responsibility on the part of the great banks of New York as to how they shall use the reserves. I use 1907 as an illustration to show that it is unwise to continue a system that will concentrate all the reserves of this country in the New York City banks. I have shown that at that time they failed to respond or to measure up to what was necessary in order for the reserves of the country to be properly utilized. I used that as an argument to show that the Federal reserve banks as designed by this measure constitute the proper remedy.

Mr. O'GORMAN. Mr. President——

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

Mr. SWANSON. I do.

Mr. O'GORMAN. I simply want to call attention to the fact, which the Senator from Virginia will recognize, that the reserves of the country banks, so called, were not confined to New York City, but that they were deposited in Chicago; they were deposited in St. Louis.

The suggestion was made earlier to-day that in the 47 reserve cities, not to speak of the central reserve cities, all these deposits were absorbed by New York City, when the truth is that all the reserves going to New York City went voluntarily from the country banks, because they could get, either in New York City or in Chicago or in St. Louis, an interest rate on reserve money that they could not get elsewhere. The bankers in New York City to-day who were before our committee expressed their pleasure at the prospect of the passage of a bill which will relieve them from using the reserves of the country, because when they receive in New York City these reserves from country banks they have to use them on call loans, in order to get some return for what they are distributing among the country bankers throughout the country.

Mr. REED and Mr. WEEKS addressed the Chair.

The PRESIDING OFFICER (Mr. LEA in the chair). Does the Senator from Virginia yield, and to whom?

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

Mr. REED. I simply want to put in one fact. I have no interest in this controversy, except that accuracy may be adhered to.

The Senator made several times the statement about all the reserves of the country being in New York City. I happen to have before me the report of the comptroller for May 20, 1907. The reserves required on that day for New York City were $216,583,244; for Chicago, $65,376,731; for St. Louis, $28,445,794—a total for the central reserve cities of $310,405,770.91.

In addition to the central reserve cities there were 47 reserve cities which held the reserves of country banks in the same manner that the central reserve cities held the reserves of country banks or the reserves of reserve cities. I find that in those 47 cities there were required reserves of $356,349,238.53. There were total reserve requirements in the country, counting the central reserve cities and the reserve cities, of $666,755,009.44, of which New York was required to have $216,583,000. I drop the odd figures.

So instead of all the reserves being kept in New York, as the Senator stated—and I presume he meant only to generalize—less than one-third of the reserves were in New York City.

Mr. SWANSON. The Senator means of all the banks?

Mr. REED. Of all the banks of the reserve and central reserve cities. The Senator, I know, perhaps did not mean to employ more than a figure of speech, but it might very well be misconstrued.

Mr. SWANSON. Mr. President, about two-thirds of the reserves of the central reserve cities are usually in the banks of the city of New York.

Mr. REED. Mr. President, the Senator certainly——

Mr. SWANSON. My address, to which the Senator did not do me the honor to listen, I think, states how these reserves are distributed. If I said that all the reserves of the country were in New York City, if I used language so broad as that, of course it could not cover all of them. As the Senator states, about two-thirds of all the central reserves are there. A bank is required to keep 6 per cent of its reserves in its own vaults. In the case of a reserve city bank it is required to keep 12½ per cent in its own vaults.

Mr. REED. The Senator is in error again. I did not say these were all the reserves of the country; I said the reserves of the reserve cities and central reserve cities, which of course expressly excludes the 6 per cent the Senator is now talking about, which is held by every country bank.

I did do the Senator the honor, if he calls it an honor, of listening as long as it was possible for me to remain; and I have been out of the room only about 10 or 15 minutes.

Mr. WEEKS. Mr. President——

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

Mr. SWANSON. I yield to the Senator.

Mr. WEEKS. There is one other suggestion I wish to make to the Senator from Virginia on this particular subject.

Banks, ordinarily, deposit with their reserve agents not currency but credits. When they are having trouble at home, as they did in 1907, they do not ask for the return of their credits, but they ask for currency. If at that time the New York banks had been called on by their individual and bank depositors for 25 per cent of their deposits, I should like to ask the Senator from Virginia what they would have done? It would have taken every dollar they had in their own vaults, and they had at that time the legal reserve required by law. How were they going to recoup themselves? Is not that exactly what we are trying to do in this legislation—to arrange a plan which will enable banks, under such conditions, to recoup themselves, to get gold, to increase their reserve deposits?

Mr. SWANSON. Mr. President, in reply to the Senator from Massachusetts, I will say that the contention we had with the New York banks was that they had the reserves of the interior banks on deposit, and they were entitled to have this money sent to them. The report of banks made to the Comptroller of the Currency during the panic, I think, shows that in order to get up their reserves the country banks were compelled to contract loans to the extent of $83,000,000. Contraction went on in the case of the country banks; but during the very time when the country banks could not get money on their deposits, New York expanded her loans to $60,000,000 or $64,000,000.

My contention is that New York ought to have continued to pay to the country banks out of these reserves until they were finally depleted rather than to have suspended. My understanding of the law is that it does not require you to refuse to pay a depositor when your reserve gets down to 25 per cent; but the Comptroller of the Currency can prohibit the bank making further loans after the reserve gets down to 25 per cent.

I do not understand the law to say that the minute your reserves have fallen to 25 per cent you can not pay out any money over your counter. It is the duty of a bank then to contract its loans and increase its reserves so that it can pay its depositors. I think that fund is there for the purpose of paying depositors. I think the country banks should have had a part of that $224,000,000, instead of its being all locked up.

Mr. WEEKS. I think the Senator from Virginia is wrong in some of his figures. I shall take the pains to look them up, in order to indicate to him in what respect he has drawn a wrong conclusion. I have not in my mind the definite figures, so I can not repeat them at this time. I think he is also wrong about the reserves required. We do require that certain reserves shall be kept, and if failure to do so is called to the attention of the comptroller, and by him called to the attention of the banker, he forbids the banker making any more loans until his reserve is brought up to the requirement.

I ask the Senator again, What would have happened in New York if all the depositors in New York banks had gone into the banks and drawn 25 per cent of their deposits? It would have taken out of their vaults every dollar of money the New York banks had.

Mr. SWANSON. There was no demand at that time sufficient to imperil the situation if the New York banks had paid out to depositors less than the 25 per cent reserve, which, as I understand, is limited by the law to loans. I understand that the reserve is kept there for the purpose of paying depositors. I am satisfied that the banks of New York got scared entirely too quickly.

There was a crisis in England at that time, and, as I understand, the Bank of England had about $120,000,000 of reserves. The Bank of England continued to make payments. Its reserves were reduced to $85,000,000 during that crisis, and still it did not suspend payment. As I understand, the reserves in the city of New York were never less than $215,000,000 during the entire crisis when payment was suspended.

What I desire to emphasize is the difference between the management of a bank run entirely for the public interest and banks run for private interests. The purpose of my remarks was to show that a bank governed and controlled like the Bank of England, and holding the reserves of the nation, continued payments with half the reserves possessed by the banks of the city of New York, and reduced them down to $85,000,000, and never suspended; yet the banks in the city of New York never had less than $215,000,000 in their reserves during the entire panic and suspended with reserves amounting to practically $224,000,000.

Mr. WEEKS. Mr. President——

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

Mr. SWANSON. I do.

Mr. WEEKS. I should like to call the Senator's attention to the fact that the laws of England do not require that the Bank of England or any other bank in England shall keep any reserve, while our laws do require it. More than that, however——

Mr. SWANSON. That is true, Mr. President. I pointed out that it is a wise provision in this bill which allows the Federal reserve board to suspend the reserve requirement for 30 days and continue it, if needed, for 15 days more, and I stated that if that had been the condition then it might have been able to handle the emergency in New York. My impression is that New York suspended too quickly, got frightened too quickly, and held there $224,000,000 that was of no use. It never was reduced but $9,000,000.

Mr. WEEKS. Mr. President, the Committee on Banking and Currency had before it a large number of bankers during the hearings which we gave in the months of September and October. A great many of them were country bankers. Many of them were from the South and the West. In only a single instance did those bankers give us a syllable of testimony to any other effect than that, in their judgment, the New York banks did everything they could for the country bankers during the period of distress in 1907.

Mr. SWANSON. I think the Senator was on the National Monetary Commission headed by former Senator Aldrich, was he not?

Mr. WEEKS. I was.

Mr. SWANSON. Most of these figures I gathered from publications emanating from that commission, which had all the facts before it. If the Senator will read the report and publications of the commission, he will find an article by an expert, whose name I forget, transmitted to the Senate by the commission with its approval, giving an account of the crisis commencing in this country in the winter of 1907, in which all of these figures are compiled; and he will find a synopsis is made of the report of the Comptroller of the Currency giving these figures accurately, clearly, and distinctly.

Mr. WEEKS. I am quite familiar with those figures. I signed the report. The general statement that we ought to change the system is absolutely correct. There is not a Member of this body who does not recognize the fact. What I have drawn attention to, however, or intended to draw attention to, is the fact that, in my judgment, the Senator from Virginia has drawn a wrong and improper conclusion as to what the banks in central reserve cities did at that crisis. I believe they did everything they could, and that they should not be subjected to criticism because they tried to conform to the law.

Mr. SWANSON. Mr. President, the Senator from Massachusetts can not deny that these banks had made loans until they had reduced their reserves. He can not deny that when these loans were made the banks knew full well that the interior banks of the country had on deposit with them millions of dollars as a part of their reserves. He can not deny that after these loans were made and the interior banks wanted to get currency, so as not to suspend payment all over the country, it was impossible to do so. Money was due them from their correspondents in New York and the central reserve cities. That is not denied. That can not be disputed, from the reports made by the banks themselves. They simply occupied this position: They loaned to their customers in such a way that they could not pay their depositors.

That was my contention. I contended that during the speculation and the great boom that had preceded the panic they had made loans largely in excess of what it was safe to make, and that when the panic came they could not pay their depositors when they wanted to pay them, in the autumn, for their crops of wheat, corn, oats, and other crops. That is a yearly recurring demand in the interior. It comes every autumn to move the crops of wheat, corn, cotton, and tobacco. They expected it to come. It was bound to come. It never fails to come. Yet when the time came to get this money for that purpose it was not available.

The position I take is that this shows the wisdom of no longer permitting the reserves to be concentrated in money centers. It shows the wisdom of letting these reserves be put, as they are in the Bank of England, in the Bank of France, and as it is purposed under this bill to have them put, in banks where there will be a public responsibility for their use, in

order that they may be available for public good and not for private profit.

Mr. O'GORMAN, Mr. WEEKS, and Mr. PAGE addressed the Chair.

The PRESIDING OFFICER. Does the Senator from Virginia yield, and to whom?

Mr. SWANSON. I yield to the Senator from New York.

Mr. O'GORMAN. I simply want to ask one question. Did the Senator from Virginia read in the report of the Monetary Commission that all the reserves of the country were located in New York in 1907?

Mr. SWANSON. No; and I have never made that statement. My speech does not show it. My speech shows, and my statements show, that every dollar and cent of reserves due banks amounted to about $410,000,000 at the time of the August report to the Comptroller of the Currency.

Mr. O'GORMAN. The Senator, however, made no reference to the amount of the reserves of the country that were distributed not only in Chicago and in St. Louis, two of the central reserve cities, but in the 47 other cities which are known as reserve cities, all of which cities show a bank membership holding the reserves of the country amounting to about $452,000,000.

Mr. SWANSON. And New York holds about two-thirds.

Mr. O'GORMAN. One-third, according to the evidence furnished by the Senator from Missouri [Mr. REED].

Mr. SWANSON. If the Senator will examine the statements, he will find that about two-thirds of the reserves of the three central reserve cities—St. Louis, Chicago, and New York—are usually in the city of New York.

Mr. O'GORMAN. What about the 47 reserve cities?

Mr. SWANSON. They are reserve cities for the country banks. They are not congested there. Of course they have some, but usually a country bank makes its deposits in a reserve city bank. That reserve city bank will keep 12½ per cent of it in its own vaults and send the other 12½ per cent to the central reserve city, as the Senator states, because it gets 2 per cent interest on its daily balances there.

Mr. O'GORMAN. Then, as I understand the Senator from Virginia, if he did state in his carefully prepared written address that all the reserves of the country were in New York in 1907, he made an error, when, in fact, only one-third of the reserves were located in the city of New York?

Mr. SWANSON. I did not make that statement in my address. My address gives a compilation, taken from the report of the Comptroller of the Currency, of statements made by the banks themselves in their reports.

Mr. WEEKS. Mr. President, just one more suggestion to the Senator. He has before him the August report of the Comptroller of the Currency. If he will look, he will find that at that time the New York banks had their legal reserves in their own vaults. Very infrequently do the New York banks vary more than 2 per cent from their legal reserves in either direction. They were as well prepared at that time as banks in central reserve cities ordinarily are to meet the ordinary requirements of the fall months.

I do not think the charge can be properly made against the New York banks that they were not within their legal requirements, and that they had not made the ordinary provision for the requirements of their correspondents during the fall months.

Mr. SWANSON. Now, I should like to ask the Senator a question. New York was the first city to suspend. On October 31, as I understand, the New York banks sent telegrams to their correspondents saying that they would no longer ship currency on the demand of their correspondents. I do not know how much the New York banks had when they suspended; that is not shown; but in August, at the time of the last report made to the Comptroller of the Currency before they suspended, they had from all banks—State, national, and outside banks—about $410,000,000 on deposit, due the banks. Whose fault was it, if we are going to discuss that matter, that those banks were not able to pay their depositors? If it was occasioned by excessive loans to their customers, by expanded loans, producing speculation and a boom, it was the fault of these banks.

Mr. WEEKS. If they had their legal reserves, what more could you expect of them?

Mr. SWANSON. That is not a wise policy to pursue where you have the reserves of other banks. Then, if the Senator's interpretation of the law is correct, there is hardly any day when you get down to the 25 per cent that an interior bank can get its money, because the Senator construes the law to be that you can not pay a depositor when you have less than 25 per cent of your reserves. I think the law is that they shall pay their depositors whenever a demand is made, regardless of the 25 per cent. That is limited to the loans.

Mr. ROOT. Mr. President——

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

Mr. SWANSON. I do.

Mr. ROOT. I desire to ask the Senator from Virginia whether the banks of Virginia and other country banks that sent their reserves to the banks in New York did not receive interest upon them?

Mr. SWANSON. They received 2 per cent interest.

Mr. ROOT. They received 2 per cent interest upon those deposits. They expected them, then, to be loaned; did they not?

Mr. SWANSON. They did.

Mr. ROOT. And they knew that when they were loaned if there came a sudden demand from all parts of the country and from all depositors upon the banks they, equally with other deposits, would be subject to the difficulties and embarrassments and limitations arising from this defective system, did they not? They knew that the deposits upon which they were receiving 2 per cent interest would be loaned, and that they could not get them again unless the loans when called were paid. They knew that, did they not?

Mr. SWANSON. They expected the money to be loaned in such a way that it would be available when their urgent demand required it in the fall. That has been the usual course.

Mr. ROOT. How? How did they expect it to be loaned?

Mr. SWANSON. They expected that the banks would be sufficiently wise and conservative to make their loans in such a way that this money would be available when demanded. That is considered conservative and legitimate banking.

Mr. ROOT. Did they not know that they were sending their money to the city of New York on 2 per cent interest in the expectation that it would be loaned on call?

Mr. SWANSON. It is usually loaned in that way.

Mr. ROOT. They knew that was the course of business; and they knew, did they not, that their deposits were subject to all the infirmities that accompanied the system of gathering the money of the country in New York to be loaned on call?

Mr. SWANSON. These loans were payable on demand. All the deposits of banks, as I understand, are payable on demand. The banks accepted the loans for this 2 per cent with an understanding with the interior banks that when demanded they would get their money. It is usual to let this money accumulate there in the spring and summer, and the demand is always made for it in the fall. That is the usual course. It is a fall demand. The panic of 1907 was precipitated when the interior banks needed the money for the purposes of crop movements, which were just as certain to come as anything could be certain, and had come from year to year.

Mr. PAGE. Mr. President——

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

Mr. SWANSON. I do.

Mr. PAGE. I think that in justice to my New York banker friends I ought to say a word here.

I think the Senator remembers that along during that panic all the country banks were sending to their correspondent banks in New York City their checks and drafts on every city from Maine to California. Our New York correspondent bank said:

> We will receive these checks from you, but we want you to know that when you draw against them you must draw in clearing-house funds. We can not accept the immense amount of checks that are being sent to us from all parts of the country when we know that we can not get cash for them, but must take clearing-house funds, unless in making your deposit you agree to accept clearing-house funds.

It is true that in December, as the Senator stated, there was a large balance to the credit of country banks, but my recollection is that the country banks, in making their deposits all through November, were compelled to say to the New York City banks: "When we draw upon these deposits we will draw in current or clearing-house funds."

If they took the deposits subject to those conditions, I do not see why the Senator has any right to say that those banks were breaking faith.

Mr. SWANSON. The Senator is entirely correct. If they carried out the conditions under which the deposits were made, there should be and could be no complaint. Deposits that were made in that way were subject to the conditions upon which they were made, and the banks that made such deposits had no right to demand currency.

Mr. PAGE. I should like to ask the Senator if he does not know that practically all the deposits made in the late fall of 1907 were of that character?

Mr. SWANSON. I do not know what the deposits were. I did not allude to the deposits due to banks after the panic had proceeded. The complaint I made was at the precipitation of the panic, when the reserves, from the last report in August,

amounted to $410,000,000. The suspension there precipitated a suspension all over the United States. After you had suspended and the banks all over the country began to issue clearing-house certificates, there was nothing else to relieve the situation; but for the first three or four weeks, when it became necessary for the city to determine whether it would or would not suspend, whether it would issue currency or would not issue currency, the condition was very acute all over the country.

There were but 53 cities that did not suspend payment during this panic. Richmond did not suspend. Norfolk, Va., did not suspend. Richmond was about to suspend on account of the conduct of the Secretary of the Treasury. Richmond had due her between two and three million dollars from the banks in New York. The deposits from internal revenue were taken from Richmond and sent to New York. It was only by the most persistent effort that we were enabled even to have the deposits of internal revenue allowed to remain in Richmond.

Mr. PAGE. But does not the Senator know that the deposits which were sent from Richmond to the credit of Richmond banks in New York were depositors' checks drawn on banks all over the country?

Mr. SWANSON. Of course it is plain that after New York suspended payment and sent all of its correspondents a telegram on October 31 that it would no longer ship currency, all the deposits then were made subject to the fact that they would not be paid by the shipment of currency.

Mr. PAGE. The fact still remains that the city of New York probably could have paid their depositors the cash at the time of suspension if the currency could have been collected on checks being sent by every country bank to their city correspondent banks in New York; but they could not, and therefore the New York banks were compelled to say to the country banks, "We can not agree that all your deposits may be withdrawn in cash, because we can not get actual cash on the checks you send us. We must therefore decline to receive and credit these checks to your account except to be paid back in current funds, or, as they were called, clearing-house funds."

Now, one word more before I sit down. I do not believe very much in relating personal experiences, but I want to say to the Senator that Vermont was not really very short of money during the panic of 1907. We would hardly have known there was a panic if the papers had not told us there was. I was president of one Vermont bank whose gain in deposits in the panic year 1907–8 was $486,000. In other words, the deposits exceeded the withdrawals during the year by that sum. During the panic, having a surplus of money, I went down to New York to visit our correspondent bank, the City National Bank, and, walking into the office of the vice president, I said to him, "I want to place $50,000. What can you do for us?" He touched a button and the clerk brought a statement of the bank with which I was connected. He looked at our statement, and, that statement showing we were good, he said, "You can have it." I observed that he misinterpreted my suggestion and thought we wished to borrow $50,000, and it occurred to me that I would pursue the inquiry a little further before I informed him of his mistake. I said, "At what rate?" He replied, "Six per cent." Money was then being loaned generally to everybody outside at 12, 18, and 20 per cent, and I do not know but 100 per cent. The president of the City National Bank, upon further inquiry, told me they were not loaning a dollar at more than 6 per cent. They were taking care of every one of their correspondent banks at that rate if they believed them worthy.

I simply want to say that when the Senator from Virginia says that the banks were all being run for a selfish end, or for a selfish purpose, I will confess it, because a bank is selfish in taking good care of its correspondents. The banks of New York stood squarely by their correspondent banks, so far as I know. I think I know the same was true in regard to our Boston correspondent bank. I believe if the Senator will ask his banks at Richmond if they were not always paid in current funds, or, as they are called, in clearing-house funds, on demand, they will say that they were, but New York banks would have been compelled to stop business had they taken all the checks that were sent in by the banks of the country or assumed the burden of paying the currency thereon when the checks being sent them for collection could not be collected in currency.

Mr. REED. Mr. President, if the Senator from Virginia will pardon me, I want to ask him if he thinks that a bank is under any greater obligation to pay to a bank the deposits it has placed with it than it is to pay an ordinary depositor?

Mr. SWANSON. I will say not, except with this difference: In New York a depositor could get a check from one of these banks to another bank in New York and use it for all purposes on debts due in New York.

Mr. REED. I am not speaking of a failure.

Mr. SWANSON. New York depositors were not embarrassed at all, because they could get checks from the banks and use them. The only difference was that these New York clearing-house certificates or bank checks that were given on banks were not available outside of New York for the purposes of currency.

Mr. REED. That is not the question I am asking. The Senator has spoken of the refusal of the banks to pay to banks the money that the banks had deposited. I take it he did not mean to say that a bank in a reserve city was under any higher obligation to pay to a bank its money than it was to pay an individual depositor his money.

Mr. SWANSON. No; none.

Mr. REED. And that is true now of all the banks of the country?

Mr. SWANSON. I think so.

Mr. REED. Now, the Senator has complained that banks of the reserve cities did not pay to the banks the money they demanded, and has said that they ought always to have kept themselves in a position to have paid on demand to the banks the reserves the banks had deposited with them. What I want to ask the Senator is this: Those deposits being of no higher character than the ordinary deposits in a bank, if he were to apply the rule which he has laid down to all deposits, is there a single bank in the world that could meet its demands if everybody demanded the money at one time?

Mr. SWANSON. None could meet it.

Mr. REED. None could meet it. Now, has the Senator read the evidence taken before the committee, and if he has read it, in all fairness does he not think that it is convincing as to the fact that the trouble experienced by the banks of the reserve cities was that the country banks became alarmed and began to withdraw large sums at about the same time; in other words, that there was a bank run upon the banks very similar to the run which sometimes is made by ordinary depositors upon an ordinary bank, and that that is what caused the suspension? Is not the Senator convinced that that is true?

Mr. SWANSON. I am convinced of the fact that the country banks began to get apprehensive that they could not get their reserves when they were needed for crop-moving purposes, and when that apprehension came I have no doubt but what they demanded money more rapidly than the ordinary demands in crop-moving time. We must remember that it was October 31 when suspension came.

Mr. REED. But the shortage had been for months. The Senator certainly will agree that that was the case.

Mr. SWANSON. My contention is, first, that the loans had been expanded too much in the city of New York, and, second, that when the time came instead of locking up the reserves to the amount of $224,000,000, which were absolutely useless, they should have continued to ship currency to the country until the reserves were more depleted.

Mr. REED. Would you not say that rule ought to apply to reserve banks everywhere?

Mr. SWANSON. I say every reserve bank ought to continue to pay its deposits until it gets in a real dangerous condition. Suspension of payments for the entire country is a very dangerous thing. It produced a panic. It reduced business operations. It swept fortunes away.

Mr. REED. We know that.

Mr. SWANSON. The position I take is that they suspended too quickly; that they got frightened too early. They suspended with $224,000,000 in their vaults. It was never reduced below $215,000,000 during the entire panic.

Mr. REED. The Senator is very illuminating, but I am trying to get him to this point: The duty of banks to preserve a reserve and to keep a surplus over their reserve was not a duty peculiar to the central reserve cities, but it was an obligation resting upon all reserve city banks to the same extent, was it not?

Now, does not the Senator know that the reserve city banks and the country banks had actually withdrawn their money from the central reserve cities to such an extent that they had a greater reserve on hand in their own vaults at the time of the suspension than they had had for a long time previous to that—more than the normal, ordinary amount; and does he not know that that very fact is what forced this suspension; in other words, that the banks of the country made a run on the central reserve cities, just like the old lady with a shawl over her head goes down and starts a run or joins in a run against the local bank, and it came to the point that there was not enough currency available to meet these demands at one time, and it was for that reason that the suspension occurred? Does not the Senator think that is clearly demonstrated by the evidence? I am not defending these banks; I insist upon the

facts; but I do not think the Senator gains anything by assigning a wrong cause. We had better get at the actual cause and then we will be more certain to remedy it.

Mr. SWANSON. My contention was, and what I contend now is, that a large part of the reserves of the country were in New York City, and that suspension in New York City necessarily compelled suspension elsewhere.

Mr. O'GORMAN. Mr. President——

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

Mr. SWANSON. I refuse to be interrupted.

Mr. O'GORMAN. If the Senator will pardon me, there is a palpable inaccuracy in that last statement which I think the Senator's fairness will incline him to correct.

Mr. SWANSON. What is that?

Mr. O'GORMAN. The Senator stated that a large majority of the reserves of the country were locked in the city of New York. As a matter of fact, only one-third of the reserves of the country were there in 1907.

Mr. SWANSON. I mean that a large majority of the reserves—about two-thirds of the central cities' reserves—are there. It is usually that. My contention for currency reform is that these reserves, whether done unwisely, intentionally, or foolishly, were not available in the panic of 1907, when the crop-moving season came, and the interior banks could not get the money on deposit there. As to whether the banks ought to have paid it or ought not to have paid it is a subject of discussion. My contention is that it was impossible to get it. My contention is that this precipitated a panic all over the United States; a panic disastrous in business, in commerce, in trade, which swept away fortunes. My contention is that because these reserves were not wisely used and were not available the panic was precipitated. It was precipitated at a time most disastrous to the farmer; at a time when his cotton was for sale, when his wheat was for sale, when his corn and his tobacco were for sale. The people who were responsible for the reserves did not handle them wisely.

My contention is that we should give no further opportunity for a repetition of that. My contention is that the reserves should be removed from the centers and put in Federal reserve banks under Government control, where they can be utilized for public good and public purposes in a time of emergency. I am satisfied the banks of New York City did not handle the situation wisely. It is strange to me that the panic was preceded by such a tremendous boom as antedated it. It evidently had been stimulated by the banks; loans had been higher; stocks were high; every kind of boom was existing in the land. I say that produced a condition which made it impossible for the country banks to get their funds to move the crops. I say the report of the Comptroller of the Currency shows this condition.

Now, as to whether they should have shipped currency longer or not is a question in dispute. My judgment is that they got frightened too quickly. My judgment is that they could have continued to make payments. My judgment is that if they had made payments three or four weeks longer we would not have had the suspension of payments in the United States.

I point to the fact that the Bank of England had $125,000,000 and did not suspend in an emergency. This is my contention; this is my view; and it is one of the reasons why there is an urgent need for the passage of this bill.

Mr. BRISTOW. Mr. President——

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

Mr. BRISTOW. I want to interrogate the Senator from Virginia, if he will permit me. The Senator says that the banks in the reserve cities should have continued to pay out longer, in his judgment. The law requires them to maintain, does it not, a reserve of 25 per cent, and if they pay out below the reserve and continue to take deposits, if the bank should fail, do not the officers of the bank hold themselves liable to a criminal prosecution?

Mr. SWANSON. My contention is different from that of the Senator from Kansas. My contention is that these reserves were put there for the purpose of paying debts, for the purpose of being utilized in an emergency, for the purpose of paying depositors. My contention is that the loans ought not to be increased when it gets to 25 per cent, and if you pay out more money you ought to contract your loans.

Mr. BRISTOW. But did I understand the Senator aright as saying that the banks should have continued to pay out longer than they did? When they stopped paying their reserve was below the legal requirement, was it not?

Mr. SWANSON. Yes; that is true.

Mr. BRISTOW. It was down to 23 per cent, and the law required 25 per cent. Does the Senator contend that they should have continued to pay out longer than they did, when in so doing, if a bank failed, every officer held himself liable to be sent to the penitentiary?

Mr. SWANSON. He had made himself liable already, so far as that was concerned.

Mr. BRISTOW. Does the Senator insist that he should go and make himself still more liable?

Mr. SWANSON. What I would have insisted was that these reserves were intended to meet emergencies, to prevent the suspension of payments, and pay depositors. That is the purpose of the law. There was no reason for a 25 per cent reserve requirement, if it was not intended to prevent the extension of loans, to prevent the loaning of money deposited by interior banks further than 25 per cent. When the time comes for contraction, it will come from loans, not by ceasing to pay depositors.

Mr. BRISTOW. But if the Senator please I do not disagree with him as to the purpose for which the reserves are impounded, nor do I criticize the law which requires the 25 per cent in the central reserve banks to be maintained, but I understood the Senator to say most positively that these banks of the reserve cities should have continued to pay out regardless of the fact that they were laying themselves liable in so doing.

Mr. SWANSON. I do not think they were violating the law in paying out.

Mr. BRISTOW. Do I understand the Senator from Virginia to say that he does not think when a bank continues to pay out money when its reserve is below the legal requirement it is not violating the law?

Mr. SWANSON. Not if it pays to depositors. I do not understand that that is contrary to law.

Mr. PAGE. I think the Senator from Kansas is incorrect in this respect.

Mr. BRISTOW. Just a moment.

The PRESIDING OFFICER. Senators will suspend. The Chair is under the impression that the Senator from Kansas has the floor. Does he yield, and to whom?

Mr. BRISTOW. I am yielding to the Senator from Virginia. Suppose the national banks continued to pay depositors as the Senator suggests, would he then say that they should not receive any deposits during that time?

Mr. SWANSON. I would leave it to the judgment of the bankers as to whether they would or not.

Mr. BRISTOW. Then, if the banks had declined to receive any deposits and continued to pay out, the conditions would have been worse than that which occurred; the bank would have failed.

Mr. SWANSON. I ask the Senator what he thinks the reserves are there for?

Mr. BRISTOW. We are agreed as to what they are there for. There is no difference of opinion on that point.

Mr. SWANSON. I understand what the Senator then contends is that these reserves are to be locked up, not to be utilized, and that it is contrary to law to use them. My contention is that when the reserve gets below 25 per cent you can not make a loan, and I do not believe the law prevents you from taking that reserve to pay depositors.

Mr. BRISTOW. Now, Mr. President——

Mr. ROOT. May I ask a question?

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

Mr. BRISTOW. I yield to the Senator.

Mr. ROOT. I will ask the Senator from Virginia, no matter when payment should stop or how long it should be made, whether it is not clear that the reserve is for the benefit of all the depositors of the bank? That is clear, is it not? It is not for the benefit of anyone; it is for the protection of all.

Mr. SWANSON. If that is true, then the bank ought to stop payment whenever the demand is made, if it fears some trouble may come.

Mr. ROOT. Is it not true that 25 per cent of the deposits required by law are intended for the protection of all the depositors of the bank? That is true, is it not?

Mr. SWANSON. There is nothing in the law, as I understand it, that says so.

Mr. ROOT. Does not the Senator from Virginia agree with me that it is so?

Mr. SWANSON. I think all the reserves, whether in excess of or below 25 per cent, are held for the benefit of all the depositors.

Mr. ROOT. For all the depositors?

Mr. SWANSON. All the resources of the bank are for the benefit of all the depositors. I have yet to find a law—I might be mistaken, I have tried to find it—which says you can not have a deposit when the reserve gets below 25 per cent.

Mr. ROOT. I am not talking about that. I am talking about the object of the reserves. The Senator agrees with me?

Mr. SWANSON. I do not agree with that.

Mr. ROOT. That the object of the reserve is to protect the depositors?

Mr. SWANSON. No; there is another purpose—that any depositor may get his money on demand. The obligation is on the bank to pay depositors on demand, and these reserves are kept there as much for the purpose of fulfilling that obligation as ultimately to provide for the safety of the bank.

Mr. ROOT. Mr. President——

The PRESIDING OFFICER. Does the Senator from Kansas yield further to the Senator from New York?

Mr. BRISTOW. I yield.

Mr. ROOT. I want to finish the subject I am on. Whatever other objects there may have been, the Senator agrees that the reserves of the bank are for the protection of all its depositors.

Mr. OWEN. Distributionally.

Mr. ROOT. Each depositor has the same right as any other to be protected by that reserve. Now, does the Senator from Virginia think that it would be right for a bank to pay out all its bank deposits, of which there were three or four times the amount of its reserves, to one-fourth of its depositors, making no reserve for the protection of the other three-fourths?

Mr. SWANSON. Will the Senator permit me? As I understand the law, when the question of the solvency of a bank arises and there is an uncertainty whether the depositors will be paid, it is the duty of the Comptroller of the Currency to take charge of the bank and distribute its assets equitably, ratably, fairly, and individually. That is the provision, as I understand the national law. But I understand these reserves are held to insure the payment in money, on the demand of the depositors, by the banks as much as for any other purpose.

Mr. ROOT. The Senator does not answer my question. Let me restate the question.

Mr. SWANSON. I will state to what extent——

Mr. ROOT. The Senator has not answered my question. It is whether the Senator thinks it would be right for a bank to pay out all its reserves to one-fourth of its depositors, leaving the other three-fourths unprotected by any reserve?

Mr. SWANSON. Yes; if it is solvent, it is its duty to pay the money to the man who needs it as expressed by his demand.

Mr. ROOT. The Senator has answered it now.

Mr. SWANSON. The Senator makes a mistake in supposing that the reserves are maintained entirely to take care of the solvency of the bank. The reserves are required in order to have the money available to pay every depositor on demand as much as for any other purpose, and to pay him in money. That is the reason of the reserve, as I understand it.

Mr. POMERENE. Mr. President——

The VICE PRESIDENT. Does the Senator from Kansas yield to the Senator from Ohio?

Mr. BRISTOW. I yield to the Senator from Ohio. I should have done so sooner.

Mr. POMERENE. Mr. President, we have been discussing here the purpose of the reserves, and it seems to me that we can best determine what that purpose is by reading the statute. Section 5191, or that portion of it which relates specifically to the subject of reserves, reads as follows:

Whenever the lawful money of any association in any of the cities named—

That is, the central reserve cities named above—

shall be below the amount of 25 per cent of its deposits, and whenever the lawful money of any other association shall be below 15 per cent of its deposits, such association shall not increase its liabilities by making any new loans or discounts otherwise than by discounting or purchasing bills of exchange payable at sight, nor make any dividends of its profits until the required proportion between the aggregate amount of its deposits and its lawful money of the United States has been restored. And the Comptroller of the Currency may notify any association whose lawful-money reserve shall be below the amount above required to be kept on hand to make good such reserve; and if such association shall fail for 30 days thereafter so to make good its reserve of lawful money, the comptroller may, with the concurrence of the Secretary of the Treasury, appoint a receiver to wind up the business of the association, as provided in section 5234.

It is clear that they are required to keep this reserve up to those limitations, and if it falls below those limitations they are prohibited from making any new loans or from paying dividends. Necessarily it must follow that there is no statutory provision, at least in this section of the statute, against the paying off of the depositors. If the reserves fall below these limits, then, I take it, under the provisions of the act the Comptroller of the Currency and the Secretary of the Treasury would have the right to suspend the bank. It is true these reserves are primarily for the benefit of the depositors, and I take it that they would only be prohibited from paying off the depositors when sound business judgment should permit it.

Mr. BRISTOW. The statute is very clear, and I have not any quarrel with it at all, but the Senator from Ohio knows that if a bank continues to pay out its money until it has not any left the Comptroller closes the bank, and the bank, to use the common term, is broken.

Now, according to the contention of the Senator from Virginia, it was the business of these reserve banks to keep on paying it. I have known cases where they receive deposits right along until the money is gone, because they are paying out more than they are receiving, and then the officers are arrested and criminally prosecuted for receiving the money when they knew the bank was in a failing condition. The Senator from Virginia would insist, from the remarks he has made here to-day, upon the reserve bank following that policy.

Mr. POMERENE. Mr. President——

The VICE PRESIDENT. Does the Senator from Kansas yield to the Senator from Ohio?

Mr. BRISTOW. I do.

Mr. POMERENE. I do not think that my learned friend from Kansas can point to any provision of the law which makes it a criminal offense for a banker to pay out money on deposit simply because the reserves have fallen below the legal requirement.

Mr. BRISTOW. No; I have not stated that.

Mr. POMERENE. On the other hand, it is not a criminal offense to receive deposits when the reserves are below the legal limit. The reserves may be below the legal limit and yet the bank be entirely solvent. If the bank were insolvent and moneys were received, then there might be a question of liability, either civil or criminal, depending upon the acts in each particular case, and it must follow that if a bank——

RAILROADS IN ALASKA.

The VICE PRESIDENT. If the Senator will kindly suspend for a moment, the hour of 2 o'clock having arrived, the Chair has concluded to rule upon the parliamentary question submitted this morning.

The Chair thinks it is hardly possible that a parliamentary situation can arise that is not capable of solution. After reading the RECORD of September 15, the Chair is of the opinion that from the RECORD it may fairly be construed that the Senate at that time made Senate bill 48 a special order for 2 o'clock p. m. to-day.

A special order can not interrupt the unfinished business. The Chair is clearly of the opinion that the unfinished business arises from the rules of the Senate and not from the requests of Senators to make a particular measure the unfinished business. The Chair is therefore going to rule——

Mr. POINDEXTER. Before the Chair rules, Mr. President, if the Chair will permit me, I should like to call the attention of the Chair, unless the Chair has decided the matter beyond reconsideration, to the forms which have been followed in a multitude of cases for making unfinished business by unanimous consent.

The VICE PRESIDENT. If there is a form in the Book of Precedents it was not prepared and made by the Senate. There is no precedent which the Chair has been able to find where the presiding officer of the Senate has ever ruled that the Senate could make anything unfinished business before it had been taken up as original business.

The Chair is going to rule that Senate bill 48 was made a special order for 2 o'clock p. m. for to-day, but that it can not be taken up while there is unfinished business before the Senate.

The Chair is further going to rule that it does not lose its precedence as a special order at 2 o'clock p. m., but will come up for consideration by the Senate at 2 o'clock p. m. on the day when the present unfinished business has been concluded, unless some other unfinished business should interpose; in other words, that this bill remains a special order until taken up. If that is not to be the sense of the Senate and is not to be acquiesced in hereafter, the Chair requests that an appeal be taken from the decision of the Chair to the Senate.

Mr. WALSH. Mr. President, I think the parliamentary situation into which we have been precipitated can be readily solved, because there apparently is no division of opinion in respect to what ought to be done in regard to the matter.

The VICE PRESIDENT. Does the Senator from Montana appeal from the ruling of the Chair?

Mr. WALSH. I do not; I acquiesce entirely in the ruling of the Chair; but I desire, if the Chair please, to ask unanimous consent that the unanimous consent heretofore entered into be vacated, and that in lieu thereof the unanimous consent which I send to the desk, in accordance with the form, be entered into.

Mr. BRANDEGEE. Before the request is read, if the Senator from Montana will pardon me for the suggestion, I wish to

say that the request is a little different from the ruling of the Chair. It goes into other business. The Chair asked as to his ruling, whether there was an appeal therefrom. I do not wish to appeal, but I want to make an inquiry of the Chair in connection with the ruling. Personally, I think the Chair is correct in ruling that this matter goes as a special order to come up at 2 o'clock on the day when the currency bill is out of the way, but I understood the Chair to say that it would continue to come up from day to day at 2 o'clock thereafter. It was upon that point that I wanted information.

The VICE PRESIDENT. No; from now on the Alaska railroad bill will come up from day to day, but it will not take the place of the currency bill, which is the unfinished business; in other words, there is no difference between the Senator from Connecticut and the Chair, that the Alaskan bill is simply held in abeyance until the currency bill is out of the way as the unfinished business, and upon whatever day succeeding, when the currency bill is out of the way, it will then become the special order at 2 o'clock.

Mr. BRANDEGEE. It may be of no interest to anybody, but my opinion is that the bill would not necessarily come up from day to day and be laid before the Senate as a matter of course.

The VICE PRESIDENT. It will not be laid before the Senate from day to day.

Mr. SUTHERLAND. Mr. President, I do not quite understand one phase of the ruling of the Chair. I quite agree with the ruling of the Chair that the effect of this unanimous-consent agreement is to make the Alaska bill a special order for 2 o'clock. As I understand the rule, when the hour arrives at which the order is to be taken up if there be unfinished business before the Senate, the special order can not be considered. Then, is it not true that that order goes to the Calendar of Special Orders, and that it will simply come up after the unfinished business has been disposed of at the conclusion of the morning hour upon any day after that time? Rule IX provides:

> Immediately after the consideration of cases not objected to upon the calendar is completed, and not later than 2 o'clock—

That would mean not later than two hours after the Senate had convened—

> if there shall be no special orders for that time, the Calendar of General Orders shall be taken up and proceeded with in its order.

I would understand from that that the special order would go to the Calendar of Special Orders, and that any day thereafter, after the unfinished business had been disposed of, it would come up, having precedence over any bill upon the general calendar.

Mr. SMOOT. Mr. President, my colleague [Mr. SUTHERLAND] has stated the case just as I was going to state it. I fully agree with the ruling of the Chair, but I also believe that on the ruling of the Chair the bill goes now to the Calendar of Special Orders, and immediately upon the conclusion of the unfinished business the bill automatically on the following day comes before the Senate. I do not know in what better shape the bill could be than that, and I believe that that would be in accordance with Rule X of the Senate.

The VICE PRESIDENT. The order proposed by the Senator from Montana [Mr. WALSH] will now be stated.

The SECRETARY. Mr. WALSH asks unanimous consent that on Monday, January 19, 1914, immediately upon the conclusion of the routine business, the Senate will proceed to the consideration of the bill (S. 48) to authorize the President to locate, construct, and operate railroads in the Territory of Alaska, and for other purposes; that such consideration shall continue to the exclusion of all other business, save only routine morning business, and that before adjournment on the legislative day of Saturday, January 24, 1914, the Senate will vote upon any amendment that may be pending, any amendments that may be offered, and upon the bill through the regular parliamentary stages to its final disposition.

The VICE PRESIDENT. Is there objection to the request?

Mr. ASHURST. Mr. President, I think the ruling of the Chair is not only correct but is judicious and wise. I trust that so soon as the currency bill shall have passed the Senate we will immediately proceed to the consideration of the bill providing for the construction of railroads in Alaska. The bill has been favorably reported by the Committee on Territories and has for its purpose the location, construction, equipment, and operation by the United States of railroads in the Territory of Alaska.

The public domain in Alaska comprises over 350,000,000 acres, containing much mineral wealth, and whoever controls transportation in that Territory will control the coal and other coarser minerals. In continental United States such natural resources as timber, iron, and hard coal, formerly belonging to the public, are now largely in the hands of monopolistic concerns; and the construction of railways in Alaska by the Government will tend to prevent monopolization there of these natural resources. In Alaska transportation will become the basis of control. Transportation is the key to that vast Territory of treasure, and just as the United States built, owns, and operates its railroad on the Isthmus of Panama in order to protect its own interests and the interests of shippers, the conditions in Alaska require that the Federal Government should construct, own, and operate the railroads, docks, and steamship lines in Alaska.

If Congress will pass the bill providing for the construction of this railroad by the Government, and the railroad is then constructed from tidewater to the interior, coal may be loaded into Government trains and transported to the coast without the intervention of a syndicate of wealthy men who desire to exploit that Territory. All the naval coal on lands belonging to our Government is in Alaska, and we should not delay a moment in proceeding to authorize the construction and operation of this railroad.

The Federal Government from 1850 to 1912 made extensive land grants to aid various railroad companies, and the Government also otherwise aided in the construction of 16,239 miles of railroad. Surely if the Government could and did so materially aid these railroad corporations in the construction of 16,239 miles of railroad, there is no reason in economics and justice why the Government should not proceed to construct a few railroads for itself.

The United States Government is fully authorized by the Constitution of the United States to adopt a policy of public ownership as a necessary means for carrying into effect any power conferred upon it by the Constitution.

Congress has full power to enact the legislation proposed in the bill as reported. Section 8 of Article I of the Constitution provides that—

> The Congress shall have power * * * to provide for the common defense and general welfare * * *; to borrow money on the credit of the United States * * *; to regulate commerce among the several States * * *; to establish post offices and post roads * * *; to raise and support armies * * *; to provide and maintain a Navy * * *; to exercise authority over all places purchased * * *; for the erection of forts, magazines, arsenals, dockyards, and other needful buildings * * *; to make all laws which shall be necessary and proper for carrying into execution the foregoing powers—

And so forth.

Section 3, Article IV, also provides that—

> The Congress shall have power to dispose of and make all needful rules and regulations respecting the territory or other property belonging to the United States.

Each of the foregoing clauses of the Constitution gives warrant to some feature of the bill and affords authority for the legislation proposed.

The objects of this bill are the development of the agricultural and mineral resources of Alaska, the settlement of the public lands in Alaska, to provide transportation for coal for the use of the Army and Navy, to establish post roads, and transport the mails in Alaska.

I shall now read a short excerpt from the case of Wilson against Shaw, reported in Two hundred and fourth United States Supreme Court Reports, page 33 et seq., which holds that Congress has the power to authorize the Government to build railroads. Mr. Justice Brewer, speaking for the court, said:

> Again, plaintiff contends that the Government has no power to engage anywhere in the work of constructing a railroad or canal. The decisions of this court are adverse to this contention. In California *v.* Pacific Railroad Co., 127 U. S. 1, 39, it was said:
>
> "It can not at the present day be doubted that Congress, under the power to regulate commerce among the several States, as well as to provide for postal accommodations and military exigencies, had authority to pass these laws. The power to construct, or to authorize individuals or corporations to construct, national highways and bridges from State to State, is essential to the complete control and regulation of interstate commerce. Without authority in Congress to establish and maintain such highways and bridges it would be without authority to regulate one of the most important adjuncts of commerce. This power in former times was exerted to a very limited extent, the Cumberland or National Road being the most notable instance. Its exertion was but little called for, as commerce was then mostly conducted by water, and many of our statesmen entertained doubts as to the existence of the power to establish ways of communication by land. But since, in consequence of the expansion of the country, the multiplication of its products, and the invention of railroads and locomotion by steam, land transportation has so vastly increased, a sounder consideration of the subject has prevailed and led to the conclusion that Congress has plenary power over the whole subject. Of course the authority of Congress over the Territories of the United States, and its power to grant franchises exercisable therein are, and ever have been, undoubted. But the wider power was very freely exercised, and much to the general satisfaction, in the creation of the vast system of railroads connecting the East with the Pacific, traversing States as well as Territories, and employing the agency of State as well as Federal corporations. (See Pacific Railroad removal cases, 115 U. S. 1, 14, 18.)"

In Luxton v. North River Bridge Co. (153 U. S., 525, 529), Mr. Justice Gray, speaking for the court, said:

"Congress, therefore, may create corporations as appropriate means of executing the powers of government, as, for instance, a bank for the purpose of carrying on the fiscal operations of the United States or a railroad corporation for the purpose of promoting commerce among the States. McCulloch v. Maryland (4 Wheat., 316, 411, 422); Osborn v. Bank of United States (9 Wheat., 738, 861, 873); Pacific Railroad Removal Cases (115 U. S., 1, 18); California v. Pacific Railroad (127 U. S., 1, 39). Congress has likewise the power, exercised early in this century by successive acts in the Cumberland or national road, from the Potomac across the Alleghenies to the Ohio, to authorize the construction of a public highway connecting several States. See Indiana v. United States (148 U. S., 148)."

See also Monongahela Navigation Co. v. United States (148 U. S., 312).

These authorities recognize the power of Congress to construct interstate highways. A fortiori, Congress would have like power within the Territories and outside of State lines, for there the legislative power of Congress is limited only by the provisions of the Constitution and can not conflict with the reserved power of the States. Plaintiff, recognizing the force of these decisions, seeks to obviate it by saying that the expressions were obiter dicta, but plainly they were not. They announce distinctly the opinion of this court on the questions presented and would have to be overruled if a different doctrine were now announced. Congress has acted in reliance upon these decisions in many ways, and any change would disturb a vast volume of rights supposed to be fixed; but we see no reason to doubt the conclusions expressed in those opinions, and adhere to them. The court of appeals was right, and its decision is affirmed.

Mr. WALSH. Mr. President——

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

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

Mr. WALSH. I simply desire to say that, upon reflection and consultation, I desire to withdraw the request for unanimous consent which I presented a moment ago, and accordingly the matter appears to be disposed of.

Mr. ASHURST. Of course, this arrangement withdrawing the request for unanimous consent was not made for the purpose of taking me off the floor?

Mr. WALSH. Oh, no.

Mr. CLARK of Wyoming. The Senator has the floor.

Mr. WALSH. Mr. President, I simply desire to say to the Senator from Arizona that I supposed he was addressing himself to the unanimous consent requested by me in the hope that the matter would be expedited and that I feared the unanimous-consent agreement requested might have a tendency to delay.

Mr. ASHURST. The ruling of the Chair was correct, and I am also in favor, of course, of the unanimous-consent agreement proposed to the Senate by the Senator from Montana [Mr. WALSH]. I do not care how we proceed, provided it be in a constitutional manner, so long as we abandon periphrasis, circumlocution, and the how-not-to-do-it manner in which we have been proceeding. I shall stop speaking now, or at any other time, in order that either the currency bill or the Alaska railroad bill may be passed.

The VICE PRESIDENT. The Senator from Montana [Mr. WALSH] withdraws the request for unanimous consent.

BANKING AND CURRENCY.

The Senate, as in Committee of the Whole, resumed consideration of the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

Mr. NELSON. Mr. President, the Committee on Banking and Currency has to some extent been chided and criticized for delaying action on the pending legislation. I think that Senators who are thoroughly conversant with the subject and familiar with the work done by that committee will acquit the committee of any such charge. The truth of the matter is, Mr. President, that when the Glass bill came before the Banking and Currency Committee of the Senate we were all, in the first instance, agreed that the bill was somewhat crude and that it needed amendment in various particulars in order to become a workable banking and currency measure. With that object in view, the committee proceeded to secure witnesses and experts from all parts of the country—from the North, the South, the East, and the West. We had bankers before us; we had business men before us; we had manufacturers before us; and we had before us college professors and scientists, and others who claimed to be experts in such matters; and I think most of the members of the committee will agree with me that we obtained from these various sources much valuable information and instruction of a character that we never could have obtained from books. The result of our investigation is before the Senate.

The committee labored under some disadvantages. There was, so to speak, a kind of Damocles sword hanging over us a part of the time. We were from time to time threatened in the newspapers and through other sources that if we did not work more expeditiously or move along different lines the measure would be taken out of our hands and submitted to a Democratic caucus, but we paid little heed to such threats; the committee went on with its work, and I am gratified that the Democratic Members of the Senate saw fit to leave the committee undisturbed in its deliberations so that it might pursue its work, which it did until a point was reached where the committee divided into two sections, and two separate substitutes were reported for the bill. I have no criticism to make of the action of the Democratic Party in taking up what I will call, for the purposes of the discussion, the Owen bill, and going over it and revising it in the manner in which they have done. I think they acted fairly, justly, and wisely in not taking the bill out of the hands of the committee, but in leaving it with the committee to report the bill in the only possible manner in which we could report it.

Mr. President, before proceeding with the consideration of the merits of the proposed legislation I desire in brief outline to call your attention to the currency systems that have prevailed in this country from the earliest times, for I conceive that some lessons can be derived from our own experience.

The circulating mediums of the thirteen Colonies, after they had ceased to rely on barter as a medium of exchange, was at first specie, mostly foreign silver coins. These became so plentiful that as early as 1652 a mint was established in New England for the coinage of shillings, sixpence, and threepence pieces. In some localities, as, for instance, Virginia, the Spanish piece of eight was made a money standard. While the money of account in the Colonies was English, the money that circulated was chiefly Spanish and Portuguese.

Paper money was first issued by Massachusetts in 1690, followed by several subsequent issues. The issues were so excessive that it resulted in great depreciation of the currency.

For the purpose of defraying the expenses of an expedition against the Indians and to accommodate domestic trade the Legislature of South Carolina established a public bank in 1712 and issued £48,000 in bills of credit, called bank bills, to be loaned out at interest on landed and personal security and to be redeemed gradually at the rate of £4,000 a year. This paper currency in time became greatly depreciated.

In 1723 Pennsylvania made its first experiment in paper currency. In March it issued £15,000 of such currency. It was only available for loans on land securtiy or plate deposited in the loan office. The borrowers had to pay 5 per cent interest. The bills were made a legal tender for all payments on pain of confiscating the debt or forfeiting the commodity. The bills were to be gradually retired at the rate of one-eighth per year. The issue of this currency being moderate and limited, it was able to maintain itself on a parity with gold and silver, and it was regarded at the time as the best paper currency in the Colonies. Most of the other Colonies issued paper currency of one kind and another prior to the Revolutionary War. Virginia, however, issued none prior to 1755. On the whole, it may be said that the Colonies prior to the Revolutionary War suffered both from the scarcity and from the character of their currency.

In 1763 the English Parliament passed an act—

To prevent paper bills of credit hereafter to be issued in any of His Majesty's Colonies or plantations in America from being declared to be a legal tender in payment of money, and to prevent the legal tender of such bills as are now subsisting from being prolonged beyond the periods for calling in and sinking the same.

This act was not obeyed, but did nevertheless cause great embarrassment and distress in the Colonies.

Pelatiah Webster, a merchant of Philadelphia, estimated that the whole circulating cash of the Thirteen Colonies just before the Revolutionary War was only $12,000,000, or perhaps not more than $10,000,000. He said that not more than one-half, or at most three-fifths, of the circulating cash in Pennsylvania was paper, and I am well convinced that that proportion was not exceeded in the other States where paper money was circulated.

While the currency system to which I have thus referred was highly detrimental and restrictive upon traffic and commerce, yet it had one redeeming feature, and that was that it tended to repress to a great extent an undue expansion of credit. Considerable losses were in many instances sustained by the holders of the depreciated paper currency. This was but an incident of this irregular system.

The outbreak of the Revolutionary War led to the issuance of so-called Continental paper money, issued by authority of the Continental Congress. Of this money there were two kinds, one known as the old emission and the other as the new emission. The old emission was issued in various sums annually from 1775 down to and including 1781; in all, $357,476,541. The new emission was issued in 1780 and 1781, and amounted to $2,070,485. This Continental currency, as is well known, greatly depreciated as the volume increased, until in May, 1781, it be-

came so low that it took $500 of it to purchase $1 in specie, and at this time it entirely ceased to circulate as money, and much of it was bought up by speculators. It was a forced legal-tender currency, growing out of the exigencies and necessities of the war.

For the purpose of aiding the Government of the then existing Confederation—and this was before the Constitution of the United States had been adopted—the Bank of North America was incorporated, first by the State and then by Congress, and established at Philadelphia. The bank, however, did not open its doors or go into active operation until January 7, 1782. The war having practically ceased in 1781 by the surrender of Cornwallis, the Government, in addition to the help given by the bank, was able to secure large loans in Europe, and specie became plentiful in the country, partly through the British army stationed at New York, partly through the French soldiers who were here, and partly from importations from Habana and other West India points. The charter of the bank was obtained, as I have stated, both from the State and from Congress. Two hundred and fifty-four thousand dollars of the stock was subscribed for by the Government, through Robert Morris, and this made the Government the principal stockholder of the bank. The bank issued paper currency, but it was accused of sometimes making such currency too plentiful and at other times too scarce, leading to contraction, scarcity, and ruin. The operations of the bank were far from satisfactory; in fact, they were so objectionable that it was deprived of its State charter four years after it commenced business, but it continued its operations on the ground that it also had a charter from Congress; but after this it proceeded in a more moderate, prudent, and less obnoxious manner. In 1786 it sought to secure a renewal of its charter from the State of Pennsylvania, but it was unsuccessful in this effort. The bank was, however, reincorporated on the 17th of March, 1787, but with more limited powers and only for a period of 14 years.

In addition to the Bank of North America the following banks were incorporated prior to the incorporation of the first Bank of the United States, namely: Massachusetts Bank, at Boston, Mass.; Bank of New York, in the city of New York; Bank of Maryland, which, I think, was located in Baltimore; and Providence Bank, Providence, R. I.

After the Government of the United States had been established under the Constitution, one of the first and most important problems that confronted the Government was the funding of its great national debt, arising from the Revolutionary War. This debt, according to Secretary Hamilton's first report to Congress, was composed of the following items: Foreign debt, principal and interest, $11,710,378; domestic debt, principal and interest—that is, debt to individuals—$40,414,085; State debt ascertained, and State debt balance, estimated, in all $25,000,000, thus making the aggregate indebtedness of the Government at that time the sum of $77,124,463. The creditors of the Government were permitted to present their claims and to subscribe for the loan obligations of the Government in various forms—what we would call bonds now, but in those days called stocks. For the purpose of aiding the Federal Government in carrying on its operations in respect to the funding of the national debt and to maintain its credit the first Bank of the United States was created by the act of February 25, 1791. The preamble of the act clearly discloses its purpose in the following language:

> Whereas it is conceived that the establishment of a bank for the United States, upon a foundation sufficiently extensive to answer the purposes intended thereby, and at the same time upon the principles which afford adequate security for an upright and prudent administration thereof, will be very conducive to the successful conducting of the national finances, will tend to give facility to the obtaining of loans for the use of the Government in sudden emergencies, and will be productive of considerable advantages to trade and industry in general: Therefore, be it enacted, etc.

The bank—this is, the first Bank of the United States—was entirely a private and not a Government bank. Its charter was given for a period of 20 years. Great objection was made to the passage of the bill, especially on the ground that it was unconstitutional to create such a bank. The capital of the bank was fixed at $10,000,000, consisting of 2,500 shares of $400 each. One-fourth of the subscription for the stock was to be paid in specie, the balance in the 6 per cent obligations of the United States, or what we would call Government bonds. The Federal Government was authorized to subscribe for $2,000,000. The bank was to be controlled by a board of 25 electors, elected by the stockholders. The bank was authorized to issue its notes, which were made a legal tender for all debts due the United States. The notes were to be redeemable on demand in specie. The bank was authorized to commence business when $400,000 in specie had been subscribed and paid in. There was no limitation to its note issues except this, that it could not incur debts of any kind in excess of $10,000,000.

The act of incorporation clearly contemplated—and it was undoubtedly its purpose—that the bank was to aid the Government in taking care of its funded debt and to supply it with the necessary funds in its fiscal operations. On the whole, it would appear from its history that the bank fulfilled this purpose fairly well. In addition to its note-issuing powers, the bank had the usual powers of a bank of deposit and discount. The bank did not open for business until December 12, 1791. Discounts were only to be made on two-name 60-day paper. It is estimated that the bank never received from its subscribing stockholders more than about $675,000 in specie. No dividends were paid by the bank until 1792. The capital was, in the first instance, oversubscribed, and the subscriptions were in consequence scaled down to meet the requirements of the charter. While the Government subscribed for $2,000,000 of the stock, it obtained at or about the same time a loan from the bank for an equal amount. The bank had branches in New York, Boston, Baltimore, Charleston, Norfolk, Savannah, New Orleans, and Washington. The Government some time after the bank was in operation, being hard pressed for funds, was compelled to sell and did finally sell all its stock in the bank, but the sale was at a profit of $671,860 upon a stock investment of $2,000,000. The circulation of the bank never materially exceeded $6,000,000. The relations between the bank and the Government were, on the whole, intimate and friendly. While the charter did not make it the depository of the Government funds, yet the Government nevertheless made it a depository of the larger part of such funds, for the bank was continually aiding the Government in its foreign exchanges, as the bank was authorized to deal in such exchanges. The charter of the bank expired in March, 1811. In 1810, when the bank applied to Congress for a renewal of its charter, Gallatin, who was then Secretary of the Treasury, was strongly in favor of renewing the charter. Among other things he said:

> The advantages of banks in the fiscal operations of the Government were unquestionable. The only question was whether these services could be most conveniently performed by a national bank or by a number of State banks. State banks might be used, and in case of a non-renewal of the charter must be used by the Treasury, but surely with less convenience and safety.

The charter of the bank, as is well known, was not renewed. The vote in the House on the bill to renew the charter was taken January 24, 1811, and stood 65 to 64, and in the Senate the vote was taken February 20, 1811, and stood 17 to 17. The bank having failed to secure a renewal was duly liquidated within a comparatively short period and all of its liabilities, including its liabilities to stockholders, were paid in full, with ample dividends. On the whole, it can be said that the bank had in every way been successful, helpful to the Government in its fiscal operations, and of benefit to the public. The failure to renew the charter did not arise because of any shortcomings of the bank or because of its failure to perform the functions for which it was created. The bank owed its demise largely to party and political conditions and to the prejudice which existed among many prominent men against a national or Federal bank. The financial statements of the bank for January, 1809, and January, 1811, are most interesting, and I ask that they may be incorporated in my remarks without reading.

The PRESIDING OFFICER (Mr. POINDEXTER in the chair). Without objection, it will be so ordered.

The matter referred to is as follows:

Financial statement of Bank of the United States.

	January, 1809.	January, 1811.
RESOURCES.		
Loans and discounts	$15,000,000	$14,578,294
United States 6 per cent stock	2,230,000	2,750,000
Other United States indebtedness	.....	57,046
Due from other banks	800,000	894,145
Real estate	480,000	500,653
Notes of other banks on hand	.....	393,341
Specie	5,000,000	5,009,567
Total	23,510,000	24,183,046
LIABILITIES.		
Capital stock	10,000,000	10,000,000
Undivided surplus	510,000	509,678
Circulating notes outstanding	4,500,000	5,037,125
Individual deposits	8,500,000	5,900,423
United States deposits	.....	1,929,999
Due to other banks	.....	634,348
Unpaid drafts outstanding	.....	171,473
Total	23,510,000	24,183,046

Mr. NELSON. I have thus briefly referred to the history of this bank for the purpose of showing how useful a well-conducted central bank can be to the Government and to the people. I also refer to it for the reason that, like the Bank of England, it was based to a large extent on the funded debt of the Government, though in the case of the Bank of England that debt has never been paid and is never likely to be paid, while the obligations of the Federal Government, in the form of stock subscriptions, were fully liquidated at maturity.

The failure of Congress to renew the charter of the bank placed the Government and the public in the hands of a large number of State banks. There were 88 of such banks in the year the renewal of the charter was denied. By 1815 the number had increased to 208 and by 1816 to 246. Gallatin made the following estimate of the banking facilities of the country at the dates mentioned, which I ask to have incorporated in my remarks without reading.

The PRESIDING OFFICER. Without objection, it is so ordered.

The matter referred to is as follows:

	Year.	Capital.	Notes in circulation.	Specie.
Bank of the United States	1811	$10,000,000	$5,400,000	$5,800,000
88 State banks		42,610,601	22,700,000	9,600,000
		£2,610,601	28,100,000	15,400,000
208 State banks	1815	82,259,590	45,500,000	17,000,000
246 State banks	1816	80,822,422	68,000,000	19,000,000

Mr. NELSON. The War of 1812 came upon the country the year following the expiration of the charter of the bank, and the Federal Government was, in consequence, compelled to rely upon the State banks for aid during that war, and their well-nigh universal suspension of specie payment in 1814 almost paralyzed the operations of the Treasury. The notes of the State banks did not pass current out of their own locality, and it became difficult to make transfer of funds, public or private, from one part of the country to another. Gallatin expressed his deliberate opinion that the suspension of specie payments might have been prevented if the Bank of the United States had still been in existence. He believed that the enormous increase of State banks, occasioned by the dissolution of that bank, would not have occurred if that bank had continued to exist. No doubt the difficulties of the situation were aggravated by the pendency of the war, but still it is likely that had the bank, in its fine condition, been allowed to exist it would have been a great help to the Government during the trying days of the war, and the suspension of specie payment might have been avoided.

The embarrassment in the money market following the suspension of the first Bank of the United States and the suspension of specie payment led to the agitation for the creation of another Federal bank. As early as January, 1814, a petition from New York was presented to Congress for the incorporation of a national bank with a capital of $30,000,000. Several bills were introduced in Congress. Finally one of these bills passed both Houses of Congress, but it was vetoed by President Madison. Subsequently, in January, 1816, a bill chartering another bank of the United States, commonly known as the "second bank," was passed by a vote of 80 to 71 in the House and by 22 to 12 in the Senate. This bill was approved by the President. The capital of the bank was fixed at $35,000,000, in shares of $100 each, one-fifth of the shares to be taken by the Federal Government and four-fifths by the public.

No individual, firm, or corporation was permitted to subscribe for more than $300,000. The charter was to run for a period of 20 years. The bank was to be governed by a board of 25 directors, 5 appointed by the President and 20 by the bank, under a restrictive system of voting. Both classes of directors were to be appointed or elected annually. The bank could hold property of all kinds up to $55,000,000, and its indebtedness, exclusive of deposits, was restricted to $35,000,000. The bank could issue currency or notes in denominations less than $100, but not less than $5, payable on demand in specie, and notes for $1,000 or more payable in 60 days. The bank was authorized to establish branches wherever needed, and all the demand notes of the bank were to be received in payment of all debts due the United States. Government funds were to be deposited in the bank unless the Secretary of the Treasury otherwise ordered. The bank was forbidden to suspend specie payment on its demand notes, and on any of such notes which were not promptly redeemed in coin it was required to pay interest at the rate of 12 per cent per annum during the period of suspension. The bank was required to pay the Government for its charter the gross sum of $1,500,000. The control of the Government over the bank consisted in the appointment and removal of five of the directors, the withdrawal of Government deposits, the requirement of weekly statements, and the inspection of its accounts. Subscriptions to the stock of the bank were required to be made one-fourth in specie and three-fourths in the funded debt of the United States, or what we call Government bonds. The bank was authorized to commence business as soon as $8,400,000 in specie and in funded debt had been paid in. The bank was given a monopoly of note issue, and was required to transfer the public funds from one part of the country to another without charge.

I quote from the report of the Monetary Commission the following brief history of the bank:

> The history of the bank, in brief, was as follows: The bank was chartered April 10, 1816, and on April 30 Congress ordered that resumption of specie payments go into effect on February 20, 1817. The bank was quickly organized under the presidency of Jones, and began operations in January, 1817. Owing to mismanagement Jones was forced to resign in 1818, and Langdon Cheves became president. He held office until 1823, when he was succeeded by Nicholas Biddle. In June, 1829, Senator Woodbury, of New Hampshire, brought complaints against Jeremiah Mason, manager of the Portsmouth branch. In the following December President Jackson, in his annual message, questioned the constitutionality of the bank and accused it of failing to establish a sound currency. On April 30, 1830, a committee of the House of Representatives reported at length on the points raised by Jackson, its conclusions being entirely favorable to the bank. A Senate report was likewise friendly. In 1831 Senator Benton supported a resolution against rechartering the bank. In January, 1832, the bank petitioned for recharter, and this was favorably acted upon by committees of the Senate and the House. A bill for recharter was passed, but vetoed by Jackson July 19, 1832. In the autumn of this year Jackson was reelected President, and interpreted the vote as an indorsement of his opposition to the bank. In December, 1832, Jackson raised the question whether the funds of the Government were safe in the custody of the bank. An investigation was ordered by the House, and a majority report of the Committee on Ways and Means upheld the bank. This report was adopted March 2, 1833, by a vote of 109 to 46. Notwithstanding this the President determined to remove the deposits, and in order to accomplish his purpose on September 23 dismissed Duane, Secretary of the Treasury, who objected to removal, and appointed Taney in his place. The latter on September 26 ordered that deposits henceforth be made in certain State banks. On December 3, 1833, Taney reported his reasons for removal to the Senate. In 1836 the charter of the bank expired.

The vast and undue expansion of paper currency through State banks, which had occurred after the discontinuance of the first Bank of the United States, had led to the suspension of specie payments in 1814; and as a consequence, while the first bank was organized chiefly for the purpose of aiding and maintaining public and private credit, one of the great purposes of the second bank was to aid the Government not only in maintaining its public credit, but also to aid in resuming specie payments and the establishment of a sound paper currency throughout the country. The burden of restoring specie payment was in consequence, in the main, left with the bank. After the act of incorporation had passed, Congress by joint resolution directed that specie payment should be resumed on February 20, 1817. Out of the duty entailed upon the bank to bring about the resumption of specie payment arose its first friction and trouble with the State banks, whose opposition and unfriendliness the bank encountered from the very beginning. The Government deposits were at this time scattered in the State banks, and such deposits were from time to time to be transferred to the Federal bank, but the State banks insisted on transferring these funds in the shape of their irredeemable currency, thus throwing the entire burden upon the bank, for the bank would be heavily penalized if it failed to redeem the deposits of the Government in specie. While the bank was not managed as well as it might have been, yet its chief troubles at the outset came from these causes. In one form or another there was considerable hostility manifested by the State banks against the resumption of specie payments, and many of them were unwilling or unable to redeem their Government deposits in specie.

I especially invoke the attention of Senators to listen to what I am about to say, as it bears on the pending legislation.

In the early part of its operations the bank established a considerable number of branch banks, 25 of such branches in all from first to last. At the outset no definite amount of capital was assigned to these branches, but afterwards, in 1819, the bank made the fatal mistake of assigning and distributing to each of the branches a definite and specific amount of capital. The following table, which I beg leave to insert in my remarks, shows the amount of capital assigned to the various branches at three different dates.

Here is a list which I ask to have incorporated in my remarks.

The PRESIDING OFFICER. Without objection, it will be so ordered.

The matter referred to is as follows:

	Assigned May, 1819.	Assigned November, 1819.	Assigned December, 1822.
Portsmouth	$118,000	$200,000	$200,000
Providence	335,000	300,000	350,000
Middletown	256,000	200,000	200,000
New York	245,000	1,500,000	2,500,000
Baltimore	5,646,000	.....	.....
Washington	556,000	500,000	500,000
Richmond	1,761,000	1,000,000	1,000,000
Norfolk	862,000	500,000	500,000
Fayetteville	678,000	500,000	500,000
Charleston	1,935,000	1,500,000	1,500,000
Savannah	1,421,000	1,000,000	1,000,000
New Orleans	1,666,000	1,000,000	1,000,000
Lexington	1,502,000	.....	.....
Cincinnati	2,401,000	.....	.....
Louisville	1,129,000	.....	.....
Chillicothe	650,000	.....	.....
Pittsburgh	769,000	.....	.....
Philadelphia	13,046,000	.....	24,245,000
Boston	.....	500,000	1,500,000

Mr. NELSON. It thus appears from this table which I have quoted that $47,092,000 of the resources of the bank were distributed as capital among 19 branches. The bank was greatly criticized for injustice and unfairness in this distribution. It was justly maintained that the distribution was not made conformable to the commercial and financial importance of the different localities. But the fatal mistake was in thus dissipating and scattering the resources of the bank; and I particularly refer to this matter because it ought to be a lesson to us in the present emergency and admonish us to avoid as far as possible dissipating and scattering the bank reserves of the country.

A great change took place in the character of the capital stock of the bank. At the outset a large proportion of it consisted of Government obligations, or stocks, as it was known in the terminology of those days. In April, 1817, out of the total capital and surplus of the bank, amounting to nearly $47,000,000, one-half consisted of Government obligations; but, inasmuch as there came a favorable turn in the revenues of the Government thereafter, a large share of these Government obligations held by the bank were from time to time redeemed, and the holdings of the bank of this character were accordingly greatly reduced.

The Government revenues were kept on deposit in the bank until removed by order of Secretary Taney. In remote localities, where the bank had no branches, the local State banks acted as temporary depositaries and as transfer agents of Government revenues, but in this respect these State banks were merely the agents of the central bank. The bank on the whole proved a safe depositary of Government funds and the Government did not lose a dollar of its deposits with the bank. The bank was required to transfer the Government funds free of charge to such places as the Government required. Such transfers in the years from 1815 to 1827, inclusive, averaged $28,000,000 a year. Some friction arose between the Government and the bank in reference to such transfer of funds and the checking of the Government against them, as, for instance, when, in August, 1817, the Treasurer of the United States drew upon the mother bank at Philadelphia for $11,000,000 the cashier of the bank complained that the Philadelphia bank did not have that much funds to the credit of the Government and asked that the checks be made upon the bank and such branches as held Government funds.

The Treasurer declined to comply with the wishes of the bank, and stated that he kept no account other than with the chief or mother bank for the transfer of funds. A like case occurred in November of the same year when a Treasury draft on the branch bank at Richmond came back unpaid for lack of Government funds in that bank. I cite these cases as incidents in the experiences of the Government with the bank. I ask leave to insert in my remarks the following statement showing the amount of Government deposits in the bank and its branches for the period extending from 1817 to 1836, year by year.

The PRESIDING OFFICER. Without objection, it will be so ordered.

The statement is as follows:

1817	$10,200,000
1818	7,400,000
1819	2,900,000
1820	3,600,000
1821	2,900,000
1822	2,600,000
1823	4,300,000
1824	10,200,000
1825	6,700,000
1826	5,800,000
1827	8,900,000
1828	8,400,000
1829	$10,700,000
1830	9,700,000
1831	9,100,000
1832	12,600,000
1833	12,800,000
1834	4,000,000
1835	2,600,000
1836	600,000

Mr. NELSON. The bank did not fully meet the public expectations in respect to its circulating notes. This was largely owing to its failure to adopt adequate means and facilities for redemption. It failed to provide an adequate supply of specie and to distribute it at points where the notes were redeemable. The bank was also charged with delinquency in resorting to undue expansion in certain localities. I call the attention of Senators to that.

Trouble also arose from the fact that each independent branch bank issued notes of its own, which were redeemable at the place of issue, and the difficulty of supplying specie for the redemption of these notes at 19 different branches manifestly complicated the situation. It seems to me that from the experience of the bank in this respect a lesson can well be drawn in the present emergency, a lesson as to how serious it may be to provide for the issue of notes at a large number of points and for the redemption of those notes in specie at such points. This drawback should be minimized as much as possible, and this is one of the aims of the Hitchcock substitute. The following statement, which I ask leave to incorporate in my remarks, shows the note circulation of the bank from 1817 to 1836, inclusive.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The statement is as follows:

1817	$1,900,000
1818	8,300,000
1819	6,600,000
1820	3,600,000
1821	4,600,000
1822	5,600,000
1823	4,300,000
1824	$4,600,000
1825	6,000,000
1826	9,500,000
1827	8,500,000
1828	9,900,000
1829	11,900,000
1830	12,900,000
1831	16,200,000
1832	21,300,000
1833	17,500,000
1834	19,200,000
1835	17,300,000
1836	23,000,000

Mr. NELSON. On the whole, it may be said that the management of the bank in many respects was subject to just criticism, and that it had not on all occasions been as mindful as it ought to have been of its duties to the Government and to the public. It was far from being as well managed and conducted as the first Bank of the United States. It encountered the opposition of President Jackson, who was, in principle, opposed to the creation of banks of this kind, and who subsequently undoubtedly found fair grounds for criticizing some of the operations of the bank. The bank sought to secure a renewal of its charter from Congress, but failed in its attempt by reason of the veto of President Jackson.

In 1833 the deposits of the Government were, upon the order of Secretary Taney, at the instance of President Jackson, entirely withdrawn from the bank, and this led to its ultimate downfall and demise. I refer to this incident not for the purpose in any manner of criticizing the conduct of the statesmen of those days, but simply for the purpose of calling attention to the fact of how dangerous this power of absolute removal of Government deposits from a public bank may prove to be. No one doubts but what the removal of the Government deposits from the second Bank of the United States led to its downfall. To equip the Secretary of the Treasury with such a power under the new system that we are now about to establish would be dangerous in the extreme. Our Government deposits of surplus funds run from $100,000,000 to $200,000,000 per year, and under the new system would include all the revenues of the Government. The sudden withdrawal of these deposits from the reserve banks, or from any one of them, might lead to the suspension of the bank. The Glass bill, as well as the Hitchcock bill, declines to equip the Secretary of the Treasury with this absolute power. If this power is to be retained in any shape or manner or to any extent by the Secretary of the Treasury, it ought to be exercised under the supervision and with the concurrence of the Federal reserve board, that board in which is vested the regulation and welfare of our proposed new system.

As the failure to renew the charter of the first Bank of the United States in 1810 remitted the Government and the public

to a varied system of State banks for paper currency and banking facilities, which brought a flood of paper currency into circulation and led to the suspension of specie payment from 1814 to 1817, so the failure to renew the charter of the second Bank of the United States left us without a national paper currency and remitted the Government and the public again to a variety of State banks, whose numbers and circulation increased at a rapid rate. The Government deposits were placed in some of these banks. Government revenues were in part paid in these State-bank notes, many of them depreciated for lack of specie redemption. The situation finally became so precarious that the Secretary of the Treasury, Mr. Woodbury, on July 11, 1836, issued a circular providing that nothing but gold and silver, and in proper cases Virginia land scrip, would be received in payment for public lands, except in the case of preemption settlers.

This circular created alarm and fear and almost a panic among the banks, and a rapid and undue contraction resulted therefrom, and it served, contrary to expectations, to banish gold and silver from circulation. The next Congress passed a bill to repeal the circular, which the President vetoed. The ever-increasing flood of State-bank currency brought the panic of 1837 in its wake. Fear possessed the people who held this currency and they demanded the redemption of it in specie. Few of the banks were able to respond. Most of them suspended and closed their doors. When these banks failed and went down in 1837 some of them held Government deposits. The loss of these deposits at the time greatly crippled the Government in its fiscal operations. The Government deposits had at all events been safe in both the first and the second banks of the United States, but it now became palpably evident that they were no longer safe with the State banks. Some other place for their safe-keeping was urgently needed and must be devised, and in consequence the President, in 1837, recommended legislation for the adoption of a subtreasury system, a system by which funds of the Government were to be retained in the vaults of the Treasury at Washington and in the vaults of the various so-called subtreasuries of the country. Congress at first refused to pass the legislation asked for, but nevertheless the system was practically put into operation by the executive department. In 1840 Congress finally passed the legislation asked for, but in consequence of a change of administration Congress repealed the law in 1841 and passed a bill creating another national bank. This bill was vetoed by the President, who had been elected as Vice President, but had become Chief Executive as the result of the death of the President. In the meantime and down to 1846 the funds of the Government remained under its own control without any law for their deposit or safe-keeping. But subsequent to 1840 they were deposited in seven New York banks, each bank in turn holding all the deposits for one month at a time. Congress finally, in 1846, passed the law creating the subtreasury system, with which you are all familiar and which I need not describe in detail, and which has been in vogue ever since. This system, while it provided a safe depositary for the Government funds, has proved in some respects detrimental and injurious to the commerce and finance of the country. The vice of the system is this, that as the revenues of the Government, from time to time, greatly exceed its expenditures this excess is withdrawn from circulation in the channels of commerce and trade and locked up as a dead fund in the Treasury.

One of the merits of both the Glass and the Hitchcock bills is to remedy this defect by providing that the Government funds shall from time to time be deposited in the reserve banks and checked against by the Government in making its disbursements. The surplus money of the Government will in this manner be in constant and active use, and the banks and the public will derive great benefit from the system. As is well known, it has heretofore been the practice, when there has been an accumulation of Government funds in the Treasury and there has been a stringency in the money market, to deposit from time to time these funds, mainly in a limited number of favored banks, who have oftentimes used the funds not so much for commercial loans as for the purpose of maintaining the integrity of so-called call loans based upon stock collaterals. The subtreasury system has in recent years been somewhat modified in actual practice by the more liberal and fair distribution of Government funds among the banks. But however well meaning and fair our several Secretaries of the Treasury have been in making such distribution of deposits, they have, nevertheless, been subject to great criticism for undue favoritism. It will be a great relief under the present system for the Secretaries of the Treasury to deposit the funds, as provided in the Glass bill and the Hitchcock substitute, in the Federal reserve banks.

While the subtreasury system, in the absence of a national Federal bank, afforded relief to the Government in respect to its deposits, it failed to give any relief to the public at large. They were left with no other paper currency than that issued by a variety and multitude of State banks, under various systems. In a few of the States these systems were good, in some of them indifferent, and in many of them poor and unreliable. Many of the notes, while they temporarily circulated at par in the neighborhood where they were issued, yet as soon as they got some distance from home they were invariably taken at a discount, if taken at all. On the whole, in many instances, they proved a great burden upon the trade and commerce of the country, oftentimes leading to undue inflation and at other times to undue contraction. Not only did the commerce and traffic of the country in general suffer from this currency, but in many instances depositors lost their little all and became entirely pauperized. It would be imposing upon the time of the Senate and would perhaps prove of little value to describe these various State-bank systems in detail. It is sufficient to say that such as they were—good, indifferent, and bad—they gave us the only paper currency we possessed from the time of the demise of the second Bank of the United States until the establishment of our present national-bank system.

There is no telling how long our country would have continued under this older system if the exigencies of the Civil War had not brought about a change and led to the enactment of our present national-bank system. The national-bank law was first enacted in 1863, and reenacted, modified, and enlarged by the act of 1864, which forms the basis of the Revised Statutes on that subject. To meet the expenses of the war the Government had, before the first act was passed, issued over $300,000,000 in legal-tender notes, commonly called greenbacks, and in addition it had increased its bonded indebtedness from about $80,000,000, at the beginning of the war, to nearly $1,500,000,000 in round numbers, and the end of the war being still apparently in the far distance it became necessary to incur a much larger indebtedness and to make provision for the same. The same reason, to a large extent, existed for the enactment of the national-bank law as for the enactment of the law providing for the charter for the first Bank of the United States, namely, to aid the Government in securing further loans and in maintaining its financial credit. It is said that when Washington asked Hamilton, "What is to be done with our terrible debt?" that Hamilton replied, "Bank on it as our only available capital and the best in the world." It must be remembered, too, that at this time the resources of the Government were greatly limited by the pending war. Out of the 35 States of the Union 11 were in open rebellion, and of the 24 who had remained 3 of them—Missouri, Kentucky, and West Virginia—were border States, where the powers of the Federal Government were not always paramount and effective. At the time the first national-bank law was enacted in 1863 gold and silver had ceased to circulate. There were at that time about 1,466 State banks in operation in the States adhering to the Union. These banks had a capital of $405,000,000, and a note circulation of $238,000,000 in round numbers. This circulation and our greenback circulation constituted at this time the only circulating medium of the country, aside from various temporary and lawless expedients, such as checks and other kinds of makeshifts.

The object of the national bank law was of a twofold character; first, to secure purchasers and holders of the Government bonds, and second to give the public a safe and sound paper circulating medium. The act accomplished to a great extent both of these purposes. It created a market for the bonds and maintained their integrity. It gave the people a currency that was absolutely safe and sound, and which has not from the time of the inauguration of the system entailed a single dollar of loss on a bill holder. The system thus inaugurated has grown until at this time we have a total of 7,500 national banks in round numbers, with a paid-up capital of $1,056,000,000, a surplus of about $725,000,000, outstanding note circulation of $724,000,000, individual deposits amounting to $5,760,000,000 in round numbers, and loans and discounts amounting to $6,160,000,000 in round numbers. Prior to 1900 no national bank could be organized or established with a capital of less than $50,000. By the act of March 14, 1900, banks were permitted to be organized with a capital of not less than $25,000 in towns where the population did not exceed 3,000. There are over 2,000 of these small banks organized under the provisions of this act, and these small banks have been the means of extending good banking facilities to the rural communities and the smaller towns of the country. The circulating notes issued by the national banks are based upon Government bonds deposited in the Treasury Department with a redemption fund of 5 per cent deposited by the banks.

Now I come to that system of bank reserves in which we are so much interested. In order to fortify and strengthen the system, a scheme of so-called bank reserves was established by the act. For such purpose the national banks of the country were segregated into three classes—banks in central reserve cities, banks in reserve cities, and country banks. In the original acts of 1863 and 1864 provision was made for only one central reserve city, to wit, New York. By the act of 1887 this was changed so as to allow, upon a proper showing, cities of a population of 200,000 or more to become central reserve cities. There are only two cities that have taken advantage of this law—Chicago and St. Louis. There are a number of other cities which could readily have become central reserve cities under the law of 1887, having sufficient population for that purpose. Among those of that class that I can recall at this moment are Boston, Philadelphia, Baltimore, Pittsburgh, New Orleans, Kansas City, St. Paul, Minneapolis, San Francisco, and there are other cities which I am unable to recall at this moment.

Mr. SMITH of Michigan. Detroit?

Mr. NELSON. Yes; Detroit.

Mr. POMERENE. And Cincinnati.

Mr. NELSON. Yes. There are 47 cities that have been designated as reserve cities. There are 52 national banks in the central reserve cities and 315 national banks in the reserve cities. All the other national banks of the country are known as country banks.

The national-bank law provides that country banks must keep a reserve of at least 15 per cent of the aggregate amount of their deposits. Two-fifths of this, or 6 per cent, must be kept in their own vaults; three-fifths, or 9 per cent, may be kept at their option in national banks in central reserve cities or in reserve cities, as the case may be. National banks in reserve cities are required to keep a reserve of 25 per cent of the aggregate amount of their deposits. One-half of this amount they are required to keep in their own vaults; the other one-half they may deposit in the national banks in the central reserve cities. Banks in central reserve cities are required to keep in their own vaults a reserve of 25 per cent of the aggregate amount of their deposits, but in all of these cases the banks are credited on their reserves with the 5 per cent kept in the Treasury for the redemption of their circulating notes; in other words, this is deducted from the amount of the reserves required.

It is evident that the original national-bank act contemplated but one great reserve center for the entire country, the city of New York, and although this plan was afterwards modified by the act of 1887, to which I have already called your attention, the fact remains that New York has always continued to be the main and chief reserve reservoir of the country, and on account of its great foreign and domestic commerce and its large amount of accumulated capital it will undoubtedly continue in the future, as in the past, to be the chief financial reservoir of the country, from which relief in great emergencies must come, notwithstanding any system of reserve banks we may establish. The reserve bank at New York will be the ultimate reservoir to which other reserve banks in case of emergency must look.

While in theory the reserve system of the national-bank act seemed good, yet in actual practice, especially in times of money stringencies and panics, it has proved a great source of weakness and danger. The banks in the central reserve cities have striven to secure the reserves and other deposits of the country banks and of the banks in the reserve cities, and the banks in the reserve cities have in like manner striven to secure the reserves of the country banks, and as an inducement in both cases an interest of 2 per cent per annum has been paid on such deposits and reserves. The banks of the interior, in times when the demand for money at home has been slack, have forwarded their deposits in great volume to the banks of the central reserve cities, especially to banks in New York, and these banks, who in this manner became at certain seasons of the year so plethoric with the funds of the interior banks, could not afford, while paying 2 per cent interest, to allow the funds to remain idle, and this drove them, of necessity, to have recourse to call or demand loans secured by stock collaterals. These loans are usually made to stockbrokers, who are buying and carrying stocks for themselves or their customers. While in ordinary times such loans may be regarded as liquid, yet in times of money stringencies and panics they are anything but liquid. If under those circumstances the loans are called in, the borrower has neither money himself nor can he obtain loans from other banks to redeem the loans, and the result is that his stocks are sold at a sacrifice on the stock exchange without practically adding anything to the volume of money. In times of panics the only loans that are really liquid, in the true sense of the term, are bills of exchange drawn against the shipment of products that may be termed the necessaries of life, such as cotton, wheat, corn, flour, and other articles, shipped abroad.

The panics of 1873, 1893, and 1907 demonstrated the truth of this proposition. One of the sources of the evil of this system has been the payment of interest by banks on bank deposits. On the one side it promotes the undue transmission of funds from the interior to these great banking centers. On the other hand, it induces the banks who thus secure these large deposits to unduly expand their credits and to carry a large quantity of call stock-exchange loans, and thus these funds are withdrawn from the channels of commerce. On the heels of the panic of 1873 a committee was appointed by the New York Clearing House to investigate the causes which led to that panic and to report upon what reforms were necessary in the operations of the banks to increase the security of their business, and so forth. On November 11, 1873, this committee presented its report. It is printed in full in volume 5 of the Report of the Monetary Commission, pages 91 to 101, inclusive, to which reference is made. At this time I can only quote the following passages from the report. Among other things, it states:

> No institution can in the long run purchase deposits of money, payable on demand, of the owners and at the same time secure to itself a just and proper compensation for the business without violating some of the conditions indispensable to the public safety. It must either use them in ways that are illegitimate and perilous or use them in excess. This has been abundantly proved by innumerable instances in years past, and the practice of paying interest for such deposits was unanimously condemned by the bank officers in 1857 as one of the principal causes of the panic at that period, for the reasons given in a printed report, of which a copy is annexed hereto.

Speaking of call stock-exchange loans, the report states:

> Legitimate commerce does not, then, demand it. It is still subject to instant call. There is consequently no resource but to loan it in Wall Street upon stocks and bonds, in doing which so much of the Nation's movable capital passes for the time into fixed and immovable forms of investment and its essential character is instantly changed. Loans are made with facility upon securities which have no strictly commercial quality, new and unnecessary enterprises are encouraged, wild speculations are stimulated, and the thoughtless and unwary are betrayed into ruinous operations. The autumnal demand finds the resources of the Nation unnaturally diverted from their legitimate channels, and they can only be turned back with difficulty and public embarrassment. Such has been our well-known experience year after year. Interest upon money has, as a consequence, fluctuated widely from 3 and 4 per cent per annum in summer to 15 and 20 per cent in the fall and winter upon commercial paper, and upon stocks at times to one-half and even 1 per cent a day. Vicissitudes like these are utterly destructive to all legitimate commerce, and institutions whose operations tend to such results are enemies to the public welfare.

Among the other recommendations for reform made by this committee, the first and principal recommendation was:

> That payment of interest upon deposits, either directly or indirectly, be entirely prohibited.

I may say in this connection that while a great majority of the banks of the New York Clearing House approved of it and would have adopted the plan there was a very small minority that refused to acquiesce. The result was that the rule recommended by this committee was not adopted. I commend the perusal of this report to all who are interested in the subject matter. All of us can recall the panic of 1907. It is still fresh in our memories. I do not care to go into the details of that subject at this time, but will simply state the bald fact that the banks of New York stopped the panic and run at that time by closing their doors and suspending, and that suspension continued in spite of the fact that during its pendency over $90,000,000 of gold was imported from Europe upon bills of exchange drawn against bills of lading for agricultural products shipped to Europe, and in spite of the fact that the Government deposited with the banks of New York during that period upward of $40,000,000, one-half of it in two of the largest banks; and it is to be noted also that during the acute period of the panic and suspension our national bank-note circulation was increased to the extent of nearly $50,000,000. The total deposits made by the Government in the banks at that time amounted to $58,000,000; so that $58,000,000 of Government deposits, $50,000,000 of additional bank-note circulation, and over $90,000,000 in gold was added to the money supply of the country before the banks could open their doors and resume their normal business. We all know how the reserves of the interior banks of the country were tied up during this period of suspension. The tie-up in New York led to the tie-up in Chicago and St. Louis, and the tie-up at these three centers led, to a greater or less extent, to the tie-up of the banks in the 40 or more reserve cities and in the country banks, though it may be said that at that time in some of the States in the upper Mississippi Valley many of the country banks kept their doors open all the time and were at all times ready to respond to the full demand of their depositors. I refer to these matters not

so much for the purpose of criticizing anybody as for the purpose of enabling us to draw a lesson therefrom; and that lesson has been utilized in a concrete form in two of the pending currency bills by entirely changing the system of reserves and by prohibiting the payment of interest on such reserves and the payment of interest on deposits in the reserve banks.

I may say in this connection that the original Glass bill prohibits the payment of interest on all deposits except on the deposit of Government funds. The Hitchcock bill is along the same lines, and prohibits the payment of interest on bank deposits in the reserve banks, while the last print of the Owen bill, if my recollection serves me right, is silent on that subject. I will ask the Senator from Missouri [Mr. REED] or the Senator from New York [Mr. O'GORMAN], whom I see before me, if I am not correct? I rather think it was unintentional.

Mr. O'GORMAN. My understanding is that interest will not be paid on deposits made by member banks, and will not be paid on deposits made by the Federal Government.

Mr. NELSON. It is not indicated in the last print of the bill that that is so.

Mr. SHAFROTH. Mr. President, as I understand the bill, the banks are not entitled to pay to any member banks for moneys on deposit. That is plain in all the bills, I think. As to Government deposits, interest can be paid, as I understand, depending upon the condition of the bank and the desire of the Secretary of the Treasury. The banks are permitted to pay interest on Government deposits.

Mr. O'GORMAN. I desire to say, Mr. President, with reference to the last suggestion made by the Senator from Colorado, that if there is any such provision in the Owen bill it does not at this time reflect the views of the Senators who subscribed to the report on that bill, because the bill contemplates that with one or two reservations all the profits of this new banking system will go to the Government. If at an intermediate stage you require the system to pay interest to the Government on the Government's deposits, you are simply reducing the amount that will ultimately go to the Government by way of profit.

Mr. SHAFROTH. The division is not as the Senator from New York suggests. The division is made after the payment of surplus of 40 per cent.

Mr. O'GORMAN. I say, with certain reservations. I had in mind the surplus of 40 per cent. I had in mind the 6 per cent interest on the stock. I had in mind the part of the profits that is to be segregated for the purpose of protecting or guaranteeing or insuring the deposits of individuals in the member banks.

Mr. SHAFROTH. Yes; but in addition to that you can readily see that the very right which the Secretary of the Treasury has to put money in these banks or not to put money in these banks is something that would give the power to exact interest, if it is necessary.

Mr O'GORMAN. Do I understand the Senator from Colorado to say that there is an express provision in the Owen bill at this time conferring that power?

Mr. SHAFROTH. I am not certain; but evidently the power which the Secretary would have of either depositing money there or not depositing money there would give him the power to prescribe the terms upon which it could be placed there.

Mr. REED. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Missouri?

Mr. NELSON. I do.

Mr. REED. The Senator from Minnesota asked whether there was a prohibition against the payment of interest upon bank reserves.

Mr. NELSON. Upon deposits in reserve banks.

Mr. REED. Did the Senator refer to reserves deposited by one bank in another?

Mr. NELSON. I referred to the deposits made in the reserve banks. The member banks not only may deposit their reserves there, but they may deposit their other funds.

Mr. REED. Yes.

Mr. NELSON. My contention is—and that is what is included in the Hitchcock bill—that the reserve banks should pay no interest on these bank deposits, whether they are a part of the reserves or whether they exceed the reserves.

Mr. SHAFROTH. That is true of the Owen bill also.

Mr. NELSON. I can not find it in the last print, but perhaps it was my mistake.

Mr. REED. May I ask the Senator from Colorado what section of the Owen bill provides that?

Mr. SHAFROTH. I am not certain, but I am satisfied that there is no power whatever given to these banks to pay any interest on deposits made with them.

Mr. NELSON. There is no express power to do so, but there is no inhibition against it.

Mr. REED. Mr. President, I have here the section which I think covers it, section 15–16.

Mr. SMOOT. Yes; the old section 16 and the new section 15.

Mr. REED. To clear up the matter, I will state that in the Owen bill, as it appears in its last print, section 16 of the old bill becomes section 15 of the present bill. The section reads as follows:

> The moneys held in the general fund of the Treasury, except the 5 per cent fund for the redemption of outstanding national-bank notes and the funds provided in this act for the redemption of Federal reserve notes may, upon the direction of the Secretary of the Treasury, be deposited in Federal reserve banks, which banks, when required by the Secretary of the Treasury, shall act as fiscal agents of the United States; and the revenues of the Government or any part thereof may be deposited in such banks, and disbursements may be made by checks drawn against such deposits.

That is a proposition very similar to the section of the Glass bill which came here from the House. It covers largely the same subject matter as the same section of the Glass bill; but the latter had at the end of the section as it appeared there these words:

> *Provided*, That no Federal reserve bank shall pay interest upon any deposits except those of the United States.

Mr. NELSON. Yes; that is what I referred to.

Mr. REED. That language does not appear in the same place in the Owen bill, and I do not think it appears elsewhere in the bill.

Mr. NELSON. That is my understanding—that it does not appear anywhere in the last print of the Owen bill.

Mr. ROOT. I should like to ask the Senator from Colorado whether, in his view, when the Secretary of the Treasury is authorized to deposit the funds of the United States in certain banks he has any authority of law to charge interest upon those funds?

Mr. SHAFROTH. He does charge interest now. He deposits money in various banks of the United States, and he gets 2 per cent interest upon it.

Mr. ROOT. He has authority of law for that.

Mr. WARREN. I think there is no authority of law. It is true that the money deposited by the Secretary of the Treasury in national banks is now drawing the interest that is now demanded, but I have always understood—and I would like to be informed if the contrary is true—that the Secretary of the Treasury has no specific license of law to do that. That is, I understand, that while there is no law prohibiting it, there is none specifically giving him that privilege.

Mr. NELSON. My recollection, if the Senators will allow me, is that in the so-called Aldrich-Vreeland bill there is a provision authorizing the Secretary of the Treasury to collect interest on a certain class of deposits, but it is so framed that it covers only the cases where the Government makes deposits in banks scattered over the country without using them for the purpose of checking against. It does not apply to current deposits made from day to day and checked against by the Government. I know something about it, because it was at my instance that that provision was incorporated in the act. I was in favor of having interest paid on all Government deposits in the national banks at that time.

Mr. WARREN. I recall that.

Mr. NELSON. But, as a matter of fact, the committee cut my proposal down until it was limited to the class of cases I have mentioned.

Mr. WARREN. Is not interest being charged on all of the deposits now in the national banks, whether they are checking accounts or whether they are of a time or stationary nature?

Mr. NELSON. I do not know.

Mr. SHAFROTH. I understand that to be the fact.

Mr. NELSON. I am not advised as to what is the practice now.

Mr. WARREN. I understand so. I remember that a few months ago certain bankers were about to call a meeting of bankers to see whether they would continue to receive the deposits of the Government under the charges that were made. I think nothing came of it, because the stringency of the times or the higher rate of interest has made it desirable, I assume, for the banks to continue to pay the rate of interest which the present Secretary of the Treasury has prescribed that they shall pay.

Mr. SHAFROTH. I will say that the Secretary of the Treasury told me that while there were some protests at the beginning, all of the moneys he could lend out with any degree of safety were eagerly taken by the banks, and 2 per cent interest was being paid upon them.

Mr. WARREN. Because the demand became greater.

Mr. SHAFROTH. Yes; perhaps the demand became greater at that time. I wish to say to the Senator from New York, however, that the power which is given the Secretary of the

Treasury here to deposit money in these Federal reserve banks would, it seems to me, give him the right to prescribe the terms upon which the deposits should be made, just as I believe the Secretary of the Treasury now has the power to require that interest shall be paid upon the deposits which he makes in the national banks. That being the case, I believe it to be the intention of this bill—at least, it was my intention—that while there should be no payment of interest upon deposits made by the banks there should be power to charge an interest rate if it was deemed proper to do so in view of the manner in which the banks were being run.

Mr. ROOT. I think the terms of the House bill undoubtedly imply that.

Mr. SHAFROTH. I think so.

Mr. WILLIAMS. Mr. President, if the Senator from Minnesota will pardon me, I think the two parts of the bill that refer to the point are these:

Section 14 says:

Any Federal reserve bank may receive from any of its member banks, and from the United States, deposits of current funds in lawful money, national-bank notes, Federal reserve notes, or checks and drafts upon solvent banks of the Federal reserve system, payable upon presentation; or, solely for exchange purposes, may receive from other Federal reserve banks deposits of current funds in lawful money, national-bank notes, or checks and drafts upon solvent member or other Federal reserve banks, payable upon presentation.

Mr. NELSON. There is no dispute about that paragraph.

Mr. WILLIAMS. Then, on page 49 of this print—I have not the section right now, but I will get it in a minute——

Mr. O'GORMAN. Section 15.

Mr. WILLIAMS. No; that is another section. The other was section 14. On page 49 of the comparative print this language occurs:

Nothing in this act contained shall be construed as taking away any powers heretofore vested by law in the Secretary of the Treasury which relate to the supervision, management, and control of the Treasury Department—

And so forth.

Mr. NELSON. I wish to say to the Senator from Mississippi that I am not so much concerned about the matter of interest on Government deposits.

Mr. WILLIAMS. No; I am simply trying to answer the question of fact as to what the bill provides now. It goes on:

And wherever any power vested by this act in the Federal reserve board or the Federal reserve agent appears to conflict with the powers of the Secretary of the Treasury, such powers shall be exercised subject to the supervision and control of the Secretary.

From those two provisions compared with one another it would appear that they are given the power to receive the deposits, subject to such other powers as the Secretary of the Treasury now has.

Mr. NELSON. But the Senator overlooks the main question involved in the case, which I discussed. It was not so much the matter of interest on Government deposits, because, as I look upon that, it is to a large extent academic, for the reason that all the revenues go to the Government outside of the dividends paid to stockholders, the insurance fund, and what is retained for the purpose of accumulating a surplus fund. What I am concerned about more than anything else is the payment of interest by the reserve banks to their depositors. Unless that is prohibited we fall back into the old and dangerous rut of the present reserve system.

Mr. WILLIAMS. That would seem to fall within the powers of the reserve board.

Mr. REED. I wish to ask the Senator from Minnesota a question. I agree with what he has said in regard to the limitation, and that there should be a limitation upon the Federal reserve banks paying interest to any of the member banks on deposits; but I wish to ask him if he did not intend to go further than that and prohibit banks from paying interest to each other, or whether he simply wanted the limitation placed upon the reserve banks?

Mr. NELSON. It would apply to all the deposits. If I recall the language of what is called the Hitchcock bill, it prohibits a reserve bank from paying interest on any of its deposits.

Mr. REED. The Senator did not catch my question.

Mr. WILLIAMS. They would not get any.

Mr. REED. I understand the Senator means that; but does he intend to go further and prohibit any bank from paying interest upon deposits placed with it by any other bank?

Mr. NELSON. Oh, the Senator means the local banks?

Mr. REED. Yes.

Mr. NELSON. Oh, no. It does not affect member banks.

Mr. REED. And the Senator does not intend to affect them?

Mr. NELSON. No; it does not affect them; it leaves member banks exactly as they are. This is simply to prohibit the reserve banks, which are made the holders of the reserves under the new system, from paying interest on deposits, which has been the great vice of the existing system.

Mr. REED. I agree with the Senator on that.

Mr. WILLIAMS. The Senator means deposits made as a part of the reserve?

Mr. NELSON. Any deposits made with a reserve bank by a member bank.

Mr. WILLIAMS. The evils of the present system have grown out of the fact that interest was paid on the part of the deposits made by the country banks with the reserve banks, which by law was to constitute a part of the reserves of the country banks, only being kept there instead of in their own vaults. Suppose, however, that a bank, for its own accommodation, the accommodation of its business, keeps on hand in New York, in addition to its reserve under the law, a deposit for other purposes; of course the Senator does not want to disturb the payment of interest upon that?

Mr. NELSON. Certainly; that is the very thing I refer to more than anything else. The reserves required to be kept under the law are mandatory. The bank has to deposit them whether it is willing or not; but all other deposits above that are at the volition of the bank.

Mr. WILLIAMS. I agree with the Senator that, in so far as the bank is compelled to keep a part of its reserves at a certain place, interest ought not to be permitted to be charged it, because that reserve ought to be held for reserve purposes, subject to instant call at any time. Suppose, however, you were carrying on a bank in Minnesota and you were keeping in St. Louis more than the reserves which the law required you to keep there—that is, the proportion of them that would go to this reserve city.

Suppose you had an immense business there of various sorts and your checks were coming in and going out all the time. Suppose you needed accommodation at certain seasons of the year, and in order to secure that accommodation you kept in St. Louis, in addition to what the law compelled you to keep there, a couple of hundred thousand dollars. Now, of course, you would not want to keep that amount there at all unless you could get some interest upon it. The truth is that it works in this way: You put it in there and get a certain amount of interest, and then, when crop-moving time comes, that bank stands behind you and lets you draw.

The viciousness of the present system consists in the fact that what ought to be the reserve of the country, held subject to instantaneous call, in order to protect the country bank or the reserve city bank, finds itself wrapped up in New York, and it can not be gotten away. Of course, as to other deposits made by banks, they stand upon no higher ground, as far as public policy is concerned, than my individual deposit or yours in a New York bank, and certainly they ought to be allowed to earn interest. If you do not let them earn interest, the deposit never will be made, except so much as the law compels to be made.

Mr. NELSON. That is all the better; that is what makes the system safe. There is where the Senator from Mississippi utterly fails to draw a lesson from our present reserve system. It is not only that they pay interest on the required reserves they deposit, but they pay interest on all the deposits of the country banks, and by that means draw the money to New York or other reserve centers. The country banks, instead of keeping the money at home, send it to New York or other reserve centers for the sake of getting 2 per cent interest. And then the banks in the reserve cities loan it out on stock collateral as call loans, which, in cases of great emergency, can not readily be converted into cash.

The seat of the difficulty, to my mind, is the payment of interest by the banks on bank deposits.

Mr. McCUMBER. Mr. President——

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

Mr. NELSON. Yes.

Mr. McCUMBER. I want to ask the Senator whether the Hitchcock bill, which he is supporting, either authorizes the reserve banks to pay interest on deposits made by the Government to check against or authorizes the Secretary of the Treasury to charge interest as a condition of deposit?

Mr. NELSON. No; it does not.

Mr. McCUMBER. Did I understand the Senator to say that he did not consider it of any great importance whether they paid interest on the Government deposits or not?

Mr. NELSON. No; I do not to the extent I do of bank deposits, as outside of the dividends to the stockholders, the insurance fund, and the accumulation of a surplus everything goes to the Government.

Mr. McCUMBER. If that be true, does the Senator think that the Secretary of the Treasury, who is to receive on behalf

of the Government a profit from a banking institution in which it makes no investment and without any responsibility on its own part, should, in addition to that, make a charge for the deposits as they come into that bank——

Mr. NELSON. I do not understand the Senator. I suggest that he ask a simple question and not make it so complicated and long.

Mr. McCUMBER. I will put it in simpler form if the Senator wishes it. Suppose the Government deposits in one of the Federal reserve banks a million dollars. The Government may or may not own any stock in that bank. The Government is to get all the profits of that bank above a certain per cent which is to be paid in dividends and a small amount for surplus and a little insurance probably. All the balance is to go to the Government. Now, if the Government is to receive that without an investment in the bank and without any responsibility, does not the Senator think the Government ought not to charge for the use of the funds that it deposits in those banks?

Mr. NELSON. Certainly; I do.

Mr. McCUMBER. Should there not be a prohibition against charging it?

Mr. NELSON. Certainly. That is what we have in the Hitchcock bill. We propose to prohibit the payment of interest on Government and all other deposits in the reserve banks.

Mr. McCUMBER. That is precisely what I wanted to know.

Mr. NELSON. Mr. President, we must look at this question from a broad standpoint. Under our present subtreasury system the surplus funds of the Government are locked up in the subtreasury until the Secretary of the Treasury sees fit, in cases of money stringency or otherwise, to distribute the funds among the banks. It is all discretionary with him. He can grant such favors to some localities and withhold them from other localities. We want a system of legislation which will divest the Secretary of such discretionary power. We want the surplus funds of the Government, instead of being locked up in the vaults of the Treasury, to be kept in constant circulation, and the only way we can have them in constant circulation is to do the same as the British Government does with its funds. It deposits them in the Bank of England and checks against them, and in that way the money is constantly in use. We want to have it constantly in use for the people of the United States, for whom we are seeking to establish a helpful and beneficial banking system.

Mr. CUMMINS. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Iowa?

Mr. NELSON. Certainly.

Mr. CUMMINS. I should like to ask a question, but I will not do it if it has a tendency to interrupt the Senator from Minnesota.

Mr. NELSON. Oh, no; not at all. Questions are oftentimes very instructive.

Mr. CUMMINS. My question is not to instruct the Senator from Minnesota, because that would be impossible for me to do. Neither is it to bother or badger him. I have profound confidence in his judgment with regard to this matter. I am a little bit mystified with one phase of the subject. He says that the banks in New York, for instance, ought not to pay interest upon deposits.

Mr. NELSON. Bank deposits.

Mr. CUMMINS. Upon bank deposits, because the payment of interest brings the deposits to New York, and the banks in New York in order to be able to pay the interest must in turn invest the money in such securities as are current there. I agree to that. That seems to me to be perfectly plain. I can see, too, that there may be an emergency in which the banks in New York having thus invested the money would be unable to respond to the demands of their depositors.

But what bothers me is that this bill requires the same banks to deposit 5 per cent of their demand obligations and a certain per cent of their time obligations with the Federal reserve bank. The Federal reserve bank is expected immediately to invest that money in the securities that are described in the bill, or at least all of that money with the exception of the reserve which it is compelled to hold. If it invests the reserve money in securities, why should it not pay interest to the banks which deposit it?

Mr. NELSON. Why should it? Will the Senator explain why it should?

Mr. CUMMINS. The vice of the present system is well described by the Senator from Minnesota, that the habit of paying interest draws money to New York which ought not to flow there; but the law compels the banks to put their money into the reserve bank and it must go there. If the vice of paying interest is that it brings about an artificial distribution of money, it seems to me that the Federal reserve bank ought to be compelled to hold this reserve money without being invested at all in order to respond to its depositors whenever called upon. I can not just see why if the Federal reserve bank is told to put out the money at interest it should not pay a part of that interest anyhow to the banks which deposit it.

Mr. NELSON. The trouble with the Senator's statement is that he assumes that both in the present system and in the system which we establish here the only deposits are what are called the reserves. As a matter of fact, the country banks in the interior have as a rule had a great deal more on deposit in the banks of New York than they are required to hold as reserves, and so they will under this system.

Now, I want to tell you wherein this system differs from the present system. Technically, under the existing system, no bank has a right to loan out its reserves. It is required to keep a certain amount of reserves. But that is not the case under the system that we propose to establish under this bill. The reserve banks can loan out the reserves or any of their money so long as they keep a reserve of 35 per cent.

Mr. CUMMINS. That is just what presents the difficulty, in my mind. I was not speaking, of course, about the deposits other than the reserve deposits, but the law comes to the bank and tells it to deposit 5 per cent of its demand obligations with the reserve bank. That, of course, is for safety. The reserve bank immediately loans that money out.

Mr. NELSON. It can not loan all of it.

Mr. CUMMINS. It loans all of it except a certain reserve which it is required to keep. If it is required to loan the money which belongs to the depositing bank and earn interest upon it, why should it not pay to the depositing bank a certain part, at least, of the interest which it actually earns upon the deposit? That is what it is difficult for me to understand.

Mr. SHAFROTH. If the Senator from Minnesota will excuse me, I will state the reason why we thought there should be no interest paid to a member bank. It is because it is that contribution which the member bank makes to the system in order to get the protection of having its drafts discounted. Of course this is supposed to create a discount market, by which a member bank can go and present its paper and have it discounted there. It was thought that to do a general banking business beyond the amount and to pay interest would cripple perhaps the banking system and perhaps lead to favoritism, in the way of giving too large an amount of money in the shape of interest, and that it might seriously impair the operations of the Federal reserve system. We thought it was nothing but fair that the member bank should contribute this money without interest for the benefits which it receives in having its reserves held and in having the security which in time of a run is of such great moment to it in preventing the bank from closing.

Mr. O'GORMAN. Will the Senator allow a suggestion in connection with the statement made by the Senator from Colorado?

Mr. NELSON. Certainly.

Mr. O'GORMAN. There was another reason why it was thought inadvisable to pay any interest to a member bank. The member banks, as has been suggested by the Senator from Colorado, are to be the beneficiaries of this system. They are to enjoy all its privileges and advantages, and its greatest privilege is that it affords an opportunity to a member bank to go to the regional bank with its collateral and get immediate accommodation. If the Federal reserve bank must, in the first instance, pay interest to the member bank, the reserve banks making the loan to the member bank must charge a correspondingly high rate for the accommodation. That suggestion, I think, had weight with those who considered this proposition in committee. In other words, by not paying the member bank any interest upon its deposit the member bank can get the accommodation of the reserve bank at a cheaper rate.

Mr. CUMMINS. All that simply means that money contributed to the bank is paid back to them through discount instead of withdrawing it in the ordinary way. I am a great believer, so far as possible, in allowing people to make their own contracts rather than have the Government make them. I have no definite opinion about the question we are now discussing, and that is the reason why I asked the Senator from Minnesota, if the reserve bank shall loan out the money, why there would be any danger in paying interest upon the deposit.

Mr. NELSON. The danger would be akin to that in the present system, though, perhaps, not in as great degree.

Mr. ROOT. Mr. President——

Mr. NELSON. I yield to the Senator from New York.

Mr. ROOT. I want to turn the mind of the Senator from Minnesota to a possible modification of the remark he made a short time ago to the effect that the question of paying interest on Government deposits was academical.

Mr. NELSON. Perhaps I overstated it.

Mr. ROOT. That is undoubtedly true, if it is certain that the regional reserve banks are so profitable that they make 6 per cent interest and have the money to divide with the Government in the way of profits. But, suppose the regional bank does not make its 6 per cent profit, then it is not academical, because, in that case, if it has been prevented from making 6 per cent profit on the stock to pay to the member banks by paying interest to the Government, the provision permitting the requiring such interest will just so much reduce the benefits that are to go to the member banks in return for their contributing the capital and keeping approximately half their reserves with the regional banks. It seems to me it is only prudent for us to contemplate both possibilities—the possibility of a large profit and the possibility of a small profit or none. I think the Government ought not be permitted to charge interest to these regional banks. I agree with the Senator from Minnesota in his view about the effect of paying interest. I do not believe in having banks receive interest upon their deposits.

Mr. NELSON. Especially on bank deposits.

Mr. ROOT. I think, in the business between banks, there should be no interest as from one bank to another. I think that results in a better administration of the business affairs of the community; but I think that rule ought to be applied to the Government, and that the Government, inasmuch as after reaching a certain point it is going to have all the profits in restricting the stockholders who supplied the capital to a moderate and limited profit, ought not to be permitted to make an additional profit by the way of charging interest, which will in any event prevent the member banks who have supplied the capital from getting their 6 per cent. I think it is fairer all the way around, if the member banks are to be limited in the profits that they are to receive and the Government is to take all the surplus, that the member bank should have the income up to the limit without having it interfered with by the Government charging interest.

Mr. NELSON. I concur in what the Senator from New York has so well stated.

There is another consideration that I want to state to the Senator, and that is a consideration, I think, that has affected every member of this committee. We have felt all along that in establishing this new system of reserve banks we are not establishing them for the purpose of making money. The chief object of the system is to create these reserve banks to aid the member banks and the people of the country at large. We are content that these banks shall pay the dividends and provide an insurance fund and provide a surplus. We are content if the banks will do that and accomplish the other great purpose we have in view, and that is, to be an aid to the local banks throughout the country. If we were building up these reserve banks as money-making institutions for the mere sake of seeing how much money they could earn, then it would be a question whether we should exact interest on bank deposits or Government deposits. Our present system of reserves has disclosed the great danger that lies in the payment of interest on bank deposits.

Senators seem to think that all these deposits with the New York and Chicago banks are limited to the reserve requirements. In normal times the banks of the entire country generally keep a much larger amount than the reserve requirement. They keep it because for the time being they can not put it into active use at home, and they send it there for the sake of getting the 2 per cent interest.

Mr. WILLIAMS. State banks will keep it there as well as the National Government.

Mr. NELSON. State banks and trust companies, as well as national banks——

Mr. O'GORMAN. Mr. President——

Mr. NELSON. If the Senator from New York will allow me, I will add one more word in this connection. I have not commented upon this system of reserves and the payment of interest for the special purpose of criticizing the New York banks. I do not mean to say that the banks there are the only delinquents. The country banks which have loaded up the big banks in the city for the sake of that 2 per cent are as much to blame—are, so to speak, particeps criminis.

Mr. O'GORMAN. I have only to suggest, perhaps, a reason why, as I understand it, the country banks keep on depositing in the central reserve cities—New York, Chicago, St. Louis—amounts in excess of the legal reserve requirement. They do it generally so that they will be in a position, when their needs require it, to get accommodation from the large central reserve city banks; and the extent of that accommodation will depend to a large degree upon the deposits which they keep from time to time in excess of their reserve deposits.

Again, it has been suggested that very often the smaller banks forward money in excess of reserve requirements either to reserve cities or to the central reserve cities to minimize the risk, whatever it may be, in certain communities of loss of money by bank robberies and such causes. Those, as I say, are two reasons which at times operate with certain of the small banks throughout the country to cause them to forward their moneys to the reserve centers.

Mr. ROOT. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the senior Senator from New York?

Mr. NELSON. I do.

Mr. ROOT. Does not the junior Senator from New York think that there will be a better condition in respect of the forwarding of money to New York from the country banks if this bill operates to create a really elastic currency? Of course, no country bank is going to send money to New York at 2 per cent merely for investment purposes if it can get 5 per cent or 6 per cent with good security at home.

Is it not also a fact that the country banks have been sending their money to New York at a period of the year when it was not needed in their own localities, relying upon getting it back when needed?

Mr. O'GORMAN. The evidence before our committee has been to that effect.

Mr. ROOT. So this practice has been a kind of rude method of making the currency elastic for purposes of their own localities.

Mr. O'GORMAN. I might add to what the Senator has suggested that they send the money, when they have a surplus of it at home, to the reserve cities, calling upon it when their needs at home require it; but beyond that their needs at home will very often require much more than they have available, and it is then that they seek accommodation from the banks in the reserve centers, which have had the benefit of their accounts. It is a mutual accommodation.

Mr. ROOT. So that it is a still further way of making the currency elastic as to that particular locality?

Mr. O'GORMAN. Yes.

Mr. ROOT. They reduce the currency of that locality when it is not needed by sending it to reserve cities. They increase it when it is needed by calling back the money which they have sent and getting still more by getting accommodations in the way of loans. Is it not probable if we do through this bill get a really elastic currency, that the old practice, which was a makeshift to accomplish the same result, will be largely decreased?

Mr. O'GORMAN. It will be decreased, but not entirely discontinued. The evidence of the bankers who appeared before the committee was to the effect that the institution of this new banking system will not interrupt the relations which now exist between the country banker and the banker in the reserve cities; but I can very properly see, as the Senator suggests, that the advantages of the new system will very much diminish the extent of those relations.

Mr. REED. Mr. President, I think it ought to be stated at this time that what the two Senators from New York have said upon this question is absolutely accurate; that there is a further circumstance which ought to be considered. It is true that a bank having surplus money at certain seasons of the year will send it to a reserve city because it is an actual surplus, because it can get interest on it, and because it can secure accommodations in return for it; but there is another reason, which is that a country bank, if it had nothing else to rely on except its own resources, would be required to keep probably 25 per cent of money on hand all the time in order to meet the demands which might come, not exactly from day to day, but which might be reasonably expected to come every few days.

That bank will deposit frequently everything, clear down to the reserve it is required to keep in its own vaults, in some reserve bank that is near-by. It puts it there for two reasons: First, it can have it close at hand in the event it is called upon; and, then, it gets a little interest upon it. So it is not exactly accurate to say that this money is deposited only in seasons of plenty with the banks of reserve cities, and drawn out in seasons of scarcity; but it is a thing which goes on all the time, the ordinary country bank keeping scarcely more than its till money, and then carrying its real balance in some near-by city bank, because it treats that money in the near-by city bank just as the ordinary depositor treats a deposit in a bank as cash that he can get at any moment.

Mr. BRISTOW. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Kansas?

Mr. NELSON. I do.

Mr. BRISTOW. I want to ask the Senator from Minnesota if, in his opinion, this system of paying interest on deposits of other banks by the banks in the central cities has not a tendency to deprive the localities where these country banks are situated of the full value of their resources, because if they can put a considerable portion of their money, which is a surplus, in those cities, have it subject to call, and yet get interest on it, they are more likely to do it than they are at times to gratify what might be a legitimate demand in their own communities, and husbanding their funds for some expected emergency.

Mr. NELSON. The Senator is undoubtedly correct in that respect. The more local banks keep their funds at home the better they can supply their home customers at lower rates. In addition to that the local banks ought not to run the risk of placing their deposits where, in case of money stringency, they are not available. They are the funds of their depositors, and they ought not to transmit these funds to remote points, so that in case of emergency they can not be readily drawn upon or be promptly available for the demands of their depositors.

Mr. POMERENE. Mr. President——

The PRESIDING OFFICER (Mr. WALSH in the chair). Does the Senator from Minnesota yield to the Senator from Ohio?

Mr. NELSON. Yes.

Mr. POMERENE. I think the Senator will also agree with me that it also appeared before the committee that often the country banks were encouraged to keep a large part of their funds in the reserve cities, where they were drawing interest and where the funds would be available for investment upon the stock market in call loans.

Mr. NELSON. Certainly.

Mr. POMERENE. I mean that that was frequently done on the initiative of the country banks themselves; and in that way this money was often invested in securities which were of variable values, and the funds in that way would be in such a condition that they would not be available for the country banks in their own localities in time of need.

Mr. NELSON. That is true. I remember one of the hearings before the committee when a prominent banker from Chicago was so anxious to retain a part of the present system that he really, as members of the committee will recall, suggested to us that, while we might establish this new reserve system, we ought to leave a part of the old system with the banks; and he went on to describe how many country banks he had on his string and how anxious he was to retain them as his customers. He feared that unless we retained a remnant of the old reserve system for the benefit of the big banks his bank and banks similarly situated would suffer.

Mr. POMERENE. Mr. President, it seems to me that the very position that some of the bankers took indicated that they were very much more interested in the amount of deposits which they had in their own banks than they had in adopting any valuable and correct system for the country at large.

Mr. NELSON. That was probably true in some cases.

Mr. ROOT. But the Senator does not mean that was generally so?

Mr. POMERENE. Oh, I do not say so. I say it with respect to some of them.

Mr. ROOT. Mr. President, I am very glad the Senator from Ohio disclaims any intention to apply to the great body of the bankers of New York any such selfishness as he has found in occasional cases. The observation I wish to make is this: That I have found among the bankers of New York a widespread and, so far as I have observed, a universal feeling that it would be for the best interests of this country that the system under which the reserves of the banks of the country were concentrated in New York City by the working of our reserve provisions and the payment of interest should be broken up. They prefer that the banks of New York should lose those deposits rather than that the system should be continued, and they are willing for and more than willing, and they cheerfully contemplate the removal of those deposits, because they consider that it would be for the best interest of the country that that should be done.

Mr. POMERENE. Mr. President——

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

Mr. NELSON. Yes.

Mr. POMERENE. Mr. President, I should regret if anything I said should lead any Senator to think that I was of the opinion that what I expressed as being the view of some of the bankers was a general view among them. I have in my mind at this moment a statement made by Mr. Vanderlip, in which he said that he expected under this system, if adopted, that his bank would lose $50,000,000 of country deposits; but he expected to make that up by the ability of his bank to invest their funds in commercial paper rather than in call loans. Lest anything that I may hereafter say on this subject may be misunderstood, I desire to add that as to many of the bankers, I feel that they are very much interested in having a proper system, and that the patriotism of the bankers is, on the average, just as great as that of any other class of our citizens.

Mr. WEEKS. Mr. President——

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

Mr. NELSON. I yield to the Senator from Massachusetts.

Mr. WEEKS. I want to suggest further along the line to which the Senator from Ohio [Mr. POMERENE] has just referred, that the reason the banker gave for his being able to make up the losses which he may suffer on account of the $50,000,000 of deposits referred to being withdrawn, was that the profit made on that $50,000,000 was comparatively small; that for five years the average interest which the bank had received from call loans was 2.98 per cent, on money for which they paid 2 per cent, and of which 25 per cent had to be kept in reserve, which amounted to sixty-six hundredths of 1 per cent, so that there was only a net profit of thirty-two hundredths of 1 per cent without taking out the cost of handling the funds and the proportional part of the overhead charges. So that it is fair to assume that the net profit made would be not over one-quarter of 1 per cent, and it is fair to assume, also, that that loss would be made up by increased rates on commercial paper which the banks might be able to secure under the changed system.

Mr. NELSON. Mr. President, I wish to add one thing to what has been said by the Senator from Massachusetts; and in saying it I express, as I always do, my own honest conviction on the subject.

Of all the men who appeared before our committee to give us information, I found Mr. Vanderlip, of the National City Bank, the broadest, the fairest, and the most impartial. While I derived some benefit from the statements of other bankers, I really got more instruction, more practical and valuable information from what he stated than from all the rest of the hearings. I will ask every Member of the Senate to read the statements of Mr. Vanderlip.

I remember two of Mr. Vanderlip's expressions. While the Chicago bankers and others from the bankers' convention had come here and protested against that "horrible requirement" of compelling one reserve bank, nolens volens, to discount paper for another, Mr. Vanderlip's reply to that was:

> While it is obnoxious, it is absolutely necessary to the system, and without it the system can not live. You must have it, so that you can pipe the reserves from one reserve bank to another.

He was equally frank about the matter of deposits and interest, that we have discussed here. He entirely agreed with the view I have presented, and with the view other Senators have presented, that the present system of reserves and the payment of interest on bank deposits was a dangerous thing and ought to be eliminated. While it would entail in one way, in the first instance, some losses on his bank, he conceded that it was absolutely necessary in order to perfect a good system.

Mr. President, I shall not go into this branch of the subject further than to say that I am anxious to see this system of reserve banks made a success. I do not want these banks loaded down with too many burdens. I want them to have the deposits of their member banks, whether they be reserves or other deposits, without interest, because I believe they can better utilize them and make them available for the system. I want them to have the Government deposits free of charge, because in that way those deposits will constantly remain in circulation and can be utilized for the benefit of the trade and commerce of the country, and especially can be utilized in the moving of crops. The benefit derived from paying no interest on Government deposits will inure to advantage of the entire country.

I wish to call the attention of Senators to one fact, to which I shall refer later on. Under our new system of income tax the revenues derived from that source will pile up in our Treasury at the end and beginning of fiscal years. There will be for a considerable time a surplus over the Government disbursements. This surplus may temporarily prove to be a great blessing to the country.

The revenues from this source will pour into the Treasury the last part of June or the first part of July. If they are properly handled, the Government deposits from this source can be used, in the first instance, to help in moving the cotton crop of the

South; they can be used next to move the wheat crop of the Northwest; they can be used next to move the cattle and hog crop of the Middle West; and they can be made available to promote our manufacturing industries here in the East. So, it seems to me, when we take into account the blessings that will be conferred on the country by utilizing the Government deposits, instead of burying them in subtreasuries, as at present, it is picayunish to consider this question of interest.

So about the other matter: The reserve banks are intended to help the member banks. They can help the member banks in one of two ways, either by giving what are called book credits or by giving actual cash. The more we burden the reserve banks the more they will have to charge their customers. If we want the reserve banks to be helpful to the system, to the local banks, to the member banks, in the true sense of the term, the less burdens we impose upon them the better for the welfare of the country.

Bear in mind, Senators, what I have already said—that this is a system we are creating, not for the purpose of making money, but to help the scattered banks of the country in cases of emergency and at all other times. I shall not, however, take up the time of the Senate further upon this subject.

Another drawback of the present system has been the rigidity and lack of elasticity in its circulating notes. Tethered to Government bonds, as it has been, it has been unable to respond in emergencies to the varying and ever-changing wants of trade and commerce. It has been a question rather as to whether it would pay to invest in bonds and secure circulation thereon instead of responding to the commercial and trade wants of the country.

The pending legislation aims to cure this evil and remedy this drawback. It proposes to issue currency based upon short-time commercial paper growing out of the transactions of legitimate business backed by an ample gold reserve. If this system is properly administered and worked out in its details, the volume of circulating notes of the reserve banks will necessarily ebb and flow in harmony with the wants and demands of commerce; and this is exactly the kind of paper currency that we need and the kind of paper currency that the leading countries of the Old World have had for years. The only mistake we are making in this change, in my opinion, is that instead of having a system of regional or reserve banks we ought to have a large central bank, of nonvoting stock, subscribed by the people, under the absolute control of the Federal Government. Such a bank would be a great reservoir from which all national banks as well as State banks could at all times secure help in times of stress and emergency. It would be a great reservoir for the reserves of the country and for the deposits of the Government, and it would prove safer and more helpful than a scattered system of reserve banks, however well managed. The more of such banks there are, the more the reserves and deposits are dissipated and scattered, and it will be difficult in the operation of the system to avoid more or less friction between the different reserve districts and reserve banks of the country. While my chief faith is in a strong central bank of the kind I have indicated, yet I have brought myself to acquiesce in a system with no more than four reserve banks, because it approximates more nearly to the advantages of a central bank and minimizes the drawbacks resulting from the lack of such a bank. A publicly owned central bank under the absolute control of the Federal Government is entirely different from that of a private bank, such as the second bank of the United States or that of the bankers' bank recommended by the Monetary Commission. The prejudice existing against these banks ought not to be transferred to such a central bank as I have suggested. It is a great pity that Senators feel themselves tethered by party platforms and party obligations to such an extent as to prevent the establishment of the best possible monetary system. To me it seems as though the proposed legislation is only a halfway measure, a mere temporary palliative. I imagine that the practical operation of the system will in time demonstrate the necessity for a single Government-controlled bank, and the distant future may have such a bank in store for the people of this country.

With these preliminary observations, I will now proceed to discuss the proposed legislation in detail. I shall refer to the House bill as the Glass bill, to the substitute reported by the chairman of the Banking and Currency Committee as the Owen bill, and to the substitute reported by the Senator from Nebraska as the Hitchcock bill.

SECTION 1.

The first section of the bill is not material, as it relates merely to the definition of terms used in the several bills.

SECTIONS 2 AND 3.

The Glass bill provides that the Secretary of the Treasury, the Secretary of Agriculture, and the Comptroller of the Currency shall constitute an organization committee to organize and establish Federal reserve districts and Federal reserve banks. The Owen bill provides that the organization shall be effected by a committee consisting of the Secretary of the Treasury and not less than two members of the Federal reserve board, while the Hitchcock bill proposes that the organization and establishment of the banks and districts shall be made by the Federal reserve board. The reason for this recommendation is that as the Federal reserve board is to have charge and control of the system it ought, in the first instance, to map out the system under which it is to operate, for it will be in better condition to know how to lay out and establish the districts.

NUMBER OF BANKS.

In the next place, the Glass bill authorized the establishment, in the first instance, of not less than 12 Federal reserve banks, with the option to establish more if desired. The Owen bill provides for the establishment of not less than 8 nor more than 12 banks. I think the last amendment to the Owen bill provides for from 8 to 12 banks.

Mr. SHAFROTH. That is right.

Mr. WILLIAMS. Not less than 8.

Mr. NELSON. Not less than 8 nor more than 12. The Hitchcock bill proposes that only 4 Federal reserve banks shall be established in the first instance, and that after these have been in operation for two years the Federal reserve board may add 8 additional banks if deemed advisable. As I have already stated, the new Owen or caucus bill provides for not less than 8 nor more than 12 banks.

STOCK SUBSCRIPTIONS.

The Glass bill requires a subscription on the part of all national banks to the extent of 20 per cent of their capital, one-fourth to be paid in cash, one-fourth in 60 days, and the balance to remain a liability subject to call. The Owen bill requires subscription on the part of national banks to the extent of 6 per cent of their capital and surplus, one-sixth to be subject to immediate call, one-sixth in three months, and one-sixth in six months, and the balance to remain subject to future calls. The Hitchcock bill provides that an amount of stock equal to 6 per cent of the capital and surplus of the bank shall be allotted to each of the national banks for underwriting and subscription, with a provision that the allotted stock must for 60 days be offered to the public for subscription, with the requirement that the bank must subscribe for all the stock not taken by the public, and that the stock subscription must be paid in gold or gold certificates, one-third at the time of the subscription, one-third in 30 days, and one-third in 60 days. The Owen bill, in like manner, provides that stock subscriptions must be paid in gold or gold certificates. The Glass bill is silent on this point. By the Owen bill it is provided that in case the subscription by the banks is insufficient, then the public, under certain limitations, may subscribe, and that if such subscriptions prove insufficient, then the Federal Government may subscribe for the stock of the banks.

The plan of allowing the public to subscribe for the stock in the first instance, as proposed in the Hitchcock bill, is of great advantage. The public will undoubtedly subscribe for the stock, and to the extent of such subscription it will relieve the member banks from depleting their own capital to supply capital for the reserve banks, and it will also to that extent increase the banking capital of the country.

Under the Glass bill or under the Owen bill, whatever the subscription may be in the one case or in the other, it is a subscription that is mandatory, and it is that much of the capital taken out of the local banks to supply capital to the new reserve banks. It does not increase the banking capital of the country one iota. It simply transfers a part of that capital from the local banks to the reserve banks.

Under the plan of the Hitchcock bill, we provide that the same amount of stock as in the Owen bill—to wit, 6 per cent of the capital and surplus—shall be allotted to every national bank, and that that national bank must offer the stock for 60 days to the public; and if the public does not subscribe for the stock within the 60 days, whatever is left unsubscribed for the banks must take absolutely.

There were two reasons which actuated our section of the committee in this respect. One was to popularize the system. A great deal of objection was made by many of the country banks to compulsory subscription. They said, "It is too arbitrary, too tyrannical, to force us, whether we are willing or not, to take stock in these regional banks."

That is one reason which actuated us. The other reason was that we thought by leaving to these member banks the privilege of offering that stock to the public for 60 days, they could relieve themselves of that burden, and by relieving themselves, if that stock was taken by the public, whatever the public paid would be that much added to the banking capital of the country.

In the case where it is mandatory upon the banks it amounts simply to a transfer of the capital from one bank to another; it does not increase the banking capital of the country, while in the case of popular subscription, if that should prove a success—and I am inclined to think it would be in a great many localities—there would be added that much money to the banking capital of the country. That is what actuated the members of what I may be permitted to call the Hitchcock section of the committee.

There is another provision in the Glass bill and in the Owen bill. There is double liability imposed upon stockholders. This we have not included in the Hitchcock bill. We have felt that under this system it would be imposing too much of a burden, that it would make the stock unpopular, and would prevent the public from taking the stock to impose the double liability. The double liability remains under our national banking law in respect to the stockholders in our national banks, but the stockholders in these reserve banks will be the member banks under the Glass and Owen bills. Under the Hitchcock bill it will be the public and the bank.

You must bear in mind that while our section of the committee proposes to have this stock offered to the public for 60 days we do not propose to give the stockholders as such any voting power. The only power we give to the member banks is that, on account of the reserve requirements, we give them the right to vote for and to elect four out of nine directors of the reserve or regional banks.

Under the Glass bill and the Owen bill the stock is not transferable and can not be mortgaged. I think I am correct in that statement. Under the Hitchcock bill the stock is transferable under rules to be established by the Federal reserve board. We could see no good reason for preventing a transfer of this stock so long as the stock had no voting power. All the stockholder would secure in a transfer of the stock would be practically a certificate that would entitle him to a dividend of 5 per cent, if earned. Beyond that he would have no voice at all in the control and management of the banks. If the stock was owned by the member banks instead of by individuals still the member banks would have no voting power in respect to that stock as stockholders. They would have a voting power simply because their reserves were required to be in the reserve banks, and their voting power would be limited to the election of four out of the nine directors. We could see no good reason for preventing this stock from being transferred or, if you please, mortgaged.

There is a radical difference between the bills in respect to the capital required by these reserve banks. Under the Glass bill the reserve banks are required to have a capital of not less than $5,000,000, under the Owen bill $3,000,000, and under the Hitchcock bill $6,000,000. When the Federal reserve districts have been established and a certificate thereof filed with the Secretary of the Treasury, the Federal reserve board, under the Hitchcock bill, is required to allot to each national bank the shares of stock which it is required to underwrite and subscribe for; and when $6,000,000 have been subscribed for, and one-third of the subscription has been paid in, the Federal reserve board, through its governor, issues a certificate of incorporation, which must be duly acknowledged and filed; and that certificate constitutes what may be termed the charter of incorporation.

The Hitchcock bill differs from the Owen bill and the Glass bill in this particular: The Owen bill and the Glass bill substantially provide that the certificate of incorporation shall be signed and certified by a limited number of member banks. Really it is not material. Either course is sufficient. In either the certificate is the final act which creates the corporation.

There is one other difference to which I want to call your attention. Under the Hitchcock bill a reserve bank is not allowed to commence business until two-thirds of its capital, or $4,000,000, has been paid in; in other words, while it may be incorporated and declared a corporation when the subscription has been made and one-third of it paid in, while it may go on and organize and prepare for business, yet it can not actually commence business until two-thirds of the capital has been paid in, or $4,000,000 in all.

Under the Glass bill the bank can not commence business until $5,000,000 has been subscribed for and paid in, while under the Owen bill when not less than $3,000,000 has been subscribed for and one-sixth, or $500,000, has been paid in the bank may begin business.

In reference to the power of the reserve banks, I desire to call your attention to the fact that paragraphs 1 to 7, relating to the powers of reserve banks, are identical in the Owen and Hitchcock bills. The Glass bill does not seem to contain any provision equivalent to those seven paragraphs.

Paragraph 8 of the Owen bill, as to the power of these reserve banks, is not found in the Hitchcock bill, and is, in our opinion, a most dangerous provision. This paragraph, in substance, permits the new reserve banks to obtain bond-secured circulating notes in the same manner and under the same conditions as national banks obtain their notes under the existing law. This provision is wholly unjustified, for it is simply an extension of our present system of bond-secured currency. It gives these reserve banks the same right to secure currency and the same kind of currency as national banks now obtain under existing law, to wit, on Government bonds.

I have supposed, Mr. President, that one of the ultimate purposes of this bill is to eliminate in time the national-bank note currency and to substitute for it currency issued through the new reserve banks, so as to give us one uniform system of currency. The authority given by paragraph 8 tends to check and retard such a change. It would simply permit the reserve banks to do what national banks now do—to file United States bonds with the Comptroller of the Currency and secure circulation on them.

Mr. BRISTOW. Mr. President——

Mr. NELSON. It gives authority to increase the volume of our nonelastic bond-secured currency, and that is what I supposed we were trying to get away from in this legislation.

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

Mr. NELSON. Certainly.

Mr. BRISTOW. Let me inquire of the Senator if it would not open the door to a very excessive inflation in time by keeping alive all the currency that is now out on bonds and then adding to that all that may be issued on the assets which are provided in the bill?

Mr. NELSON. Certainly; it would lead to a dangerous condition; and what is more, it would perpetuate the present nonelastic bond-secured system of currency from which we are seeking to escape.

Mr. SHAFROTH. I will state, however, to the Senator from Minnesota that the number of bonds the United States Government has upon which circulation can be issued is so limited that it would be impossible to have any considerable increase in that respect.

Mr. NELSON. There is any amount of bonds.

Mr. SHAFROTH. Oh, no.

Mr. NELSON. Oh, yes; there is.

Mr. SHAFROTH. I mean the bonds upon which circulation can issue now.

Mr. NELSON. Circulation is issued on 4 per cent and 3 per cent bonds.

Mr. SHAFROTH. But they have not the circulating privilege, I understand, now.

Mr. NELSON. Yes. You will find that a lot of the old 4 per cents are a basis of circulation.

Mr. SHAFROTH. And have been for a great many years.

Mr. NELSON. For a great many years there were 3 per cent bonds.

Mr. SHAFROTH. I do not believe you can find at the present time $200,000,000 of bonds of the United States which would come within the provisions of the act.

Mr. WILLIAMS. That are not already the basis of circulation?

Mr. SHAFROTH. That are not already the basis of circulation. Of course $758,000,000 of those are already the basis of circulation, upon which circulation has issued and is now in existence. The difficulty with the provision, which I think the Hitchcock bill provides, is the retirement of national-bank notes without the substitution of any permanent currency in its place. Does not the Hitchcock bill make that provision?

Mr. NELSON. Certainly; the retirement of the national-bank notes under the Hitchcock bill comes through the refunding system. It provides for that.

Mr. SHAFROTH. But it provides for the retirement of the total national-bank note circulation in 20 years without the substitution of any permanent currency in its place.

Mr. NELSON. Certainly the other currency is substituted.

Mr. SHAFROTH. The other currency is a temporary currency, based upon 30 and 90 day paper, and whether or not it

will ever amount to anything over and above a reserve bank men differed before the committee.

Mr. NELSON. I say the new currency we establish is not merely 30 or 90 day paper.

Mr. SHAFROTH. It is based on that.

Mr. NELSON. If that is the case, we have labored in vain. If, instead of our present national-bank circulation, we are establishing a circulation of United States currency that is only good for 30 and 60 or 90 days, we are in a pretty bad condition.

Mr. SHAFROTH. It is based upon 30, 60, and 90 day paper. Whenever those drafts that mature in 60 and 90 days are paid it retires that much currency. It was a question before our committee as to whether there would be a sufficient quantity of money taken out upon these terms as would take the place of national-bank notes, because before you can issue any at all the total amount of the reserve of the bank would have to be loaned out to the bank, but whether there will be a dollar of it that will be in excess of that we do not know. Consequently, we think it is unwise to be providing for the retirement of the permanent currency, such as national-bank currency, without the substitution for it of a permanent currency.

Mr. NELSON. There would be some reason in your claim if you provided for a substitution by the reserve banks of this new system of currency in place of the bonds; but what you really provide in paragraph 8 is that the reserve banks can go and deposit Government bonds and get exactly the same kind of currency that we complain of now.

Mr. SHAFROTH. Oh, no.

Mr. NELSON. A bond-secured currency.

Mr. SHAFROTH. That is a power vested in the Federal reserve board to permit it. It is not a right of the bank to do it

Mr. NELSON. You give them that power.

Mr. SHAFROTH. It is a power given the Federal reserve board to permit that kind of an issuance of currency, but it is not the right of any member to go there and get it.

Mr. NELSON. What I claim in regard to it is that it is a dangerous power. If our purpose is to establish a new currency system, if our purpose is to establish an elastic system, if our purpose is to get rid of the present bond-secured currency system, it is a most vicious provision, for it is one of the powers conferred by the Owen bill upon the reserve banks.

Mr. WILLIAMS. Mr. President——

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

Mr. NELSON. Certainly. I always yield to my friend from Mississippi.

Mr. WILLIAMS. Of course, I do not believe that any paper currency ought to be a permanent currency. I think that all paper currency ought to be a currency that fluctuates from day to day in proportion to the demands of business.

Mr. NELSON. That is right.

Mr. WILLIAMS. This currency would do that. But the Senator is mistaken when he thinks that the bill in its ordinary working would permit the issuance of which he speaks. This is a power reserved in the discretion of the reserve board with the idea and the hope at any rate, and I think it is a well-grounded idea, that it will not be exercised except in some great emergency when it seems to be required.

I for one do not think that emergency will ever come, because I think the power to issue reserve notes upon the deposit of collateral in the portfolio will take care of emergencies of that sort without the resort to the power to issue notes as the present national banks do upon this balance of about two hundred million of Government bonds not already serving as a basis of circulation.

Mr. NELSON. I differ radically, Mr. President, from the Senator from Mississippi, if I properly understand his contention.

Mr. WILLIAMS. I am talking about what the bill provides. The Senator from Minnesota can not differ from me about what the bill provides, because that is a matter of fact to be obtained by reading the language.

Mr. NELSON. I radically differ from the Senator as to the views he has expressed, and I will apply that difference to the proposed provision of paragraph 8.

Mr. WILLIAMS. But the point I am trying to make now is that this bill does not give this power to the regional banks. It gives to the board of control a discretion to extend it to the regional banks——

Mr. NELSON. That is a mistake.

Mr. WILLIAMS. And the belief is that it will not do so, except in some great emergency.

Mr. NELSON. I am surprised to hear the views of the Senator from Mississippi in one respect. I had supposed that the object of the pending legislation was to create a new system of elastic currency——

Mr. WILLIAMS. I do not differ from the Senator on that.

Mr. NELSON. And that we should gradually retire the existing nonelastic bond-secured currency——

Mr. WILLIAMS. In that hope I agree with the Senator.

Mr. NELSON. And that we must do it gradually so as not to produce unnecessary disturbance or friction in the commercial and financial world. Now, you put in a provision by which reserve banks can secure issue and float bond-secured currency; you put in a provision to the effect that the reserve banks can perpetuate the present system if they see fit.

Mr. WILLIAMS. Yes; but suppose——

Mr. NELSON. My contention is that that power should not be given, for the reason that we should seek by every fair means, with as little friction as possible, to get away from the present nonelastic system and secure a paper-currency system that will be elastic and respond to the needs and wants of commerce—one that will ebb and flow with trade and commerce. The currency you propose to give the directors of the regional banks the power to issue is a currency contrary to the scope and ultimate purpose of this bill, as I understand.

Mr. WILLIAMS. The Senator unconsciously used the right word a moment ago when he said "a brake." That is just exactly what this provision is—it is a brake upon the wagon. Suppose, for example, that the 2 per cent bonds were to go away below par under the provisions of the Owen bill. This is a provision for carrying out the contract so far as they are concerned and permitting them to continue until they are paid as a basis of circulation, and that will maintain their value. Suppose it were discovered that their par value was being maintained without resort to this expedient, then I imagine the reserve board would not give this power. If, upon the contrary, they found that the par value of the 2 percents was not being maintained, then they might permit it to be exercised for that purpose.

Mr. NELSON. The Senator is assuming that the reserve board will never exercise this power. But as a matter of fact the power is not with the reserve board, but with the directors of the reserve banks.

Mr. POMERENE. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Ohio?

Mr. NELSON. Certainly.

Mr. POMERENE. I think a mistake has been made. The power to issue this currency, based upon bonds, is lodged in the regional reserve banks——

Mr. NELSON. That is my recollection.

Mr. POMERENE. Subject, however, to the supervision of the Federal reserve board.

Mr. WILLIAMS. I knew the Federal reserve board had to be consulted. It can not be done without their approval.

Mr. NELSON. I was satisfied the banks could do it in the first instance.

Mr. POMERENE. Then, another of the powers enumerated——

Mr. NELSON. I wish the Senator from Ohio would be kind enough to read the paragraph so that Senators may understand what my contention is.

Mr. POMERENE. I read from page 13 of the print of the bill of December 1, 1913.

Mr. NELSON. Is that the caucus bill?

Mr. POMERENE. It is. The provision is as follows:

> Upon the filing of such certificate with the Comptroller of the Currency as aforesaid, the said Federal reserve bank shall become a body corporate and as such, and in the name designated in such organization certificate, shall have power—

Then, there are eight powers enumerated, and the eighth power designated is as follows:

> Eighth. Upon deposit with the Treasurer of the United States of any bonds of the United States in the manner provided by existing law relating to national banks, to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited, such notes to be issued under the same conditions and provisions of law which relate to the issue of circulating notes of national banks secured by bonds of the United States bearing the circulating privilege.

This power, however, is subject to the supervisory power of the Federal reserve board.

Mr. NELSON. The directors of the Federal reserve banks, unless restrained by the reserve board, can continue to issue this bond-secured currency. My contention is that, while it is or ought to be the ultimate purpose of this legislation to get away as rapidly as can safely be done from the present system of bond-secured nonelastic currency, this paragraph retains a power in the regional banks to go on and deposit bonds and get the same kind of currency on the same conditions as national banks are getting it now.

Mr. REED. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Missouri?

Mr. NELSON. Certainly.

Mr. REED. I think, in connection with the section to which the Senator's attention was called, I ought to direct his thought to section 18, which in the print I have, that of December 1, appears at page 60. I want to say to the Senator from Minnesota that I think this issue ought to be clean-cut and understood by every Senator.

The purpose of the provision I am about to read is to preserve intact the present national bank circulation. The question of whether or not it is wise to do so is a question that must be passed upon, but the purpose of the bill as now presented is to maintain that circulation. I read a part of section 18, as follows:

SEC. 18. Any member bank desiring to retire the whole or any part of its circulating notes may file with the Treasurer of the United States an application to sell for its account, at par and interest, United States bonds securing circulation to be retired.

The Treasurer shall, at the end of each quarterly period, furnish the Federal reserve board with a list of such applications, and the Federal reserve board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least 10 days before the end of any quarterly period at which the Federal reserve board may direct the purchase to be made. Upon notice from the Treasurer of the amount of bonds so sold for its account, each member bank shall duly assign and transfer, in writing, such bonds to the Federal reserve bank purchasing the same, and such Federal reserve bank shall thereupon deposit lawful money with the Treasurer of the United States for the purchase price of such bonds, and the Treasurer shall pay to the member bank selling such bonds any balance due after deducting a sufficient sum to redeem its outstanding notes secured by such bonds, which notes shall be canceled and permanently retired when redeemed.

Up to that point the method is worked by which any bank desiring to retire its circulating notes can do so by depositing its bonds. Then the bonds are taken up. Then it is provided that the Federal reserve board may require the Federal reserve banks to take these bonds; and then this follows:

The Federal reserve banks purchasing such bonds shall be required to take out an amount of circulating notes equal to the amount of national-bank notes outstanding against such bonds.

Upon the deposit with the Treasurer of the United States bonds so purchased, or any bonds with the circulating privilege acquired under section 4 of this act, any Federal reserve bank making such deposit in the manner provided by existing law shall be entitled to receive from the Comptroller of the Currency circulating notes in blank, registered and countersigned as provided by law, equal in amount to the par value of the bonds so deposited. Such notes shall be the obligations of the Federal reserve bank procuring same, and shall be in form prescribed by the Secretary of the Treasury, and to the same tenor and effect as national-bank notes now provided by law. They shall be issued under the same terms and conditions as national-bank notes. United States bonds bought by a Federal reserve bank against which there are no outstanding national-bank notes may be exchanged at the Treasury for one-year gold notes bearing 3 per cent interest. In case of such exchange for one-year notes the reserve bank shall be bound to pay such notes and to receive in payment thereof new 3 per cent one-year Treasury gold notes year by year for the period of 20 years.

So that it is perfectly plain that the intention here was if the national banks went out of the system to provide a means by which their bonds upon which circulation had been issued could be taken over by the Federal reserve banks, in which event the Federal reserve banks would be obligated to issue or to have issued an equal amount of bank circulation.

Mr. WILLIAMS. Of central reserve bank notes.

Mr. REED. No; it is not the ordinary note.

Mr. WILLIAMS. It is called the Federal reserve bank note.

Mr. REED. It is a Federal reserve bank note, which is exactly like the present national-bank note, so far as the bill would indicate. Then, as to any bonds against which there is not at the present time any circulation, there is a provision that they may be taken over and 12-month bonds issued against them and held by the banks, those bonds to bear 3 per cent. So that I think there is this clear distinction between the bills: The Hitchcock bill contemplates the ultimate retirement of the national-bank circulation, whereas the Owen bill provides for the perpetuation of the national-bank circulation.

Mr. WILLIAMS. It was that provision I had in mind when I interrupted the Senator. I was thinking about a mere substitution of one for the other, which is what that is.

Mr. OWEN. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Oklahoma?

Mr. NELSON. I yield to the Senator.

Mr. OWEN. Mr. President, I want to make an observation to the Senator from Minnesota in connection with this particular section 18. In so far as the Federal reserve banks buy the bonds, which now secure circulation, they are required to issue a like amount of circulation so as not to contract the currency.

Mr. NELSON. A like amount, but if the Senator will allow me——

Mr. OWEN. The same amount.

Mr. NELSON. It is the same amount, but is it the same kind of bill? Are they national-bank notes or are they the notes of the new reserve system?

Mr. OWEN. No; they are bank notes; not Federal reserve notes, but Federal reserve bank notes.

Mr. NELSON. Such as we have under the present system?

Mr. OWEN. Yes.

Mr. NELSON. Then, it is a perpetuation of that system.

Mr. OWEN. It is a perpetuation of that much of that system, but instead of having 7,000 different banks, each of which would have six or seven different plates, and therefore from twenty-eight to thirty thousand different particular forms of notes, there would only be these fewer forms. The purpose was not to contract the currency, but to leave the currency the same in volume in so far as the national-bank notes might be retired, and to permit the Federal reserve banks to acquire United States bonds from private persons or from banks which are not using them for purposes of circulation; and as to those bonds they will be permitted to get 3 per cent notes, against which they could easily get gold from Europe and use that form of security with which to protect our national gold reserve.

So that there were two purposes in view in section 18. One was to replace the national-bank notes to the extent they were retired by the Federal reserve bank notes, and to permit the Federal reserve banks to acquire other United States bonds, and have issued to them short-time United States 3 per cent notes, which will have a constant and unfailing market in Europe, and from which there could be a draft of gold to protect our gold reserve.

There were those two points in the section, and I merely wanted to make the observation so that Senators would understand it. I suppose the Senator from Minnesota really realized the purpose.

Mr. NELSON. But the Senator has not given as clear an answer as the Senator from Missouri [Mr. REED]. The Senator from Missouri really, as I understood him—I do not want to misquote him—agrees, in substance, with the position I take in this matter.

Mr. REED. I was out for a moment, and did not hear the statement of the Senator from Minnesota, except as I gathered it from the colloquy going on, but I will state it in a word, with the Senator's permission.

Mr. NELSON. Certainly.

Mr. REED. Under the provisions of section 18, when any national bank surrenders its circulation, and its bonds thereupon come into the hands of the Government, the Federal reserve board is authorized to direct a Federal reserve bank to take over those bonds; and against those bonds there is to be issued Federal reserve bank notes equal to the bonds, so that the effect of the transaction is that if a bank had $100,000 in Government bonds and $100,000 of bank circulation, and it retired that circulation, the bonds would then be taken over by the Federal reserve bank and $100,000 of Federal reserve bank notes issued. Thus, the circulation of the bank notes will at all times continue the same in amount that it is now, unless the Federal reserve board, under the first part of the provision, possesses a discretion, which I do not think was really intended to be vested in it.

Mr. NELSON. If the Senator will allow me to interrupt him, I call his attention to paragraph 8 of the powers conferred upon reserve banks and the board of directors. Under paragraph 8 the power is expressly given; of course, it is subject to a veto by the reserve board, but the power is given, in the first instance, to the reserve board or the directors of the bank to deposit Government bonds in the Treasury and get for those bonds bond-secured currency, exactly the same as the national-bank notes.

Mr. REED. I will say to the Senator that I think the meaning of both these sections is that the present national-bank circulation shall be preserved exactly as it is now, except that the form may be slightly changed; but it is intended to make it a part of the permanent circulation of this country. I think that was what the Senator said, and with that I agree.

Mr. NELSON. Yes; I think that is the effect of the bill.

Mr. O'GORMAN. With this advantage, if I may suggest to the Senator from Minnesota, that instead of having, as we now have, several hundred different kinds of paper money, issued by several hundred or several thousand banks, in time we shall have only money issued by the eight regional banks that will be established by this system.

Mr. SHAFROTH. And also with the provision that——

Mr. NELSON. The trouble is, if the Senator will allow me to interrupt him, that taking paragraph 8 by itself it provides that they can take out just the same kind of currency in form and

substance, based upon the same security, as national banks can now. Taking that paragraph by itself, I can not make any other construction of it.

Mr. SHAFROTH. But it is not compulsory. It is discretionary with them.

Mr. NELSON. I know it, and that is what I object to. I object to perpetuation. I am in favor of getting rid of our present nonelastic, rigid, bond-secured currency. The Senator must not lose sight of the two objects of this legislation. One object is to gather up, concentrate, and utilize the reserves of the banks. The other—and that is equally important—is to give us an elastic circulating medium, not based on Government bonds, but based on short-time commercial paper with an ample gold reserve.

If you believe that we ought to afford relief in both directions, why do you provide in this bill anything that goes to the perpetuation of the present rigid, bond-secured system of currency?

There is where I think, with all due respect to the section of the committee represented by its chairman, that you are playing truant to your own gospel and your own avowed system. My understanding of this system is that we are to accomplish two purposes: First, as I have already said, to gather up, concentrate, and make available the reserves of the banks, and, in the second place, to get rid of our nonelastic, bond-secured currency as rapidly as we can without producing any financial friction or difficulty, and in place of it secure an elastic currency, a new currency, that will be based upon commercial assets—first-class commercial paper fortified and sustained by an ample gold reserve.

Until I became a member of this committee, and until very recent times, I was infatuated with a bond-secured currency, and my mind never could grasp the virtue of what is called asset currency; but the more I have thought on and studied the subject, and the more I have heard from men who were wiser and who knew more about banking and currency systems than I do, the more firmly convinced I became that the only way to provide for an elastic currency that would ebb and flow with the trade and commerce of the country was, as I have stated, to get away as rapidly as possible from a bond-secured currency and go to a currency based upon commercial paper with an ample gold reserve.

Mr. OWEN. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Oklahoma?

Mr. NELSON. Certainly.

Mr. OWEN. I, of course, agree with what the Senator from Minnesota says with regard to the importance of elastic currency. Everybody agrees with that proposal. The only difference between the Senator from Minnesota and those who agree with me is that we are not willing to have the national-bank currency contracted without supplementing it with other currency.

I have shown in the report to the Senate that there is not now enough actual money—using the term in its broadest popular sense, comprising gold, gold certificates, national-bank notes, and everything else that passes current between citizens as money—to supply the demand for reserves which we are compelled to have as a basis for a safe and conservative expansion of credits. Therefore we can not contract this currency unless we replace it with some other kind of currency. We propose here to replace it with——

Mr. NELSON. Mr. President——

Mr. OWEN. I hope the Senator will kindly let me finish. If I omit anything, I shall be glad to have him remind me of it.

Mr. NELSON. I wanted to disabuse the Senator's mind of one thing about myself, if he will allow me.

Mr. OWEN. Certainly.

Mr. NELSON. That is, I am utterly opposed to any undue contraction of the currency.

Mr. OWEN. Oh, yes; I know that.

Mr. NELSON. I think that would be as dangerous to the country as would be undue inflation of the currency. If there is anything in the bill known as the Hitchcock bill that tends inevitably to undue and unreasonable contraction, and it is pointed out to me, I certainly shall be in favor of eliminating it.

Mr. OWEN. Yes; I am sure of that. I did not misunderstand the purposes of the Senator. I was only going to say that, in so far as the feature of obtaining elastic currency is concerned, we have provided for an abundant cushion. We have provided that commercial bills may be used as a basis for the issuance of Federal reserve notes. If any bank desires additional currency for its patrons, its depositors, its constituency, that bank can come to the Federal reserve bank with its commercial bills, and upon those commercial bills obtain temporary accommodation in the form of Federal reserve notes. That is all the cushion we need. It is all that commerce requires.

The cushion is necessary. The power of expanding the currency for commercial needs is obviously necessary. When we supply that demand the only other thing necessary with regard to our outstanding currency is that we shall not contract it and make impossible compliance with the terms of this bill, which requires and compels a certain amount of money to be held as reserve against the present existing deposits. We must not put the banks in a position where they would not have the money necessary as a basis for the credits in the form of reserves. If we do that the banks will have no other recourse than to contract their loans in order to comply with the reserve requirement, because when you contract the loans you contract the deposits. They must give up their deposits, they must give up their loans, down to the point where the money they have as reserve money will come within the rule fixed by the bill, which, though moderate in terms, does require in gross a large volume of money, the details of which I have set forth in the report already submitted to the Senate.

I say that section 18 does two things: It provides that we shall contract the currency in so far as concerns the national-bank notes which are given up by banks that do not want to continue their circulating medium based upon bonds; but to the extent that they give it up we replace it with Federal reserve bank notes—not Federal reserve notes, but Federal reserve bank notes—which will have an advantage over the national-bank notes of the ordinary class in that there will be only 8 or 9 or 10 of these banks, and if they have 5 or 6 or 7 plates there probably will be only 70 plates altogether used; whereas at present we have 30,000 of these plates, and every one of them must be safeguarded with extreme care, under lock and key and guard, because if they were available they could be used for counterfeiting on a wholesale plan. Therefore, the fewer of these plates we have the more economical and the better for the country.

The second purpose of section 18, as I pointed out to the Senate, was that the bonds which are now held by private persons—and there are about $250,000,000 of them—might be acquired by the Federal reserve bank and converted into 3 per cent bonds, which would be available for getting gold from Europe in case we should want it.

I think that is about all I care to say with regard to the matter.

Mr. WILLIAMS. With the indulgence of the Senator from Minnesota, I want to read the part of the bill to which I was referring a while ago, when I interrupted.

SEC. 18. Any member bank desiring to retire the whole or any part of its circulating notes may file with the Treasurer of the United States an application to sell for its account, at par and interest, United States bonds securing circulation to be retired.

Now, I said that this was not compulsory and was not within the discretion of the bank; that it was within the discretion of the Federal reserve board. Here is the language:

The Treasurer shall, at the end of each quarterly period, furnish the Federal reserve board with a list of such applications, and the Federal reserve board may, in its discretion, require the Federal reserve banks to purchase such bonds from the banks whose applications have been filed with the Treasurer at least 10 days before the end of any quarterly period at which the Federal reserve board may direct the purchase to be made. Upon notice from the Treasurer of the amount of bonds so sold for its account, each member bank shall duly assign and transfer, in writing, such bonds to the Federal reserve bank purchasing the same, and such Federal reserve bank shall thereupon deposit lawful money with the Treasurer of the United States for the purchase price of such bonds, and the Treasurer shall pay to the member bank selling such bonds any balance due after deducting a sufficient sum to redeem its outstanding notes secured by such bonds, which notes shall be canceled and permanently retired when redeemed.

So that the only possible inflation—of which the Senator from Minnesota seems to be afraid—over and above the present outstanding national-bank circulation would be the $200,000,000 of Government bonds which are not now the basis of circulation, and that amount of expansion could not be very dangerous. So, as far as the expansion question is concerned, there is nothing in that.

Mr. NELSON. If the Senator will allow me to stop him right there, I will state that he misapprehends me. I am not afraid of undue expansion on account of that provision of paragraph 8.

Mr. WILLIAMS. The Senator mentioned that.

Mr. NELSON. No; I mentioned it as a general proposition. What I mean is that I am opposed to paragraph 8 because it is a perpetuation of our present system of bond-secured currency, not elastic in character. It is not because I am afraid of inflation or contraction, but because I want to get away from the old system. That is why I am opposed to it.

Mr. WILLIAMS. I am in absolute sympathy with the Senator from Minnesota in wanting to see gradually substituted for the present system a thoroughly elastic paper currency, and I am thoroughly and absolutely in sympathy with the idea that no paper currency in any country ever ought to be an inelastic, fixed amount; that it ought, upon the contrary, to correspond from day to day and from week to week with the requirements of business. A man can not get away from a thing which exists, however, except gradually.

Section 8 provides what we have already read. It does not seem to be section 8 of this bill, by the way. It is paragraph 8, in what section?

Mr. SHAFROTH. Page 14.

Mr. OWEN. Page 14, section 4, at the bottom of the page.

Mr. WILLIAMS. These are amongst the powers——

Mr. SHAFROTH. Of the Federal reserve banks. Look on page 14.

Mr. WILLIAMS. I have it.

Mr. NELSON. Paragraph 8, line 19.

Mr. WILLIAMS. Yes; I am coming to it. These are amongst the powers granted to the Federal reserve bank. It does seem to me that paragraph 8 is broader than I thought it was. The point I had in my mind was in section 18, where the substitution occurs; but it does appear that paragraph 8—I remember now; that is something I forgot.

Mr. NELSON. The Senator will find that paragraph 8 is just as I stated.

Mr. REED. Mr. President——

The VICE PRESIDENT. Does the Senator from Minnesota yield to the Senator from Missouri?

Mr. NELSON. I do.

Mr. REED. It is perfectly plain from a reading of this bill that two things are attempted to be done. One is covered by section 8, and it gives to every Federal reserve bank the absolute right to take out bank circulation just the same as a national bank now can take it out. Section 18 is a different proposition. It is intended to be a plan by which Federal reserve banks can be compelled to take out bank circulation upon such bonds as other banks may turn in; so that both phases are covered. Beyond any question the intention of this bill is to keep in circulation every dollar of national-bank circulation that is now out. Whether that is wise or not is another question.

Mr. BRISTOW. Mr. President, it seems to me that section 18 would have kept out a sufficient amount of national-bank currency to prevent the contraction which is anticipated, and that section 8 is not necessary at all.

RECESS.

The VICE PRESIDENT. The hour of 6 o'clock having arrived, the Senate stands in recess until 8 o'clock this evening.

Thereupon, at 6 o'clock p. m., the Senate took a recess until 8 o'clock p. m.

EVENING SESSION.

The Senate reassembled at 8 o'clock p. m.

BANKING AND CURRENCY.

The Senate, as in Committee of the Whole, resumed the consideration of the bill (H. R. 7837) to provide for the establishment of Federal reserve banks, to furnish an elastic currency, to afford means of rediscounting commercial paper, to establish a more effective supervision of banking in the United States, and for other purposes.

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

The VICE PRESIDENT. The Secretary will call the roll.

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

Ashurst	Hollis	Page	Smoot
Bacon	Hughes	Pomerene	Sterling
Bankhead	James	Ransdell	Stone
Borah	Johnson	Reed	Swanson
Brady	Jones	Robinson	Thomas
Brandegee	Kenyon	Root	Thompson
Bristow	Kern	Saulsbury	Thornton
Bryan	Lea	Shafroth	Townsend
Burton	Lewis	Sheppard	Vardaman
Chilton	McLean	Sherman	Walsh
Clarke, Ark.	Martin, Va.	Shively	Warren
Cummins	Martine, N. J.	Simmons	Weeks
Fletcher	Myers	Smith, Ga.	Williams
Gallinger	O'Gorman	Smith, Md.	
Gronna	Owen	Smith, S. C.	

Mr. SHIVELY. I wish to announce that the Senator from Arizona [Mr. SMITH] is necessarily absent and that he is paired with the Senator from New Mexico [Mr. FALL].

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

Mr. WEEKS. Mr. President, during an interesting discussion in the Senate by the junior Senator from Virginia [Mr. SWANSON] among other things he referred to the New York banks and to the result of the panic of 1907 as indicating a lack of a correctness of our policy in handling financial situations of that kind. I wish to call to the attention of the Senate the results which are obtained in European countries under similar conditions. At that time I suggested to the Senator from Virginia that our policy was directly the reverse of the policy followed in European countries—that they extended credits and increased loans while, under the restricted policy which we followed, it was necessary for us to call in loans and restrict credits. That has been invariably the result in this country under such conditions.

Every bank is endeavoring to strengthen its own resources without any regard to the wishes or necessities of the other 24,999 banks. Each bank attempts to care for its own immediate customers, but does not follow the policy which prevails much of the time in loaning a portion of its loanable funds to parties who are not directly connected with the bank nor depositors in the bank, selling their commercial paper through note brokers.

I want especially to call the attention of the Senate to the difference between the paper which is bought by banks through note brokers and to the paper loaned to the customers of the bank on account of the deposit which the customer keeps with the bank. I will a little later indicate more specifically the difference and why certain figures have been prepared which indicate that the banks were not loaning during the months of October, November, and December, 1907, when, as a matter of fact, generally speaking, they were not buying commercial paper from outside parties or note brokers, but they were at that time loaning to their customers as in other years.

As a specific illustration of the difference between extending credit in time of need and restricting credit, which we do in this country, I call attention to what took place in Germany on two occasions and will then compare it with what took place in this country in 1907.

In the last week of September, 1907, the European financial centers commenced to feel the strain which was beginning to be apparent in the United States. In fact we have been a disturbing factor in the money markets of the world for years, because our needs are so large, our operations are so large, compared with those of European countries that when anything disturbs our money market or our banking affairs it is reflected at once in every European money center, not only in currency conditions but in banking matters as well. So it is all important to those people who have the same currency standard that we have that we should have correct banking principles and means of providing for our own necessities when they occur without drawing gold from abroad, which ordinarily we have been able to do so to some extent, either through financial bills or through exchange which we get as a result of selling our products abroad.

To take this instance, the last week of September, 1907, the specie held by the Reichsbank decreased in one week from $236,000,000 to $199,000,000. In other words, the gold trend at that time was toward the United States, and the German central bank lost $37,000,000 in specie. As a result of losing that $37,000,000, did they restrict credit or call in loans as we would have done? Not at all. They did just the reverse. This is the result of their action: Loans and discounts increased from $289,000,000 to $399,000,000, an increase of $110,000,000 in on week. At the same time that they increased loans they increased their note issue to a corresponding degree. The note issues increased from $329,000,000 to $433,000,000, an increase of $94,000,000.

Two or three years ago they had in Europe what was known as the Morocco incident. At that time there was a large amount of French money loaned in Germany on the ordinary prime bills which prevail in Europe in the ordinary course of business. The rate of the French bank and of the French joint-stock banks is ordinarily somewhat lower than the rates of the other central banks and of the joint-stock banks of other European countries; so that almost always there is more or less German paper, English paper, and paper of smaller European countries held by the joint-stock banks of France and the French bank itself.

This Morocco incident was one in which Germany and France were involved. As soon as it appeared that there might be trouble between the two countries the French bank commenced to call home its resources, and one of the resources it could call home was its loans to German merchants, the prime German paper which it had purchased to use its loanable funds. That paper was sent back to Germany, and it necessitated the

increasing of the loans not only of the German joint-stock banks, but of the Reichsbank itself, and the result was something like this: In one week the specie of the Reichsbank decreased from $264,000,000 to $236,000,000, a loss of $28,000,000.

You will recall that that is exactly what happened in September, 1907, and to almost the same degree. During this week the loans and discounts increased from $308,000,000 to $445,000,000, an increase of $137,000,000 in one week, while the note issue increased $183,000,000; in other words, in these two periods of tension and stress, in a way, which came from entirely different sources, from different parts of the world, the German bank lost specie to an appreciable amount; but at the same time increased and extended its credits in loans, in discounts, and in note issues. In the United States, while we have not the exact figures of what happened in 1907, because there was no call of the comptroller at the time when the panic was in its severest stage, yet we can estimate something of what happened at that time by taking the comptroller's call of August 22, 1907, and the comptroller's call of February 14, 1908, and you will notice that exactly the reverse condition obtained here from that which obtained in Germany; that our deposits were reduced by $218,000,000 and our loans were reduced $257,000,000, while specie increased $88,000,000. One reason why the specie showed such an increase was because of the importation of gold and the transferral from the Treasury to the banks of some part of its funds, but there was a restriction of credit, as you will see, in that period of $257,000,000; in other words, the business of the country was slackened to such a degree that hundreds of thousands, and almost millions, of men were thrown out of employment. The same general result has always obtained under similar conditions in European countries.

It has been the policy of the Bank of England, whenever there have been strained conditions, to immediately respond by an increase of credit to an unlimited extent whenever the strain has been severe enough; in other words, the provisions of the bank act have been three times, by permission of the Government, for the time being suspended, so that the bank could give unlimited credit without being obliged to comply with the law.

In the Baring panic the Government offered the bank the privilege of relieving it from the provisions of the law, but the governor of the bank at that time, a very able man, saw the necessities and the limitations, and the privilege was not used; but if we followed that same course of reasoning, we would find that in all cases in every European country exactly the same policy has been followed in the past and that it is directly contrary to the course which we have followed, but is exactly the policy which we should follow if this general legislation which we are now discussing shall be adopted.

Mr. BRISTOW. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Kansas?

Mr. WEEKS. I do.

Mr. BRISTOW. As I understand, when the demand was made upon the German people for gold in the liquidation of the paper that was held by France the paper was met and the gold was exported from Germany to France?

Mr. WEEKS. Yes.

Mr. BRISTOW. That resulted, as I understand the Senator, in an increase in the credits which the Bank of Germany extended to the German people and to the German banks?

Mr. WEEKS. Yes.

Mr. BRISTOW. Was that gold taken from the joint-stock banks of Germany?

Mr. WEEKS. I presume, to some degree; and they recouped themselves by rediscounting with the Reichsbank. The figures which I have given are the figures of the Reichsbank, not of the German joint-stock banks.

Mr. BRISTOW. I understand now that was the credit which the central bank of Germany, the Imperial Bank of Germany, extended to the joint-stock banks of Germany. That credit could only have been extended, however, upon the condition that the German Reichsbank had the gold reserves upon which it could base this additional issue of notes.

Mr. WEEKS. As provided by the German law at that time, I think on both occasions they did extend their credits to such a degree that their note issues were taxed the 5 per cent interest which is provided for in their laws when issues exceed a certain limit.

Mr. BRISTOW. That is similar to the provisions of the Hitchcock bill. If it gets down below 40 per cent of par, there is an additional interest added for every 2½ per cent that it declines.

Mr. WEEKS. There is a penalty in both cases, only in the case of the Hitchcock provision of the pending bill the penalty applies on the amount the reserve is below the ordinary requirement of the law as provided in the bill, while the Germans pay a certain rate of interest on the amount of note issues beyond a certain limitation.

Mr. BRISTOW. It is the same principle, but applied in a different way. What I am getting at is, suppose that the gold reserve of a German bank had been down to a minimum and these additional notes could not have been issued, would Germany have faced a condition similar to the one that we faced in 1907?

Mr. WEEKS. On that occasion Germany would have had to borrow, and would have had to pay the rate of interest which would have been necessary in order to obtain the gold.

Mr. BRISTOW. That is, the German bank, if I understand the matter correctly, would have had to secure the gold?

Mr. WEEKS. It would have been obliged to secure the gold.

Mr. BRISTOW. Or decline the credit.

Mr. WEEKS. That is it exactly. That general condition obtained last year. The German bank was short of gold. The German nation, as a nation, owed money to the United States and elsewhere. Ordinarily we would have drawn gold home, but the condition of the gold reserve of Germany was such that they did not want to pay at that time. The result was that they borrowed considerable amounts of money in this market. I think members of the committee will recall that one New York bank president testified that he loaned to the German stock banks at one time last year at the rate of 8 per cent. That rate was paid simply to hold in Germany the American money, which we could otherwise have drawn home, until they sold us something to prevent the necessity of paying their indebtedness in gold.

Mr. SMOOT. Mr. President——

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

Mr. WEEKS. I do.

Mr. SMOOT. In that connection, I believe it would be interesting if the Senator from Massachusetts could tell us what was the increase of the bank discounts in Germany and just how long it was before she got back to her normal condition respecting the gold reserve, for in 1907 she lost from some thirty million to forty million dollars in gold. The only way, I suppose, that she got back her gold was by increasing the rate of her bank discounts. Does the Senator know what that increase was and how long it took her to get back the gold that was lost?

Mr. WEEKS. I have not the figures at hand, and I should want to give them accurately, but it did not take a very long time, as I recall.

Mr. SHAFROTH. Mr. President, if the Senator will yield to me, I will state that I saw a statement prepared by a French economist to the effect that the rate of interest in Germany established by the Reichsbank was 6 per cent on the 30th day of June, 1913. It had increased from, I think, 4 per cent two years before, on June 30, 1911.

Mr. SMOOT. Does the Senator refer to the year 1907?

Mr. SHAFROTH. No; not to 1907. I do not know what it was in that year.

Mr. SMOOT. I asked for the figures in 1907, because we know the exact amount of gold that was lost by Germany at that time.

Mr. WEEKS. Mr. President, the Senator from Virginia [Mr. SWANSON] to-day made some criticisms of the New York banks and of the banks of other central reserve cities as well. He said that they were not prepared to meet the emergency which they had to meet in the fall of 1907; in other words, he charged that if they had made suitable preparation for the necessities of additional circulation for crop-moving purposes and for additional credits which are required every year in the autumn months, we would not have had as severe a panic, if, indeed, we would have had any panic at all.

It is difficult to carry figures applying to all these subjects in one's mind, but I have since that time looked up the condition of the New York banks and other banks at the time of the comptroller's call in August, 1907, and I think they will demonstrate pretty conclusively that if there was any extension at that time the extension was in other reserve city banks and in the country banks, rather than in the banks of the central reserve centers. For instance, the net deposits of the New York banks on the 22d of August were $825,000,000. The reserve required against those deposits was $206,000,000. To show that the deposits were low in August, 1907, I want to compare them with the deposits two or three years before and afterwards. At the same time in the previous year the deposits were $2,000,000 greater; at the same time in 1905 they were $156,000,000 greater; at the same time in 1904 they were $209,000,000 greater; at the same time in 1908, one year later, they were

$296,000,000 greater; and in 1909 they were $350,000,000 greater. At each date the New York banks had more than their required reserves. For instance, on the 22d of August, 1907, instead of having the 25 per cent reserve required by law they had 26.8 per cent reserve, while the year previous at the same time they had but 24.4 per cent reserve; in other words, they were 2.4 per cent better off, so far as reserves were concerned, in 1907 than they were in 1906, and they were 1.3 per cent better off than they were at the same time in 1905. The following year their reserve was greater, because all Senators will recall that in 1908 there was a restriction of business and an accumulation of funds in reserve centers, and therefore the reserves of the New York banks, as well as of other banks, were much larger than at any other period which is recorded between 1900 and 1911.

Mr. SHIVELY. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Indiana?

Mr. WEEKS. I yield.

Mr. SHIVELY. Will the Senator permit me to inquire whether the authority from which he is reading distinguishes in any way between the amount of individual deposits and bank deposits in those banks?

Mr. WEEKS. No; not at all. At the same time, in Chicago, the net deposits were $262,000,000, and the required reserve was $65,000,000. The Chicago banks had 25.3 per cent reserves or 1½ per cent less reserve than the New York banks had; in other words, the New York banks, as compared with the Chicago banks, had made as abundant provision for the strain of that fall as it seemed they should be required to do.

St. Louis makes even a worse comparison than that, for the net deposits of the St. Louis banks at that time were $116,000,000, which necessitated a reserve of $29,000,000. The St. Louis banks at that time had 23.6 per cent reserves, or 1.4 per cent below the limit required by law, and 3.2 per cent below the reserves held by the New York banks.

When we come to the other reserve cities we find that the net deposits were $1,423,000,000. A reserve of 25 per cent in those deposits is required, and they had 25.5 per cent reserve, or 1.3 per cent less than the New York banks. The net deposits of the country banks at that time were $2,627,000,000. They had reserves of 16.9 per cent, 1.9 per cent more than they were required to have, or one-tenth more than the New York banks. So that the general statement made by the junior Senator from Virginia that the New York banks had not made suitable preparation does not seem to be borne out by these figures, because the New York banks were better off than were the Chicago banks, materially better off than the St. Louis banks, and materially better off than the banks of all other reserve cities.

At that time the loans of the New York banks indicate that they had, so far as possible, made preparation for the unusual period which they were approaching, though, of course, they did not anticipate the severity of the panic with which they had to deal. On August 22, 1907, the New York banks were loaning $712,000,000. The next year at the same time they were loaning $867,000,000, or $155,000,000 more than they were the year before, and in fact they had not been loaning as little as $712,000,000 since the 9th day of September, 1903.

Mr. SWANSON. Will the Senator permit me to interrupt him? If I am wrong, I want to be corrected.

Mr. WEEKS. I yield to the Senator.

Mr. SWANSON. I understand that the New York banks, three weeks before the statement of November 9, increased their loans $110,000,000 from August 22, as shown by the reports. Will the Senator read that to see whether that is true or not?

Mr. WEEKS. I have not those figures here, and that call, if made, was a special call made by the comptroller, is not quoted in the figures in the Statistical Abstract, from which I am reading.

Mr. SWANSON. The figures which I gathered indicate that three weeks prior to November 9—and the banks suspended on October 31, as I understand—the loans in the city of New York were expanded $110,000,000.

Mr. WEEKS. If they had done that they would have been simply following the example of all the European countries to which I referred earlier in the evening; but the loans of the banks of the whole country fell off more than $200,000,000 between August and February, when the regular comptroller's calls were made.

Mr. SWANSON. The figures I have on this question were gathered by Mr. Sprague, if I remember the name of the author correctly, who wrote on the financial crises, especially the one of 1907, for the National Monetary Commission. I understand from that report that the New York banks, expecting a demand for money for crop purposes in the fall, as regular as the seasons, increased their loans three weeks prior to November 9, and their loans had been increased that year $110,000,000.

Mr. WEEKS. That is a natural, normal movement of money, and there is not any indication that those loans were not very largely made to country banks and to other country correspondents. For instance, this year——

Mr. SWANSON. But, if the Senator will remember, on August 3 or August 22, I forget which, the country banks had on deposit there $410,000,000.

Mr. WEEKS. Yes.

Mr. SWANSON. They were not asking for loans. They were asking to get the money they had on deposit. On account of the increase of loans three weeks prior to November 9, the banks had their reserves reduced so that they were unable to pay deposits—not loans, as I understand—to the country banks.

Mr. WEEKS. There is not anything in the figures the Senator submitted to-day which indicates that the country banks were not asking for loans or that they were not borrowing of the New York banks at that time. As a matter of fact, the country banks are always borrowing of banks in reserve cities and central reserve cities. I put into the RECORD the other day some figures which were submitted to me by Chicago bankers and others. Mr. Reynolds, of the Continental-Commercial National Bank, the largest bank in the West, stated that he was loaning to his country correspondents more than $26,000,000, or $10,000,000 more than last year, and that those loans were distributed over the entire western section of the country, including loans to as many as 1,000 banks.

Mr. SWANSON. If the Senator will permit me, no complaint ever has been made about the refusal of a bank in New York to make loans to a country bank. That is a matter of business which the banks can either refuse or accept. The complaint made is that they had $410,000,000 of money due all the country banks—State, national, and interior banks—and that they failed to pay the banks that had money on deposit. They had the money in their vaults in New York or on loans, and they would not ship it.

What right has a bank to make a loan to another bank and refuse to pay one that has money on deposit with it? The complaint is that the bank that had money on deposit could not get it. If they increased their loans $110,000,000 to other banks, even if they were interior banks, so that it was impossible for them to pay the banks that had money on deposit with them, that was not right. Whether the $110,000,000 was loaned to banks or to other people, the contention is that such loans had been made; that the reserves were reduced so that the country or interior banks could not get their money on deposit.

Mr. WEEKS. Mr. President, this brings us back to the discussion which the Senator from Virginia was having with Senators this afternoon about the proper course for the New York banks to have taken at that time. Of course, it goes without saying that if banks are required by law to keep 25 per cent of their deposits in reserve, and they actually have 26.8 per cent, as the New York City banks did when the comptroller's call was made on August 22, they are in comparatively good condition. In fact, as I have stated, the figures show that, with one exception, they have not had as high reserves as those at that time of year since the year 1900. Therefore they had made reasonable preparation for any conditions which they could foresee.

The senior Senator from New York [Mr. ROOT] put this question very clearly to the Senator from Virginia [Mr. SWANSON] to-day. He said:

> What is going to happen when the New York banks owe a billion dollars, for instance, and have $250,000,000 in their vaults, if the owners of that money deposited in the New York banks—the individuals or companies or corporations or other banks—call for 25 per cent of their deposits at the same time?

Of course, the New York banks, having no way to recoup themselves in the ordinary course of business except by some strained method which takes time, like selling finance bills abroad or foreign exchange in some form, would pay out every dollar they had in their vaults. Suppose their depositors called for one-eighth of their deposits. That would bring the reserves of the New York banks down to about 13 per cent. The question then comes to just the one that the Senator from New York asked, "What are the New York banks going to do under those circumstances? Are they going to pay out all their reserves, or are they going to hold those reserves for the benefit of all their depositors rather than pay them out to a few, who are drawing not only what they need but a great deal more?"

I think it was a matter of good judgment that the New York banks at that time did stop paying out the reserve which they were required to keep under the law.

Mr. HUGHES. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from New Jersey?

Mr. WEEKS. Yes; I yield to the Senator from New Jersey.

Mr. HUGHES. Not being an expert in banking laws and not knowing much about finance, I should like to ask the Senator if it is his contention that a bank with money in its vaults has a right to refuse it to a depositor in its discretion? If that is so, I want to get out of the banks what little money I have in them.

Mr. WEEKS. I do not think the present conditions are such as to warrant the Senator from New Jersey in drawing out his money.

Mr. HUGHES. It would not affect the situation much if I should withdraw it all at once; but I listened to the discussion this afternoon with a great deal of interest, and I was hardly able to believe my ears when the senior Senator from New York seemed to hold that it was a matter that rested in the discretion of the banks, and that with money in their vaults which they were compelled to hold there by law they could exercise their own discretion and refuse to pay it to depositors. I always thought that the reserve money in the vaults of the banks and the money they had in their reserve cities and central reserve cities were there for the very purpose of paying depositors, and that if the depositors of a bank came down on it in a hurry, if there was a run, the bank kept on paying out its money until it became insolvent, and then closed its doors and broke.

Mr. WEEKS. I hope the Senator from New Jersey will calm himself and not draw his deposits from the banks, because it is said by some that conditions are somewhat strained, and it might precipitate further trouble.

Mr. HUGHES. I say it would not make very much difference if I did.

Mr. ROOT. The Senator might get hung for starting a panic. [Laughter.]

Mr. HUGHES. That seems to be the contention, however.

Mr. WEEKS. Mr. President, under the provisions of the legislation which we are discussing we believe banks will be able to recoup themselves as their depositors draw out gold or draw on their deposits in the banks, so that they will be able to maintain their reserve without straining themselves or precipitating any panic; that it will not be possible, or will be hardly possible, to have a currency panic.

Senators must not forget, however, that the reserves of country banks are used in a very short time; that is to say, a bank does not deposit part of its reserve in a Chicago bank and leave it there without doing business by using that reserve, but it is drawing on it every day to carry on its own functions at home.

One of the best witnesses we had before the Committee on Banking and Currency was former Representative Dawson, at present the president of the First National Bank of Davenport, Iowa. Mr. Dawson testified that he used his reserve in the Chicago banks every two days and that he kept more than the law required him to keep there, at that. He said that his business was so active in the direction of Chicago that he used all of his reserve every two days.

Let us suppose that a central reserve bank has the deposits of some country banks; how does the country bank make those deposits? It makes them by depositing credits. When we get into a panic, as we were in 1907, the country banks do not ask to draw out what they deposited, but they ask to draw out circulation in some form, even if they do not ask for gold. The result is that the central reserve bank is getting its deposits in one form and is asked to pay them out in another, when there is not enough of the other form to pay out its depositors, or any considerable part of them.

The total deposits in all the banks in the country are about $20,000,000,000, and the total money of all forms in the country is only three and a half billions. The amount in circulation is not more than half that. So that if, as Mr. Dawson testified, banks were depositing credits and using those credits every few days over and over again, if they deposited credits to-day and within two days wanted to draw out circulation, it would not take very much time to draw all the circulation out of the banks of the central reserve cities.

Mr. ROOT. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from New York?

Mr. WEEKS. I yield.

Mr. ROOT. The Senator from New Jersey [Mr. HUGHES] expressed some surprise at the question I put this afternoon. The Senator is quite right, I think, if in what he says about the obligation of a bank to pay depositors he has in mind the legal obligation, the contract. The business of the country is not done with bills, however, with money. The business of the country is not done with either national-bank notes or greenbacks or gold or silver. The great business of the country is done by transfers of credits; and banks are really clearing houses for the accomplishment of the vast multitude of transfers of credits through which the enormous commercial and industrial activity of the country proceeds.

The banks which were depositing in the central reserve cities did not deposit money. They deposited paper, checks, drafts, notes, commercial paper, which were the instruments for the transfer of credits. What they really did was to transfer credits to these banks; and in the ordinary course of business—business as it goes on from month to month and from year to year—the debt created by that deposit is liquidated in a similar fashion. It is liquidated in the same way in which it is created.

What makes a panic is that sudden fear arises, and there is a vast number of people who, anxious lest they lose their money, abandon the ordinary method of transacting business through transfers of credits. I have seen three such situations created in that way—in 1873, in 1893, and in 1907. In every one of those cases the banks had to face this problem: Whether to go on and strictly perform the legal obligation to pay in money on presentation until they could pay no longer, and then fail, leaving those who had been first in the race of diligence with their money in their pockets and all the other depositors, including the great body of the business establishments of the country, with nothing, leaving the most appalling ruin for all the industries of the United States; or, seeing the gulf into which the business of the country was pressing, to halt it; to say: "No; rather than go to ruin, which will turn our reserves over to a few of our depositors, leaving the others with nothing and leaving the country to ruin, we will just stop and let the community readjust itself, reorient itself, wait for a few days."

That was what was done in all three cases. In all three cases the sound sense of the business community and the expedients to which it was possible with a few days' time to have recourse succeeded in restoring a situation in which the ruin of American business was stopped.

I say I have seen three of those cases, and the same thing was done in each one, and I have no doubt whatever that a wise and righteous course was pursued. The consequences that would have followed from the banks pursuing any other course in every one of those years would have been more dreadful than we can easily conceive.

Mr. BRISTOW. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Kansas?

Mr. WEEKS. I yield.

Mr. BRISTOW. That leads me to make an inquiry that I have been wanting to make all day.

If provision had been made in 1907 so that the banks in the central reserve cities, the banks of New York—to take just one of them where the trouble started—could have taken their assets, their good securities, and obtained currency from the Government to pay all of their depositors who were demanding currency. Was not that all that was needed to prevent that panic?

Mr. ROOT. Absolutely.

Mr. BRISTOW. If that was all that was needed, I have been trying for three months to find out what is the necessity for creating a tremendous, top-heavy institution, such as we are creating here, to satisfy this simple want.

Mr. WEEKS. I will say to the Senator from Kansas that there are other things than currency needs and currency deficiencies which we should correct and which we are correcting in this legislation. If it were simply a question of supplying currency for the ordinary needs of our business men, we have a law on the statute books now, passed in 1908, which, while a pretty crude piece of legislation in some respects, would enable the furnishing of sufficient circulation, in my judgment, to provide for any ordinary necessity which might arise.

There is one thing about that legislation which was, I think, wise, and certainly an innovation as far as this country was concerned. In adopting it we were following the precedents furnished by all other countries in the world in that we recognized that commercial paper was a suitable basis for circulation, and I regret that we are not following that principle to a logical conclusion in this proposed law.

Sometime during this discussion I propose to take the time to indicate why I think it would be far wiser if we were going to issue circulation based entirely on commercial paper rather than notes of the Government secured indirectly by commercial paper. That is a long story, and I do not intend to take it up at this time; but those who have not had to deal with manufacturing communities and communities engaged in all forms of com-

mercial business have little realization, I think, of the fear that takes possession of people in time of panic or the means that are taken in order to enable business men to carry out the interests of their business or the necessary requirements of their business. For instance, in the State of Massachusetts we have a law which requires employers to pay labor every week. That in the ordinary course is done through currency. Very seldom are checks used for that purpose. Therefore it is necessary for the employers of Massachusetts every Saturday to have their funds at hand ready to pay their employees. There were cases where corporations during the panic of 1907, instead of waiting until the day before, as they ordinarily would, and then going to the bank and getting their circulation to pay their employees, drew it out a week ahead, and, in one case, one very large corporation was carrying two weeks' pay roll in its own vaults so that there might be no possibility of any failure to meet the requirements of the law and to satisfy their employees.

Then we have another condition in Massachusetts which is somewhat different from that in many States. We have more than $800,000,000 deposited in the Massachusetts savings banks by people of small means, because no person can have more than $1,600, including interest, deposited in any one bank. In a population of three and a quarter million there are more than two and a quarter million of savings-bank depositors. Those banks are scattered throughout the Commonwealth, in small towns and large towns. They are all mutual-savings banks. They carry no reserve, except a sufficient amount to meet the ordinary daily needs of the bank. They depend for circulation for their ordinary needs, or extraordinary needs, on the national bank in their own village or town, or on the Boston banks. It seemed essential at that time, when everybody was frightened, that the savings banks should not take advantage of the 30-day provision which is in our law for the delay in making payments. Therefore it was necessary to furnish circulation enough not only for the great pay rolls of Massachusetts, but circulation enough to provide for all the two and a quarter million of depositors in our savings banks. As I said, I think no one who has not lived through a panic under those conditions can comprehend the straits to which our banks are put under present conditions to meet their legal and proper requirements.

There is one other matter——

Mr. BRISTOW. Before the Senator proceeds, if he will yield——

Mr. WEEKS. Certainly.

Mr. BRISTOW. The Senator has stated that there are other reasons than currency. Of course I know there are a good many academical and theoretical reasons. There are a great many students of finance and currency who have all kinds of notions as to what kind of a financial system a nation ought to have. But we are undertaking to accomplish two purposes, which have been stated by everybody who has discussed this subject—the mobilization of reserves and the creation of an elastic currency. The object of both these purposes is to be able to meet the demands of the banks for these pay rolls and other needs suggested. Now, could not the requirement of the State of Massachusetts have been met without this apprehension if, when it was necessary, the banks of Massachusetts, the banks of Boston, I will say, or New York, could have gone to the Government and got the currency upon their assets when they needed it?

Mr. WEEKS. Mr. President, I do not think it is necessary to go to the Government for currency. If they had had a central reservoir, a central bank in any form, a reserve bank, as is provided for in these bills, where they could have taken their assets as limited by these provisions and rediscounted them, taking whichever one of the things a borrower does take, either a credit on the books of the bank or circulation or exchange on some other point—if they could have done that they would have been able to supply their needs. I think the Aldrich-Vreeland bill which is now on the statute books and which we in this bill are extending for a year would ordinarily provide for the currency needs of such business communities as Massachusetts.

Mr. CUMMINS. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Iowa?

Mr. WEEKS. I do.

Mr. CUMMINS. There seems to be a sort of consensus of opinion that we are trying to provide against the recurrence of the conditions that came upon us in 1907. I wish the Senator from Massachusetts would explain to us a little further about the assistance that the bill before us will render the American people under such circumstances. The way it looks to me is that in 1907 the country banks, of which we have heard so much this afternoon, were compelled under the law to hold 9 per cent—if I am wrong, I hope the Senator will correct me—of their demand obligations or their deposits in their vaults.

Mr. WEEKS. Six per cent.

Mr. CUMMINS. Nevertheless, they suffered very great inconvenience, if not disaster. Under the bill that is now before us they are required to hold only 7 per cent in their own vaults. So, they will have but 1 per cent in addition to the amount they held in 1907. They have deposited with the Federal reserve banks 5 per cent.

Mr. WEEKS. Four.

Mr. CUMMINS. Five, I think, in the Owen bill.

Mr. WEEKS. Four in the other proposition.

Mr. CUMMINS. Five in the Owen bill, however, and it is to that I am addressing myself, because I consider every other as merely for purposes of illustration or academic. Five per cent they are required to deposit in the Federal reserve banks. The Federal reserve banks are authorized—and, indeed, the whole spirit of the law requires them—to loan out 66 per cent of the 5 per cent. Therefore, the Federal reserve banks will have but 1⅔ per cent of the reserves in money when this condition shall again fall upon us. So the country banks will have 7 per cent and the Federal reserve banks but 1⅔ per cent, making only 8⅔ per cent of the amount of all the deposits in the country banks or the general banks. If any such situation confronts us again there is not a Senator here but who knows that 8⅔ per cent of the deposits of the country will not satisfy the condition. If the entire reserve were put out it would not meet the condition which confronted us then and which may confront us again.

It seems to me that unless it is intended that in such contingency the Federal reserve bank shall at once issue new notes to whatever amount may be necessary to satisfy depositors we are erecting a structure here that will have very little beneficial effect.

I should like to know from the Senator from Massachusetts whether it is his understanding that under those circumstances we are to resort to new paper money—that is, whether those are the emergencies that new paper money is intended to meet—and if they are, I should like to have it explained how the Federal reserve banks will be able to deposit the gold reserve that will be required in order to issue the new notes. It would seem to me that under those circumstances the only relief which can be given to the people would be to issue the new notes upon the basis of commercial paper.

Mr. WEEKS. Mr. President, it is a pretty comprehensive question that the Senator from Iowa has asked, and it comes pretty nearly covering the whole bill, but I want to touch on two or three other phases of it at least, I hope to the satisfaction of the Senator.

The necessity for maintaining reserves is dependent on the provisions which may be used for obtaining circulation. There is no other country than the United States where the law requires banks to maintain a specific reserve against deposits. In no country, not even in Canada, do the banks maintain as large a reserve as do our banks, even our country banks. I think the Canadian banks the last time I looked at their statement had an average of about 10 per cent reserve on their deposits, and it must be remembered that there are but 29 banks in Canada, having more than 2,000 branches scattered from the Atlantic to the Pacific. Yet they were getting on, issuing circulation up to the capital of the bank as they needed it, turning in the circulation of other banks that came in to them, if it were profitable to issue their own, sending back to the banks which issued it the circulation which they had issued, and maintaining a condition of equilibrium under such conditions.

Every 10 years the Canadian bank law is revised by act of Parliament, and each period of 10 years demonstrates that some changes are required in the law owing to the growth in the volume of business and, quite likely, to the density of business and the development of that great country.

Just now they have been having the 10-year revision of their banking law, and they have added a provision which enables the banks to issue more circulation than they have in the past, and that additional circulation is based on a gold supply which is kept at a central place of deposit, I think with the treasurer, at Ottawa. I am not quite sure about that, however. But the other day I noticed by the figures published that the banks of Canada had deposited about $5,000,000 of gold in this central reservoir, and they are authorized under this law to issue circulation to that extent.

Now, the basis of the provisions of the law which we are considering, as far as circulation is concerned, must be the gold reserve which the banks hold. It would not be necessary,

in my judgment, for our banks in reserve cities or our banks in country districts—and there is no reason why one should keep larger reserves than another, except that we are in the habit of imposing higher reserves in the reserve cities than in the country districts—it would not be necessary for them to maintain 15 per cent, as we are going to require, or 12 per cent, or even 10 per cent, necessarily, if we had in operation this law and we were sure that it was going to operate well in every way. Nobody knows whether it is. You may take the best bank men in the United States and ask them the specific question as to how some provision will work out and you will not get exactly the same reply from any two of them. It is an experimental piece of legislation, in a way. No other country, for instance, has a number of regional banks. They all have a central bank. There are a number of vital differences between what we are proposing and what other countries have had and proven to be effective and efficient.

If we were perfectly sure that this bill was going to work as well as the chairman of the Banking and Currency Committee hopes it will, then it would not be necessary for us to require 15 per cent reserve, or 12 per cent, or 10 per cent. In fact, we could leave to the banks themselves pretty nearly the amount of reserve which they should carry, and that would be determined by the location of the bank and the peculiar necessities which surround it and its customrs. For instance, we have in both these propositions—certainly in the Hitchcock proposition—provided that a certain part of the reserve of the bank must be kept in the regional banks and that a certain part must be kept in the bank's own vault. The other one-third may be deposited wherever the bank wishes to deposit it, either with the reserve bank or kept in its own vaults.

It is easy enough to see that a country bank 50 or 100 miles from a great center or from a regional bank or from a branch of a regional bank will need to depend on its own resources to a greater extent than will the bank that is directly across the street from a reserve bank or a regional bank. Therefore that country bank will carry in its own vaults a larger percentage of reserves than will the bank in some other locality. For instance, if a bank in the Wall Street district in New York—and there is a regional bank there, as I presume there will be—carried more money than it needed from day to day in its own vaults, I should be surprised. I should suppose that it would carry all that the law would permit in the regional bank, because all it has to do is to go across the street and get the gold if it needs it. For that reason, in my judgment, we will find in the regional banks a larger amount of gold than the law provides that the banks shall keep there as a matter of necessity. The big banks will keep more reserves in the regional banks than will the small banks in the country districts.

Now I come to the question of circulation. We are going to depend on the amount of circulation which will be put out, or to restrict the amount of circulation by the amount of reserves behind the circulation. There is not any difference primarily between a bank deposit and a bank note. I hope Senators will bear that clearly in mind, because it is fundamental, that there is no difference between a bank deposit and a bank note from the bank's standpoint. If one of you go to your bank to make a loan of $5,000, you take that loan——

Mr. NORRIS. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Nebraska?

Mr. WEEKS. Yes; I yield.

Mr. NORRIS. As to the Senator's statement, which I realize is made as a rule by experts on the proposition, that a bank note and a bank deposit are just the same, I should like to get the Senator's idea. If that be true, why is he in favor of the additional security for a bank note and opposed to security for a bank deposit?

Mr. WEEKS. If we were talking about the security of reserves to be maintained against a note issue and the reserves to be maintained for other purposes against deposits, I would say that I do not think there ought to be any difference. We have provided a difference in our bill, that 45 per cent shall be kept against note issues and but 35 per cent against deposits. I do not myself think there is any necessity for any difference.

Mr. NORRIS. Do not all these bills provide for other and additional security, and is not the Senator for other security to be provided in all proposed legislation for notes that are intended to circulate as money?

Mr. WEEKS. We are providing additional security in this case; we are providing that, in addition to 45 per cent of gold behind the notes, that there shall be the face value of the notes either in commercial paper or in refunding notes, which we provide for in the bill.

Mr. NORRIS. But for your deposits, which you say are just the same, you are only providing for a reserve of 12 per cent.

Mr. WEEKS. The Senator from Nebraska is talking about member banks and I am talking about regional banks.

Mr. NORRIS. The object I had in asking the question was to get the Senator's idea on the subject of deposits. I have heard a great many times many of the witnesses appearing before the Banking and Currency Committee make the same statement. For instance, Mr. Fowler, who served in Congress a good many years and was for a long time chairman of the Committee on Banking and Currency in the House, has always advocated that, and he advocated it before the committee. He stated that a deposit was just the same as a note, and that a man who deposited should be allowed either to take credit or to take notes of the bank.

Mr. WEEKS. Let me point out to the Senator from Nebraska what would happen if he went to his bank and borrowed $5,000. When the bank puts that $5,000 to his credit on the bank's books, it is a bank obligation; there is no question about that. The bank owes him, the depositor, $5,000. If the bank puts one-half of it on the books to his credit and gives him exchange, what is known as a cashier's check on New York for $2,500, they are both of them the direct obligation of the bank. The cashier's check may go through two or three or four hands before it finally reaches the correspondent bank in New York on which it is drawn, where it is charged against the bank which issues it; but it is an obligation of the bank as long as it is outstanding, just as a deposit on the books of the bank is an obligation. On the other hand, the Senator may be a manufacturer in need of $5,000 in bills to pay his employees on Saturday night. In that case he takes the $5,000 in the bank's bills, and those bills are the obligation of the bank just as is the deposit and just as is the cashier's check which goes to New York. There is not any difference.

Mr. NORRIS. I concede all that; but why is one secured by more security than is the other?

Mr. WEEKS. The member bank must keep on that $5,000 a reserve of 12 per cent if it is placed on deposit, but the member bank does not issue the circulation; the regional bank is the bank of issue.

Mr. ROOT. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from New York?

Mr. WEEKS. Yes.

Mr. ROOT. May I ask a question apropos of the question put by the Senator from Nebraska? Of course, they are both forms of bank credit.

Mr. WEEKS. Yes.

Mr. ROOT. But does there not come to be in the subsequent history of the obligation a further distinction which calls for recognition from the Government which charters the bank and gives it a certain degree of credit with the community as competent and fit to do banking business in this: That the bank credit on the book and the bank credit through the cashier's check are dealt with by persons who know the bank, who are familiar with the field in which they are operating, while the bank bills pass from hand to hand, are scattered through the community, go into the hands of laboring people, of servants for their wages; and they go all over the country into the hands of people who know nothing about the bank at all, and have no information upon which to protect themselves, upon which to judge of the value of the credit, and who do really need more protection than do those who have the bank credit in the other form?

Mr. NORRIS. If the Senator will permit me further, I concede that; but that does not meet the question that I am asking. I am trying to get information from the Senator from Massachusetts [Mr. WEEKS], who, I understand, advocates that theory. It is not, so far as I know, in any of these bills. It is said, however, that when a man makes a deposit in a bank he ought to have the privilege of getting credit on the bank books, or he ought to be allowed—and if we had the right kind of a banking system he would be allowed—to take the bills of the bank that they circulate as money, and that there is no difference between the two; that each one is an obligation of the bank; and yet, as I understand, all the people who advocate that theory always provide a security for the notes which they are opposed to having for the deposits. The question that I want to ask is, If they are the same, why not have the same security for the notes as we have for the deposits?

Mr. WEEKS. Let me enlarge a little on that proposition. There really is no difference. The Senator from Nebraska has referred to Mr. Fowler. Mr. Fowler advocated the proposition that the 25,000 banks in this country should issue a credit cur-

rency based on the credit of the banks. That is exactly what the banks of Canada do. They issue a credit currency up to the capital of the banks. But the banks of Canada are few in number; they are well-known institutions all over that country. Our 25,000 banks are not well-known institutions, except in the immediate locality where they are situated. Furthermore, the Canadian system has developed a line of really first-class, dependable bank men. The best men have gone into that profession, and up to a recent time when our banks were enlarged so that the best talent could be bought, Canada did have stronger bank men than we had in the United States. I do not think that is true to-day, but it is relatively safe for 29 banks to issue circulation for a great country like Canada, when it might not be safe at all to allow 25,000 banks under the same conditions to issue circulation, because there is this difference: The individual deposits money in a bank because, presumably, he has made an examination of the bank; he has inquired into the character of the bank's officers; he has looked at the bank's statements to see whether or not the bank is prosperous. If the bank is making money, or the statements show that from year to year it adds to its surplus, he naturally assumes that the officers of that bank are conservative men and wise managers, and then he asks his friends about it, if he is a reasonably wise man, and the combination of the evidence which he gets induces him to deposit his money in the bank. But circulation, while the same thing in a way, should be issued under somewhat different conditions, until we are in the habit of issuing it, as we propose to do in this bill, and then I do not think it will be necessary at all. Now, however, we are in the habit of looking at a circulation which has behind it either gold or silver, or a portion of gold behind the greenbacks, or Government bonds behind the bank notes, and to issue a circulation with only 12 per cent gold reserve or some similar reserve and the bank's assets behind it would be unwise. It would not be in accord with the processes which obtain in Europe, where the central banks carry much larger reserves.

The Senator from Nebraska must remember that circulation is not issued by the joint-stock banks in Europe. The circulation is issued by the central banks. The average reserve of the central banks in Germany, France, and Great Britain for several years has been as much as 65 per cent, and it is on that basis that circulation is issued in those countries, not on a basis of 12 per cent or any other basis which would be sufficient to cover a deposit.

Mr. NORRIS. Mr. President, it seems to me that the Senator has almost demonstrated the contrary of his proposition that there is a difference between a note and a deposit. He says that a reserve of 12 per cent would not be enough in a country bank for a circulating note issued by that bank, and yet he concedes and, I believe, advocates that a reserve of 12 per cent will be sufficient to secure deposits. It seems to me that would almost demonstrate that at least these two things, which are said to be the same, are treated entirely differently as to their security.

Mr. WEEKS. The Senator must not forget that in Europe there are banks of issue and commercial banks, and that the banks of issue are only relatively small dealers in commercial paper; that their first purpose is to issue the circulation and to provide for the needs of the Government which gives them corporate existence. There is that difference, in the first place; and, in the second place, what I said was that there was no difference whether a depositor took his deposit in bank notes or in a cashier's check or some other form of exchange or allowed it to remain on the books of the bank—that is, as far as the bank is concerned, it is an obligation of the bank.

Mr. CUMMINS. Mr. President, the question propounded by the Senator from Nebraska [Mr. NORRIS] seems to me to be founded on a misapprehension of the bill. There is no security at all for the bank credit—that is, the reserve is not a security for the credit in the ordinary sense of that word. It may enable the bank to pay the debt at a time when it could not otherwise pay it, but the reserve against deposits is no more security to the depositor or to the creditor than the other assets of the bank are security, whereas for the notes there is first segregated 45 per cent in gold, which is set apart as security for those notes, and then, in addition to that, there are also separated from the other properties of the bank notes and bills, making up the difference between 45 per cent and 100 per cent. Therefore the bill holder is secured by an absolute pledge of property of equal value with the notes. Of course, the depositor or creditor simply depends upon the general solvency of the bank for his repayment. I think the Senator from New York——

Mr. NORRIS. Before the Senator leaves that question——

Mr. CUMMINS. I think the Senator from New York told very clearly the difference between the bank credit and the circulating note, and he might have added another distinction. The bank credit, which is transferred from hand to hand or from person to person through the medium of a check, is exhausted speedily. Not only do the parties to the transaction know the bank and know each other, but the check when issued is redeemed in a very short while, within a few days ordinarily, and therefore it is not necessary that the holder of the check shall have the same kind or quality of security that the bill holder has. The bill may be afloat for a year, two years, or five years; it is impossible to tell when it will be redeemed. So it seems to me that there is here, no matter what might be abstractly true, a very great difference between the credit created by the deposit and the note that is intended to circulate as money.

Mr. NORRIS. Before the Senator——

Mr. CUMMINS. Let me ask the Senator from Massachusetts this question: We are creating either 4 or 8 or 12 banks of issue. It is not suggested that we should give to 25,000 banks the privilege of issuing circulating notes. Why can we not give to 4, 8, or 12 banks organized under this system the right to issue notes as safely as Canada can give to her banks the right to issue notes? I can understand perfectly that we could not very well give the right to all the 25,000 banks, which include the State banks and trust companies, I believe, as well as the national banks; but I can really see no difficulty in efficiently supervising and regulating 4, 8, or 12 banks, so that their circulating notes would always be good, although they might not always be accepted by the people. It seems to me that the reason that you have made this difference, provided for this security and required this gold reserve, is that you propose to attach the obligation of the Government of the United States to these notes and require the Government to redeem them. I am not quarreling with that policy; it has a great many things to commend it; but that is the reason you must provide this reserve in gold of 45 per cent, and that is the reason that you must make the Government of the United States safe and secure by depositing the difference between the gold and the full value of the notes and commercial paper.

Mr. ROOT. The full amount.

Mr. CUMMINS. The full amount of the notes and commercial paper. Suppose that you omitted the obligation of the Government entirely; what, then, should be the regulations respecting the issuance of notes by the regional banks?

Mr. NORRIS. Mr. President, if the Senator from Massachusetts will permit me just a moment, the Senator from Iowa made a statement in regard to a question which I asked and then branched off to something else. I should like to finish that if I could. He said that I had asked my question under a misapprehension of the bill. I asked my question not on any apprehension of what was in the bill, but upon the statement made by the Senator from Massachusetts that there was no difference between a deposit and a bill issued by the bank.

Mr. WEEKS. Mr. President, I do not think the supposition of the Senator from Iowa is quite justified. The fact that the Government issues these notes of course does not detract anything from the value of the notes; but in framing legislation under these conditions we must necessarily take into account the methods which have been used in the past, the processes which have been followed for a hundred years in this country. We can not change suddenly to something that is entirely new, because that in itself might produce a panic.

We are in the habit of having a circulation that is either covered entirely by gold or covered entirely by silver, or a percentage of it covered by gold, as are the greenbacks, or else secured by Government bonds. The amount of reserves in gold which we are requiring behind these notes is at least 45 per cent. I think myself it ought to be higher; but the reserve behind the greenbacks is 42 per cent or 43 per cent in gold, so that 45 per cent did not seem an unreasonable cover for us to impose in this case. I do not think, myself, that when this system has gotten into operation it will be necessary to impose all of the restrictions which we have in issuing this circulation, but I contend that we can not impose too many within reason when we are changing from one system to another. Otherwise, we might find that people were distrusting the circulation which we were issuing, and that in itself might produce a panic, which is just what we want to avoid. What we wish to do, in fact, is to change this system so gradually that no one will know that the system is being changed.

I was surprised to hear the chairman of the committee state to-day that it was not the purpose of the so-called Owen bill to do away entirely in the end with bond-secured circulation. Possibly I am a little cranky on that subject, but I think fundamentally and theoretically one of the most unwise things connected with our banking system is to base circulation on a

debt, as we do in issuing bond-secured circulation. It would not have been done if it had not been necessary to float our bonds during the Civil War and at the same time to get rid of the State-bank circulation, which was always at a varying value and almost always at a discount. Those were the two reasons for getting rid of that circulation.

If we are going now to base a circulation on strictly theoretically right principles, we shall base it on commercial paper, and we shall attempt to provide for the redemption of that circulation in such a way that it will be promptly redeemed as soon as the need for the circulation has disappeared.

The Canadian circulation, in that great country extending from the Atlantic to the Pacific, stays out only about 29 days.

Mr. WILLIAMS. Twenty-eight days.

Mr. WEEKS. Twenty-eight days, the Senator from Mississippi tells me. Our own circulation goes around in an endless chain. We are all the time sending out bond-secured circulation, sending it to the banks which have issued it, and they, not requiring it at most seasons of the year or many seasons of the year, send it to their reserve banks in reserve centers. The reserve banks can not use it for any purpose, and they send it in for redemption. As I stated the other day, as perhaps some Senators will recall, there are numerous instances of bundles of bills actually coming back to the Treasury which have been this roundabout course, have completed the circle, and come back to the Treasury, never having been opened. That is the kind of redemption which we have to put up with, because the banks can not find a ready market for the 2 per cent bonds, which are a basis of circulation.

If the basis for circulation were a note which had a date of maturity, and that note was so selected that it was sure to be paid at the end of 30, 60, or 90 days, whatever time it might be, the circulation would come in and be redeemed automatically. That is what I want to call to the attention of the Senator from Kansas [Mr. BRISTOW], who asked about the reasons for this legislation other than the reason which he stated. It will enable the banks of the country to make use of a vast amount of good commercial paper which has no value to-day in taking care of the conditions which we meet in time of distress.

For instance, the banks of New York are loaning, we will say, a half billion dollars on commercial paper. Perhaps three or four hundred millions of that is the kind of commercial paper which would come within the restrictions of this bill. Having that paper, under present conditions, they can make no use of it to get gold or for any other purpose. You could not sell a piece of that paper in Europe, for instance, because it is not well enough known, and very much of it you can not sell outside the limits of New York; but if they had means of turning that paper into circulation, or increasing their reserves by rediscounting the paper with somebody or something, they can recoup themselves, can add to their gold supply, and can furnish themselves with enough circulation to take care of the needs of their customers.

Mr. SHAFROTH. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Colorado?

Mr. WEEKS. Yes.

Mr. SHAFROTH. Mr. President, the redemption to which the Senator has referred, that of national-bank notes coming into the Treasury, exceeds $600,000,000 a year; but is not that due to the fact that there is not sufficient reserve money to meet the demands of the banks? As I understand, the only reason they send in the national-bank notes is because they are short of the money that they can keep as reserves. Inasmuch as the national-bank note is redeemable in lawful money, and lawful money can be used as reserve money, it is sent to the United States Treasury for the purpose of getting lawful money; and then, when they get it, they use it as reserve money. Is that the fact?

Mr. WEEKS. I do not think the Senator from Colorado is correct in that statement. We are going to have in these reserve banks $200,000,000 of Government deposits, in round numbers—that is, in gold—and we are going to have capital paid in, under the plan which I stand for, of about $100,000,000 more. That is $300,000,000. The reserves which will be paid in from time to time until all that is required by law are paid in will amount to at least $400,000,000 more. That is $700,000,000 in gold, even supposing that no trust company or State bank comes into the system. I do not think it is true that the banks have not sufficient reserve money, and that that is the reason they send in the notes, but I think they send them in because they do not need it at the time they receive them from the Treasury.

Mr. SHAFROTH. If they do not need national-bank notes they do not need other forms of money, because national-bank notes are at a par with any of them.

Mr. WEEKS. I am quite in agreement with the Senator in that respect. I believe there is a redundancy of currency very much of the time. I do not wish ordinarily to stand as a prophet, but I will prophesy now that we shall find that at certain seasons of the year, if all of these bank notes were changed into legitimate asset-currency notes, we would have two or three or four hundred million dollars less circulation outstanding than we have now.

Mr. SHAFROTH. That would mean a contraction of the currency, then, to the extent of three or four hundred million dollars.

Mr. WEEKS. It would.

Mr. WILLIAMS. Oh, no. It would one part of the year, but another part it would be greater than it is now.

Mr. WEEKS. One part of the year we would not require it, and it would naturally contract; and the part of the year we did need it it would be issued as the customers of the bank required it.

Mr. WILLIAMS. And then it would be greater than it is now.

Mr. WEEKS. Quite likely.

Mr. SHAFROTH. The difficulty of the situation is that the Senator assumes that this system is sure to work. There were witnesses before our committee who testified that they did not think there was sufficient discount paper of the character required by this bill to produce enough currency to take the place of the national-bank notes now outstanding.

Mr. WEEKS. Mr. President, out of curiosity some time ago I made some investigations in a couple of banks as to the amount of paper they had which would come within the requirements of this bill. In my judgment, those two banks alone would be able to supply all the circulation needed in the very considerable city in which they are located, where the two banks have not more than one-quarter of the capital of the national banks, while there is substantially as much more capital in State banks and trust companies in the same community.

Mr. ROOT. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from New York?

Mr. WEEKS. I do.

Mr. ROOT. I should like to make a suggestion regarding the observation of the Senator from Colorado.

It is true that we have not in this country as much of the kind of paper ordinarily known in the commercial world as banking paper, in proportion to our business, as exists in other countries. That is, we do not do our business here in the main through what is known as prime commercial paper. Some of us can remember the time when the buyers of the country merchants went to New York and Boston and Philadelphia and the cities where they got their chief supplies, bought their stocks of goods, and gave their notes at 30, 60, 90, or 120 days. They gave their notes, and those notes were indorsed by the jobber or wholesale house, and were made the basis of credit in the banks upon which the money was raised to carry on the business. The ordinary commercial form of doing that would be, instead of by means of a note, by means of a draft on the purchaser and its acceptance, and that acceptance would constitute the ordinary commercial paper.

During the past 20 years, however, there has been a very great change in the method of transacting business. The country merchant no longer gives his paper, but he makes his purchase and it rests in open account; and the wholesale merchant or jobber makes his own paper and sells that to the banks in the form of single-name paper. It is not prime paper which is known to the greater part of the commercial world, and that fact probably would support the statement which has just been made. I apprehend, however, that if this bill gets into operation and works, and merchants want money, they will adapt their forms of doing business to the requirements of the bill. Then you will find that there will be enough commercial paper to form the basis for all the discounts that this bill permits, up to the point that the business of the country will absorb, up to the point of that credit which alone in the end is the only substantial basis for bank credits of any kind, whether on book account or upon the issue of notes—the credit which consists in actual representation of dealing with values. Up to that point credit is good. Beyond that point you have inflation, depreciation, loss of gold, and ultimate disaster.

Mr. SHAFROTH. Mr. President, I fully agree with the declaration made by the Senator from New York, that at the present time the notes or drafts that are supposed to be of the character of paper necessary upon which to issue money under this system do not exist in the United States. I do not suppose 5 per cent of the paper in existence among the various banks is of

the kind required under this bill. I do hope that the opinion expressed by the Senator from New York will prove true, and that we will be able to have the banks conform to this system. My objection to the bill as framed by the other section of the committee is that it proposes to contract the currency by the redemption of the national-bank circulation without providing a permanent currency in its place.

It is true that the Federal reserve notes, based on 90 or 180 day drafts, might answer the purpose, but we have many experiments that do not turn out to be workable. The Aldrich-Vreeland Act was thought to be an excellent law; but when we find that it has not worked and that no application for currency has been made, it seems to me we might have failures in this bill similar to the failure that has existed in the case of the Aldrich-Vreeland Act.

Mr. ROOT. Mr. President, would the Senator from Colorado think that a safety clutch on an elevator was a bad thing because the elevator had not fallen and put it into operation?

Mr. SHAFROTH. No; I do not believe that. I believe there have been necessities and causes for the action of the Aldrich-Vreeland measure; but the Aldrich-Vreeland Act was defective in the fact that it made one bank guarantee the paper of another bank, and that the banks would not do.

Another defect in that bill was that it required or permitted one bank to investigate the affairs of the other bank to see what paper it had, and no bank desired that its paper should be looked over by a rival bank.

Mr. ROOT. But, Mr. President, I think the majority of the clearing houses in this country, certainly those in all the principal cities, have adopted a system under which that very thing is done regularly. They do not rest on the examination made by the bank examiners under the direction of the Comptroller of the Currency, but they have established examinations of their own. They have their regular officers, so that every bank is examined by all the other banks forming a part of the same clearing house.

Mr. SHAFROTH. We do know that when the Secretary of the Treasury offered to advance money among the banks in various parts of the country that wished to get it they did not want to get it under the Vreeland Act; and one of the principal reasons was that one bank had to be the guarantor of the paper of the other bank. That has always been, as I understood, the drawback and the thing that obstructed the carrying out of the provisions of the Vreeland Act.

Mr. ROOT. The Senator bases his objection to that on the experience of Oklahoma?

Mr. SHAFROTH. Oh, no. I do not think, so far as Oklahoma is concerned, that there has been a failure of the bank-guaranty provision of the law there. There has been a bank-guaranty system in the State of Kansas, and also in the State of Nebraska, and also in the State of Texas, and, so far as the depositors are concerned, I can say that no depositor has lost a single dollar in any one of those States. For that reason I can not see that the guaranty provision of the Oklahoma law was such that it worked a detriment to the people of that State.

But what I wanted to call the attention of the Senate to was the fact that the provision of the Hitchcock bill is for the retirement of a bank currency without the substitution of any other currency for it except this currency based on 30, 60, and 90 day paper, and the testimony of some of the witnesses was to the effect that that would not be sufficient to satisfy even the $750,000,000 of national-bank notes. There were persons—such as Prof. Sprague, of Harvard—who testified that they regarded the circulating medium of the United States now, including the national-bank notes, as a necessary currency, as a fixed currency, and that this cushion of elasticity should arise from the currency which we have now; that is, that there is, of course, an expansion of trade and of the business of the United States going on, and there has to be some expansion of the currency to keep pace with the ordinary expansion of trade. Prof. Sprague regarded that this cushion which was necessary in the formation of an elastic currency should arise from the currency which we have now.

We all know what has occurred in the past when we have had a contraction of the currency. We know that it was not discovered until 1878 that there was a provision in the law which permitted the Secretary of the Treasury to retire the United States notes called greenbacks, and they did not wake up to that fact until over $100,000,000 of that currency had been retired. Then there was a universal demand that it should be stopped, and a provision was inserted in the law that we should not retire any more, but that we should reissue every dollar that came into the Treasury.

I can say that, so far as the contrast between the contraction of the currency and an expansion commensurate with the growth of the United States, there can be no doubt in my mind that one brings a disaster which is terrible in its effect. The contraction of the currency has been that which has produced most disastrous results in our nation.

Mr. WEEKS. Mr. President, the Senator from New York [Mr. ROOT], I think, very aptly answered the Senator from Colorado as to the use to which the Aldrich-Vreeland bill would be put. It has not been used, because there has been no necessity for using it since it was passed in 1908. It is a panic measure. It is an anchor to windward in case everything else breaks down. The tax imposed on that circulation, amounting to 4 per cent the first month, 5 per cent the next, 6 per cent the next, and 7 per cent the next month, prevents a bank from using it unless the conditions are unusually stringent all over the United States.

Furthermore, let me call the Senator's attention to the fact that the banks of the country have not even taken the $50,000,000 on a 2 per cent basis which the Secretary of the Treasury offered them two or three months ago; and we will seldom go through more, I will not say a more abnormal, but a more uncertain period than we have been going through in this country in the last six months. They have taken only $34,000,000 of that circulation. Many banks have refused to take it at all, because they did not care to put up the security and at the same time pay 2 per cent for the money. That is only one-half of what would have to be paid under the Aldrich-Vreeland bill the first month, with the rate increasing, as I have said, 1 per cent a month.

The statement that there is not sufficient paper in this country to furnish the circulation which is provided in the Hitchcock amendment we offer here does not bear investigation at all. We propose to retire $50,000,000 a year of the 2 per cent bonds with the circulation behind the 2 per cent bonds. That is not very much, and in many periods of the year, in my judgment, we will not know that it is retired at all. At some other period we may need $100,000,000.

Let me point out to you that there is sufficient commercial paper for that purpose. Here is one western bank, a large bank, that discounted in the month of October, 1907, $1,250,000 of 30-day paper, $2,204,000 of 60-day paper, and $4,111,000 of 90-day paper, in all $7,000,000 discounted by that one bank of paper that the minute it was taken, met the other requirements of this law, would be available to deposit and obtain circulation against it. Then in addition to this the bank discounted $2,000,000 of paper running from 90 to 120 days and $6,000,000 having 120 days to run, a total in that one month of $21,000,000.

That longer-time paper is gradually approaching maturity, so that the bank will not only have the paper discounted for less than 90 days, but it would have a considerable amount of paper that has run a considerable time and was approaching the day of maturity. So I have no doubt that bank would have as much as $10,000,000 or $12,000,000 of paper available to be used in the process to which the Senator from South Carolina has referred. That is only one bank, a large bank, in one of the principal western cities.

Then there is another form of paper which we are providing for in both these bills, to which I referred briefly the other day, but I should like to refer to it a little more in detail now. It is the method of issuing paper in different European countries. It carries with it not only the credit of the maker of the paper, but it carries with it the credit of the acceptor of the draft, because it is usually in the form of a draft. There are very many private concerns in England and France, and I have no doubt other European countries, which make a business of accepting the paper of merchants. They do it under differing conditions. The merchant may be required to put up some form of collateral; he may be required to give some kind of a warehouse receipt for cotton or for corn or for something else to secure the banker or the broker who accepts his paper; but the man who accepts the paper adds his credit to the credit of the merchant. If the merchant made a promissory note, he might find it necessary to pay 5 per cent for that money; but if he draws on a well-known bank or a well-known banker, he may be able to sell his paper on a 4 per cent basis. He may pay the banker one-fourth or one-eighth of 1 per cent for accepting his draft, but in any case he would be better off than he would if he sold his own note direct.

For that reason, we undoubtedly will see a lower interest rate to every man who has a broad credit as a result of this system. That is the kind of paper that will not only go in our own reserve banks and be available as a basis for circulation, but it is the kind of paper that will give our business men a world-wide credit.

There is not any reason why the paper of the best merchants, the best manufacturers, or the packers or other similar concerns in the United States should not sell in France or England or Germany as similar paper of those countries would sell in any other European country. The result would be that it will relieve our own banks so that they can give better facilities to those to whom they to-day are perhaps giving insufficient facilities. It will broaden the credit not only of the individual merchant or manufacturer, but it will broaden the credit of all kinds of business men throughout the whole country. For that reason, in my judgment, it is one of the wisest provisions in this bill.

Now, several Senators have referred to the fact——

Mr. BRISTOW. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Kansas?

Mr. WEEKS. Certainly.

Mr. BRISTOW. Before the Senator leaves that point, there is one provision in the Hitchcock bill that I think the Senator from Colorado [Mr. SHAFROTH] must have overlooked when he spoke of 30, 60, and 90 day paper. The Hitchcock bill provides that 180-day or 6-months paper may be discounted. On page 40 of the bill it says:

> Notes and bills admitted to discount under the terms of this paragraph must have a maturity at the time of discount of not more than 180 days: *Provided, however*, That not more than 50 per cent of the paper discounted for any member bank shall have a maturity exceeding 90 days, and in no case shall any member bank have more than $200,000 of rediscounts having a maturity longer than 90 days.

So that brings into the rediscounting privilege many thousands of dollars of six-months paper, which is just as good as 90-day paper, because it covers cattle paper of the West and the paper of western farmers given for six months, and southern farmers as well.

Mr. SHAFROTH. I will state to the Senator from Kansas that I was aware of the provision. I was speaking of the Owen bill when I referred to 30, 60, and 90 day paper. According to the limitations of the bill as the Senator has read it, only a certain percentage of it can be of 180-day character, and even in that case we do not know whether this currency is going to be a success or not. It is a currency which may be called out, and it may not be called out. We must remember that the bankers are those who have the privilege of doing this and nobody else. That privilege is such that it ought to be guarded by the public in general. It is the member bank that goes up and discounts this paper. It is not an individual. If I wanted a circulating medium in my part of the country I could not get it; it is all in the hands of the banks. To wipe out to the extent of $50,000,000 a year a circulating medium that has been as good as the national-bank circulation, without knowing absolutely that there will be a currency to take its place, is a hazard which I do not believe ought to be taken.

Mr. BRISTOW. But the Senator certainly will admit that if there is a demand for currency in the community which any bank serves, it is to that bank's interest to supply that demand, so that if the bank's customers want the currency and need it, if they have the security for it, the bank can get the currency to supply them. If they have not the security, then the banker would not want to loan it to them and does not need it.

Mr. SHAFROTH. As has been stated, this character of paper, which in your bill is the same as that of Senator OWEN'S bill, namely, commercial paper, represents the actual transaction in commerce. That is not the mode in which we do business in this country. It may take years before that system will be adopted by our people.

Another thing is we do not know what provisions of this bill might prevent the issuance of the money which we hope will take the place of the bank circulation. But it has been conceded, or nearly so, because we heard hardly anyone protest against it, that the amount of currency which we now have is practically the amount we need with little variation, and principally a variation in crop-moving time. That being the case, it seems to me we can make this cushion of elasticity upon the currency that we have, and then if we need any more let it drop back.

But to destroy as good money as the national-bank circulation without providing surely and certainly that there shall be placed in its stead such currency as will not be retired and to depend upon the putting of 30, 60, 90, or 180 day paper in bank and demanding money upon it, it seems to me would be unwise without having a permanent currency to take its place, at least until it goes into operation and we see whether it is going to be a success.

Mr. BRISTOW. With the permission of the Senator from Massachusetts, I should like to ask the Senator from Colorado a question. It seems to be the purpose to maintain the present national-bank currency and simply provide a cushion of elasticity, to use the Senator's term, which will not aggregate more, according to the testimony before the committee, than the limit of $200,000,000 a year. The variation, the elasticity, of the currency will not vary more than $200,000,000 a year. That was the maximum placed by everybody who appeared before our committee, as I remember. If that is the purpose, why is it necessary to create an enormous organization here composed of 8, 10, or 12 regional banks, with a great Government force tearing up the entire banking relations of the country, in order to provide an elasticity of a couple hundred million dollars a year for that currency? I should like to know why it is necessary to do that.

Mr. SHAFROTH. If the Senator from Massachusetts will yield to me, I will try to answer.

Mr. WEEKS. I will yield to the Senator.

Mr. SHAFROTH. That is entirely a deviation from the question we have been discussing; but the necessity for having a number of banks is not the necessity always of issuing money, because the issuance of money will likely arise only in times of panic, only in times when there is a very tight money market. But these reserve banks are to be established for the purpose of mobilizing the reserves at a place that is convenient to the banks of the United States. I have been in favor of a larger number of banks than four. I believe there should be not less than eight. Our bill provides that there shall be not less than eight nor more than twelve. As one witness put it—and it seemed to me to be a very sensible answer—a reserve bank keeping the reserves of the various banks of the United States should be at such a distance from the banks that the president of an institution of that kind, fearing that there will be a panic, the next day can take his portfolio of notes aboard the train, go to the Federal reserve bank, and be able by the next morning when his bank opens to telegraph that he has secured sufficient money or sufficient credit, either one—sufficient money if there is a run on the bank—to pay the deposits, and then the run will not occur. It is for the purpose of utilizing these reserves. These reserves go to New York. They pay an interest rate there. It attracts them, and consequently takes them away from the place where they belong.

This money belongs to the various portions of the West. It does not belong to New York nor to St. Louis nor to Chicago. It is for the purpose of keeping these reserves that we want eight regional banks instead of one, because the regional bank, or the Federal reserve bank, as our bill terms it, will be loyal to the interests of that district.

That is the reason why we do not want to have one reserve bank situated in one part of the country so that an application must be made from a distant point, and when they say "we want some money," they can say, "Oh, we need money in some other portion of the United States." If you have a system of branch banks the branch bank is always subservient to the policy of the central bank. The result is that if they care to discriminate in favor of one portion of the country it can be done.

It is because with 8 banks or 12 banks each one will have a certain territory of its own; it will be supposed to watch out for the interest of that territory; and it will be supposed to keep the reserves of the banks in that territory. That is the reason why we believe that the provision is necessary and that one located here at Washington or at New York City could not answer the purpose.

Mr. BRISTOW. The Senator says, as I understand from his remarks, that the purpose of this great organization, then, is not so much to issue currency as it is to handle the reserves.

Mr. ROOT. To demobilize them.

Mr. BRISTOW. And he wants a number of them in order to scatter them all over the country and bring them closer to the communities to which they belong. Now, let me ask the Senator a question. We have now, instead of 8 or 12 reserve centers, 47; we have 50, counting the central-reserve cities as 3. That brings your reserves closer home; that puts them in the communities which they are to serve. What are you tearing it up for, if it is for the purpose of scattering the reserves and getting them around all over the country where they can be used?

Mr. SHAFROTH. I will tell you why. It is because these 47 reserve cities contain 315 banks, and these reserves are therefore scattered in 315 banks, and the central reserve cities, consisting of New York, Chicago, and St. Louis, contain 52 banks, and the reserves of the reserve cities are scattered among these 52 banks. The result of it is that this will be a considerable concentration; and when you cut it down to 8 banks, taking the number of 367 banks that are now scattered, and with no obligation upon any of them to furnish money in time of stress or in time of necessity, the country banker can appeal to his home Federal reserve bank and can draw upon its re-

serve to that extent. He can take his paper there and discount it. The object of this is to let him go to a conveniently located place with his portfolio of notes and drafts, there present them, and get them cashed. By reason of that he can overcome any run that can be made upon his bank.

Mr. BRISTOW. Mr. President, I challenge the Senator from Colorado to cite a single banker who appeared before the Committee on Banking and Currency who said that he had not been able to get his paper discounted when he wanted it rediscounted by his correspondent.

Mr. SHAFROTH. But the inquiry was not made on that point particularly. There was some inquiry made as to a few, but as a matter of fact, we know the New York banks could not do it in 1907. I have no criticism of the New York banks; I feel that they were trying to overcome a situation there that was terrible, and that they were acting according to what they believed was the best interest of the country and of themselves; but I must say that where you simply permit a national bank to put its reserves into another national bank, there is no obligation upon the part of the latter bank to come to its rescue and to cash its paper. While they might do it, and no doubt would if they had plenty of money themselves, generally when there is a panic it stretches from one end of this country to the other, and for that reason the New York banker is not able to discount. There is not enough to go around in the distribution of money in panicky times. You have got, therefore, to resort to some such machinery as we have provided in this bill for that purpose.

Mr. BRISTOW. But the Senator by his argument now is contradicting the argument he made just a few moments ago. A few moments ago he said that he wanted a larger number of reserve banks than four, so that the reserves could be close to home, so that the banks could get them quickly.

Mr. SHAFROTH. Yes, sir.

Mr. BRISTOW. And now he is objecting to reserves being close to home, so that they can get them quickly.

Mr. SHAFROTH. Oh, no.

Mr. BRISTOW. He now wants them scattered in fewer places.

Mr. SHAFROTH. No; I do not. I say, of course, you could not have one in every reserve city in the United States. It possibly might do, and it might be a success; but it is not likely, because the capital of the bank would not be sufficiently large, and the reserves which would be deposited there would not be sufficiently large to meet the ends and the demands which the banks might make; but when you have eight reserve banks in this country, extending from Boston to San Francisco and from Minneapolis to New Orleans, you can readily see that eight sections of this country can have powerful banks that can come to the relief of strain and stress and panicky times, especially under the provisions of this bill. I believe there are different elements and different arguments with relation to this matter. From an economical standpoint there is not any question but that you can have a bigger reserve and probably at a little less cost by having one central bank.

You must remember that when you have a central bank you have other evils that come into it. You must remember that it must be located in one section of the country, and its directors will naturally magnify the conditions and necessities of that portion of the country. Consequently the sections of country that are far from it will not be able to get the consideration which the locality near which it is located will obtain. But when you have a number of banks having a large territory with relation to each and a large amount of money in each, which would arise in the case of eight reserve banks, you can readily see that when you have them both in such touch that you can get relief within 18 hours for your failing bank, and that it will be of great assistance. Distance is one of the great elements to be taken into consideration in determining the number of banks.

Mr. BRISTOW. If the Senator will pay me the honor to listen to me to-morrow, I think I shall convince him that under the Hitchcock bill we are providing for every evil that he anticipates, and providing for it a great deal better than the bill that he is advocating is likely to do.

Mr. WEEKS. Mr. President, while this has been a most interesting debate between the Senator from Kansas [Mr. BRISTOW] and the Senator from Colorado [Mr. SHAFROTH], it has broken in somewhat into the continuity of my argument, which I shall now again take up.

I have heard the criticism made that the banks of the country did not loan money during the trying period which included the months of October, November, and December, 1907, and there is a basis for that statement in some figures that were prepared for the Monetary Commission, which stated, as I recall them, that no loans were made at that time. If there was any reason for making that statement it was due to the phase of the question that bankers were not buying paper from those who were not depositors with them; in other words, they were devoting their entire resources to taking care of their own customers. But to indicate that there was loaning by the banks of the country, and at normal rates, I have obtained the figures from two representative banks—one in the West and the other in the East—which I want to include in the RECORD after I have made some comments on them. These figures are from the western bank.

In the months of October, November, and December, 1906, that bank loaned on 30-day paper $5,179,000. In the same months in the year 1907 it loaned $4,610,000, or within $500,000 as much as it did the year when there were no panicky conditions existing. In the same months in the year 1908 it loaned on the same class of paper $3,370,000, or nearly $900,000 less than it did during the months of the panic. There were the same conditions for 30 to 60 day paper. It loaned in 1906 $5,800,000; in 1907, $6,654,000; in 1908, $3,990,000; in other words, right in the midst of the panic that year it loaned $2,600,000 more than it did the year before, and it loaned $2,800,000 more than it did the following year.

In reference to 60 to 90 day paper the same general statement is true. It loaned in 1906 $7,000,000; in 1907 it loaned $9,369,000; and in 1908 it loaned $5,531,000. Going through the list, including all the loans it made to its own customers, I find that in the year 1906 that particular bank loaned on all classes of paper in those three months $50,536,000; in 1907, the panic year, it loaned $52,957,000; and in the following year it loaned $57,771,000. So that, as a matter of fact, it did loan to its own customers more than it had loaned the year before and nearly as much as it loaned the following year; or, in other words, there was no difference in the general course of business in that bank on account of the panic so far as the customers of the bank were concerned.

The rates were somewhat higher. The average rate for 1906 was 6 per cent in October, 6 per cent in November, and 6 per cent in December. In 1907 the rate was 6½ per cent in October, 7 per cent in November, and 7 per cent in December. In the following year it was 5½ and 5⅛ per cent in those months.

Here is where the difference came in: The bank did not buy either in 1906 or 1907 much outside paper. For instance, in 1906 it bought $1,698,000 in those three months, and in 1907 it bought $678,000. In 1908, when the banks were loaded with money, it bought $10,808,000.

This is a complete answer to and a complete explanation as well of what has been assumed as a correct statement about the policy of the banks during the period of the stress in 1907.

Mr. NEWLANDS. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Nevada?

Mr. WEEKS. I do.

Mr. NEWLANDS. The Senator has given a statement as to one bank. I should like to ask him if he can tell us whether or not the loans of all the banks, both National and State, were contracted in the last quarter of 1907 below the standard of the similar quarter in 1906; and if so, to what extent?

Mr. WEEKS. Mr. President, the loans of all national banks decreased between the comptroller's call on the 22d of August of that year and the comptroller's call in February of that year about $218,000,000.

Mr. NEWLANDS. Then, are we to understand that the very serious conditions of that period were due to a contraction of only about $200,000,000 in credits, which at that time in all the banks, national and State, amounted to over $10,000,000,000?

Mr. WEEKS. I do not think the serious conditions at that time were at all due to the contractions that took place. The contractions were normal and natural, because business came to a halt in a great many directions. As soon as the banks issued clearing-house certificates, that produced a condition which it always has done—a breaking down of domestic exchange, and the breaking down of domestic exchange stopped business, and the stopping of business prevented the necessity of borrowing; so that the falling off of $218,000,000 in loans is very much less than we might have expected, in my opinion, as the result of the panic of November of that year.

Mr. NEWLANDS. The Senator, then, regards this diminution of $200,000,000 in the total bank credits as the result of these conditions and not as the cause?

Mr. WEEKS. I do, absolutely; and I will say to the Senator that has been the result in every panic this country has ever had. We have half a dozen times, first and last, issued clearing-house certificates; and the issuing of clearing-house certificates has always had the same effect. It has checked business; and when business is checked the demands for money are less; so

that the contraction which takes place is more largely due to the results of the panic than being the cause of the panic; in fact, I do not think it was the cause of the panic in 1907 or at any other time with which I am familiar.

The figures which I have in my hand were prepared by an eastern bank of similar size, and they indicate almost exactly the same condition. The loans of that bank were as much as they were in the year before and the year after. The average rate for October, 1906, was 5.89 per cent; in November it was 5.7 per cent; and in December it was 6.9 per cent. In the year 1907, the panic year, the average rate in October was 5.95 per cent, or six one-hundredths of 1 per cent higher than it was the year before. In November it went up to 6.4 per cent, or seven-tenths per cent higher than the rate the year before. In December it was 6.31 per cent, or a quarter per cent higher than it was the year before.

Mr. BURTON. Will the Senator from Massachusetts please state in what month in 1907 the rate was only six one-hundredths per cent more than in 1906?

Mr. WEEKS. In October.

Mr. BURTON. In October, 1907?

Mr. WEEKS. Yes. It was six one-hundredths of 1 per cent higher than it was in October, 1906. The total loans of this bank in that month were about five and a half million dollars. The average rate in October, November, and December for 1907 was not over four-tenths per cent higher than it was in the same months in 1906; but the amount of loans made by that bank was higher in the year 1907 for those three months than in the year 1906 and not quite so high as in the year 1908, when money was very easy and very plentiful.

Those figures are a complete refutation of the charge, if you may call it a charge, which has been made that the banks of the country stopped loaning. They did nothing of the kind; they stopped buying outside paper, generally speaking, but they continued to supply the needs of their own customers, and they did not supply them at the high rates which are quoted—10, 15, 20, 50, or some other per cent—but they did supply the needs of their customers at an average rate during the panic of not over 6.2 per cent in the eastern bank and about the same rate in the western bank.

Mr. President, I should like to include those figures in my remarks, because I think they may be useful to the Senate at some other time and in some other way.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

The figures referred to are as follows:

WESTERN BANKS.

Loans made in October, November, and December, 1906, 1907, 1908.

Years and months.	Average rate.	30 days and less.	31 to 60 days.	61 to 90 days.	91 to 120 days.	121 days and over.	Uncertain maturities.	Demand.	Totals.	Commercial paper purchased.[1]
1906.	*Per cent.*									
October	6	$1,480,500	$1,626,300	$1,752,200	$1,240,400	$5,526,800	$271,900	$2,312,900	$14,211,000	$115,500
November	6	1,497,700	1,808,000	1,218,600	3,549,200	3,642,900	278,200	3,667,400	15,662,000	937,700
December	6	2,201,600	1,574,300	3,983,509	1,527,600	6,429,100	216,500	4,730,400	20,663,000	645,200
Total		5,179,800	5,008,600	6,954,300	6,317,200	15,598,800	766,600	10,710,700	50,536,000	1,698,400
1907.										
October	6½	1,025,500	2,204,300	4,111,700	2,025,900	6,442,500	1,089,800	4,175,800	21,075,500	273,800
November	7	2,279,200	2,272,700	2,587,200	3,927,500	2,107,300	362,900	942,500	14,479,300	277,500
December	7	1,306,200	2,177,700	2,670,900	1,690,800	6,163,700	372,100	3,020,800	17,402,200	127,400
Total		4,610,900	6,654,700	9,369,800	7,644,200	14,713,500	1,824,800	8,139,100	52,957,000	678,700
1908.										
October	5½	716,100	1,164,800	1,364,200	1,367,200	9,665,500	615,200	3,572,700	18,465,700	3,292,900
November	5⅝	1,014,900	1,160,800	1,576,000	3,938,300	4,420,900	547,000	4,473,500	17,131,400	3,182,800
December	5⅝	1,639,200	1,664,900	2,591,600	4,735,200	6,433,100	476,000	4,634,800	22,174,800	4,332,800
Total		3,370,200	3,990,500	5,531,800	10,040,700	20,519,500	1,638,200	12,681,000	57,771,900	10,808,500

[1] Included in totals to the left.

EASTERN BANK.

Notes discounted, including bought paper.

OCTOBER, 1906.

Per cent.	1 month.	2 months.	3 months.	4 months.	5 months.	6 months.	Total.
7	$1,300	$1,500	$1,000				$3,800
6½		5,000	29,908	$39,487	$85,000	$80,100	239,495
6¼						10,000	10,000
6	419,146	191,036	360,298	559,336	394,744	734,815	2,950,375
5⅞	5,000	28,966	32,611	229,002	17,402	147,000	459,981
5½	23,108	44,278	56,382	200,484	10,000	265,600	599,852
5¼		40,000		15,000			55,000
5	22,100	9,698	29,634	76,720	5,100	20,100	163,352
	470,654	320,478	509,833	1,411,029	512,246	1,257,615	4,481,855

Average rate, 5.89 per cent.

NOVEMBER, 1906.

Per cent.	1 month.	2 months.	3 months.	4 months.	5 months.	6 months.	Total.
6½	$5,062		$7,459	$12,625		$30,387	$55,533
6	445,517	$203,312	267,156	879,818	$291,553	635,229	2,722,585
5⅝	16,224	66,217	42,956	253,058	10,000	5,000	393,455
5½	19,685	106,796	21,974	74,500	55,000	68,000	345,955
5	15,076	1,004	14,807	28,591	15,048	50,340	134,866 [1] 100,000
	501,564	377,329	354,352	1,258,592	371,601	788,956	3,752,394

[1] Total for 1 year.

Average rate, 5.70 per cent.

DECEMBER, 1906.

8		$51,016			$7,676	$7,704	$66,396
7	$170,774	5,403	$521,536	$15,000	8,000	47,000	767,713
6½	12,000	18,589	15,000	54,000		45,000	144,589
6	295,350	539,377	390,500	1,221,325	205,033	894,290	3,545,875
5⅝	100,000	20,000	35,000	60,000	10,000	45,000	270,000
5½	2,500	9,736	43,000	60,687	45,000	10,000	170,923
5	506	1,730	6,153	8,998	846	17,059	35,292
	581,130	645,851	1,011,189	1,420,010	276,555	1,066,053	5,000,788

Average rate, 6.09 per cent.

EASTERN BANK—Continued.

Notes discounted, including bought paper—Continued.

RECAPITULATION FOR THE MONTHS OF OCTOBER, NOVEMBER AND DECEMBER, 1906.

1 month	$1,553,313
2 months	1,343,653
3 months	1,875,374
4 months	4,089,631
5 months	1,160,402
6 months	3,112,624
Total	13,235,037

Average, 5.89 per cent.

OCTOBER, 1907.

Per cent.	1 month.	2 months.	3 months.	4 months.	5 months.	6 months.	Total.
10				$165			$165
7½	$63,930	$24,847	$8,135	8,313	$5,000	$11,325	121,550
7⅛	5,000						5,000
7	112,138	51,049	62,481	65,465	3,023	43,198	337,354
6½				3,500		155,000	158,500
6	502,455	454,279	562,567	1,255,973	333,576	1,136,608	4,245,458
5½	23,515	21,163	5,946	52,260		82,775	185,659
5	23,012	13,160	1,218	57,500	60,000	25,444	180,334
4½	101,610	35,000					136,610
4¼	203,159						203,159
	1,034,819	599,498	640,347	1,443,176	401,599	1,454,350	5,573,789

Average rate, 5.95 per cent.

NOVEMBER, 1907.

Per cent.	1 month.	2 months.	3 months.	4 months.	5 months.	6 months.	Total.
10				$182			$182
8		$866	$365	239		$130,000	131,470
7½	$11,250						11,250
7⅛		2,000	19,500	133,000	$100,000		254,500
7	293,426	124,476	101,651	576,663	38,447	495,585	1,630,248
6	138,122	230,900	482,631	1,672,050	324,103	479,622	3,327,428
5						27,682	27,682
4½						6,000	6,000
	442,798	358,242	604,147	2,382,134	462,550	1,138,889	5,388,760

Average rate, 6.409 per cent.

EASTERN BANK—Continued.

Notes discounted, including bought paper—Continued.

DECEMBER, 1907.

Per cent.	1 month.	2 months.	3 months.	4 months.	5 months.	6 months.	Total.
10		$8,600		$330			$8,900
9						$15,000	15,000
8		638		11,500		36,600	48,738
7½	$1,500						1,500
7⅛	50,823	6,920	$17,000			2,400	77,143
7	263,106	174,523	185,012	406,191	$45,836	276,637	1,351,305
6	149,263	149,115	279,724	853,670	229,850	302,476	2,000,098 [1] 36,000
5	305,059	11,999	11,575	2,700	75,000	5,000	411,333
	769,751	351,795	493,311	1,274,361	350,686	638,113	3,914,017

[1] Total for 1 year.

Average rate, 6.31 per cent.

RECAPITULATION FOR THE MONTHS OF OCTOBER, NOVEMBER, AND DECEMBER, 1907.

1 month	2,247,363
2 months	1,309,535
3 months	1,737,805
4 months	5,099,671
5 months	1,214,835
6 months	3,231,352
1 year	36,000
Total	14,876,563

Average 6.22 per cent.

OCTOBER, 1908.

6	$136,183	$63,347	$34,842	$74,723	$8,610	$244,614	$562,319
5½				5,000	4,150		9,150
5	17,777	51,963	99,074	262,618	161,144	532,158	1,124,734
4½	3,000	3,000	15,000	15,000			36,000
4½	465,734	70,244	94,663	499,282	191,508	1,092,933	2,414,364
4½			15,000	60,000		104,623	179,623
4	94,270	137,017	164,794	451,739	223,712	209,702	1,281,234
3½					50,000		50,000
3½	10,000	22,041					32,041
3½	25,000	76,250					101,250
3	107,793						107,793
2½	30,000						30,000
	889,757	423,862	423,373	1,368,362	639,124	2,184,030	5,928,508

Average rate, 4.55 per cent.

NOVEMBER, 1908.

Per cent.	1 month.	2 months.	3 months.	4 months.	5 months.	6 months.	Total.
6	$97,980	$56,131	$48,062	$56,951	$19,158	$175,959	$457,991
5½		1,625	14,387	15,000		1,364	32,376
5	83,789	39,490	64,530	159,838	35,437	945,812	1,328,896
4½	284,242	96,001	273,176	469,123	122,579	498,007	1,753,128
4½	25,750		20,000	80,000	10,000		135,750
4	333,642	73,653	336,050	566,983	84,900	620,135	2,015,363
3½		100,000	200,000			25,000	325,000
3½	95,150	81,494	8,933	121,832			307,409
3	88,000						88,000
2½	102,500						102,500
	1,111,053	448,394	965,138	1,469,727	272,074	2,266,277	6,546,413

Average rate, 4.42 per cent.

DECEMBER, 1908.

6	$116,611	$43,028	$131,294	$70,834	$13,343	$182,325	$557,435
5½			2,045	27,242			29,287
5	35,039	35,506	64,419	102,793	589,789	119,728	947,274
4½				2,547			2,547
4½	218,761	85,338	127,514	1,124,578	50,808	506,718	2,113,717
4½				65,000		6,000	71,000
4	106,732	91,547	92,450	605,434	167,700	144,319	1,208,182
3½				150,000			150,000
3½	45,750	5,000		25,291			76,041
3½	5,000	95,000					100,000
3½	160,000	100,000		125,000			385,000
	687,893	455,419	417,722	2,208,719	821,640	959,090	5,640,483

Average rate, 4.50 per cent.

RECAPITULATION FOR THE MONTHS OF OCTOBER, NOVEMBER, AND DECEMBER, 1908.

1 month	$2,688,703
2 months	1,327,675
3 months	1,806,233
4 months	5,136,808
5 months	1,732,838
6 months	5,409,397
7 months	13,750
Total	18,115,404

Average, 4.49 per cent.

Mr. PAGE. Mr. President, I should like to ask the Senator what conditions existed that made money sell temporarily, say, for 40, 50, or 100 per cent on certain occasions?

Mr. WEEKS. Mr. President, those were not commercial loans. Those were loans made on demand by brokers which were payable the day they were called, and that rate was the rate per annum charged for the money. It only obtained for a day or two days or a half dozen days at most, and in very limited amounts. I am familiar with one instance where a bank called in a million dollars that was loaned at 40 per cent to brokers on collateral and loaned the money to its own customers at 6 per cent. The difference is that 40 per cent was the daily rate, while the 6 per cent was the 90-day rate. That was the only difference between the two.

Mr. WILLIAMS. That was the rate for one day?

Mr. WEEKS. For one day.

Mr. PAGE. I read on one occasion of money being quoted in Boston at 140 per cent for a single day.

Mr. WEEKS. It is just possible that there might have been $100,000 loaned at some such rate as that, though I think it very doubtful.

Mr. CUMMINS. Mr. President, will the Senator from Massachusetts permit me one more question?

Mr. WEEKS. I yield to the Senator.

Mr. CUMMINS. It is growing late, of course, and I hesitate to ask it, but it may be perhaps as well propounded now as at any other time. The general theory of the Federal reserve bank and the functions that it is to perform are that it will take money which the banks are compelled to hold anyhow as reserves and use that money to better advantage than though it were permitted to remain in the vaults of the banks themselves, or than though it were permitted to find its way to New York or to Chicago or St. Louis or other reserve cities, as it does now.

Now, I understand that. I can see that the reserves thus concentrated might be used for the welfare of the country to better advantage and more efficiently than they are now used, but it is hard for me to understand the theory upon which the banks are required to contribute to the regional or reserve banks a part of their capital. Their capital is always employed. There is not a bank in the country that has not loaned all its capital at all times. In fact, the great volume of the loans of the banks is made up of the money of depositors; but no one will question my statement when I say that the capital of the banks is always loaned out and is always performing the highest and best function that money can perform. It is doing its work as thoroughly and as continuously as money can work.

I should like to know what advantage there is in taking the capital of the banks, or a proportion of the capital of the banks, and giving it to the reserve banks, in order that they may loan it. They can not loan it so that it will do the business of this country more good than it is now doing; and hitherto I have not been able to understand why the Government should lay its hands upon part of the capital that is always at work and transfer it to the reserve banks, where, as I look at the matter, it is bound to do less efficient service than it is now performing.

Mr. WEEKS. Mr. President, the Senator from Iowa has stated very clearly a vital difference between the Owen plan and the Hitchcock plan. I think he is entirely right in his conclusions. I am in entire agreement with him that the capital engaged in banking in this country is none too large, and might well be larger. There are many instances where the deposits of banks are more than ten times the capital of the banks, and there have been many tentative propositions made to limit the ratio between the capital of a bank and the deposits which it might receive.

For the Government to come in and say to the private owners of capital, "We will take 6 per cent, 10 per cent, or 20 per cent of your capital and use it for another purpose," is not only, in my judgment, ill advised, but I think it is not necessary, and will not improve a condition which we reach in another way.

In other words, in the Hitchcock plan we propose to offer this stock to the public. We believe we have assurances that the savings of people of small means will be invested in the stock of these semi-Government institutions, which will pay 5 per cent. The dividend will be cumulative, and it will not be subject to taxation of any kind. We believe the money will be readily subscribed to supply all the capital these banks will need. Therefore, instead of taking fifty or a hundred million dollars, or whatever it may be, away from the banking capital of the country and using it for this other purpose, we are adding to the banking capital the same amount of money which is now probably in savings banks and elsewhere, not being used for the benefit of the commercial community.

To my mind, one of the most important differences between the two plans is the one to which the Senator has referred; and of the advantages which the Hitchcock plan has over the Owen plan, I think the advantage in this case of supplying the new capital for this bank is the most pronounced.

Mr. CUMMINS. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Iowa?

Mr. WEEKS. I do.

Mr. CUMMINS. I not only concur with the Senator from Massachusetts in the belief that it is unwise and unnecessary to take a proportion of the banking capital and give it to the Federal reserve banks, but I go further, and am inclined to the belief that it is unconstitutional as well. At some time during this debate I shall ask the Senate to examine our authority to take from a private corporation a part of its capital and transfer it to another private corporation. Of course, national banks and the Federal reserve banks are both, in one sense, public, in just the same sense that a railroad company is a public corporation, or a gas company, or a water company. I shall not enter upon that inquiry to-night, however.

I do feel that the bill which has been proposed by the section of the committee led by the Senator from Oklahoma [Mr. OWEN], and, measurably, too—for I want to be perfectly frank about it—the bill reported by the section of the committee led by the Senator from Nebraska [Mr. HITCHCOCK], are subject to the constitutional objection that they deprive the national banks of their property without due process of law, and that in so far as the Government itself as a sovereign derives a profit from the taking of this property they take private property for public use without just compensation.

Mr. WILLIAMS. Mr. President——

The VICE PRESIDENT. Does the Senator from Massachusetts yield to the Senator from Mississippi?

Mr. WEEKS. Mr. President, I will yield the floor to the Senator from Mississippi. I have been interrupted so much to-night that I have not been able to complete my remarks.

Mr. WILLIAMS. No; I hope the Senator will go ahead.

Mr. WEEKS. I will hold the floor, then.

Mr. CUMMINS. I wish to say that I hope very much I shall be convinced before the debate is over that I am wrong in this position, because I believe that as a practical proposition the bill reported by the Senator from Oklahoma is better than the existing law. I am not saying this out of any spirit of hostility toward it, but I do want to present every safeguard possible against a situation in which it may become not only not an instrument of assistance but an instrument of destruction.

Mr. WILLIAMS. Mr. President, of course if this bill did take anybody's property, or did compel any bank to surrender a certain proportion of its capital to these regional banks, or to the United States Government, either, there might be something in what the Senator from Iowa has said; but it does nothing of the sort. The United States Government has a right to establish a system of banks as fiscal agencies for the Government. That is the ground upon which John Marshall placed the right. In determining who shall constitute a national bank, it has a right to determine the conditions upon which it shall constitute itself a national bank. The only compulsion in this case is that one of the member banks that does not put up the percentage can not remain in the national banking system. It can not enjoy the prestige and the profit of the system without obeying the laws of the national legislature establishing the system.

I hope the Senator from Massachusetts will excuse me, but I believe I am pretty nearly the last constant defender of the Constitution left, and the constitutional argument of the Senator from Iowa interested me even after it had ceased to amuse me. To say that a man has had his property taken away from him because the national legislature says: "Unless you comply with certain conditions of a national banking act you shall not be a national bank," is amusing. The present national banking law also took property away from people, because it said that they could not be a national bank unless they put up a certain amount of money; so I suppose that under the theory of the Senator's reasoning they had their money taken away from them.

No man is forced by this bill to stay in this system. He can get out of it the day after the system is put upon the statute books if he pleases, and he can put every bit of his money in his pocket and go on about his business; but he can not be a national bank or a regional bank; he can not participate in the profits and benefits and special privileges conferred by law upon national banks, unless he does that which the National Legislature thinks is right and proper to make these corporate creatures of the United States good and effective public servants for the benefit of the people of the United States.

How could the Senator get the idea that there was any taking away by force of any man's property?

Mr. CUMMINS. Mr. President, there may be an answer to my suggestion, but it has not yet been discovered by the Senator from Mississippi. [Laughter.]

Mr. WILLIAMS. I will ask the Senator from Iowa another question. Where does he find, in either of these bills, anything taking away from any national bank a part of its capital?

Mr. CUMMINS. I will enter upon an argument on that point at some other time; but I will gratify the Senator from Mississippi now by a very brief response.

We have a general law under which the national banks have been organized. I will admit—although is it not entirely clear, but I think it can be fairly said with respect to each of those acts—that Congress has reserved the right to alter, amend, or repeal, and I have no doubt whatever that Congress to-night could repeal the national banking act, and thus compel the dissolution of every national banking association.

Mr. WILLIAMS. Which Congress would not do.

Mr. CUMMINS. Which Congress, of course, would not do; and that is the protection which the banks have against the exercise of that power. The banks have organized themselves under this general law. They have acquired certain property. They have now and will have, when the act goes into effect, certain property. It is private property, subject only to the regulation which the public character of the business will permit.

It is true that the act may be amended; and all that can be claimed for the proposed act is that in some respects it constitutes an amendment of the national banking law, and anything that is an amendment of that law, in its legal sense, may be lawfully enacted by Congress. The right to amend a law, however, under which corporations have been organized and have acquired property is, of course, subject to the fifth amendment of the Constitution, and, in the case of the States, is subject to the fourteenth amendment to the Constitution.

Mr. WILLIAMS. The Senator will take all of my time.

Mr. CUMMINS. I beg the Senator's pardon. I could not answer the question briefly. I only say that the answer that if the national banks do not desire to allow their property to be taken away they can allow themselves to be dissolved is no answer at all to the proposition.

Mr. WILLIAMS. Mr. President, if the argument of the Senator from Iowa has any soundness whatever in it, then the Congress of the United States can not amend the national banking act in such a way as to make it more onerous to the banks or to the bankers without violating the fifth amendment. They not only reserved the right to amend, but they have a right to make those banks the useful creatures of the public. To say that you have taken a man's property away from him when you leave him perfectly free either to stay in the system or to step out of the system, and when you do not take away from him a dollar of the money he has accumulated in his capacity as a national banker, except with his own consent, is absurd.

If it pays the member banks to go into this system, they will go into it. If it does not pay them, they will step out of it. Many people have argued that the thing would be a failure, because they would not come into it. They will not stay in it unless they believe it is profitable for them to do so.

I dwell upon this because letter after letter has been received by me and by other people founded upon the idea that Congress was compelling these people to stay in this system. Congress is merely saying: "Here is the system. What do you want to do; stay in it or get out of it?"

I do not suppose that in all the history of the United States it ever was said that giving a man his free choice between remaining a privileged creature of the Federal law or not remaining one was taking his property without due process of law.

Mr. WEEKS. Mr. President, the hour of 11 o'clock having arrived, I assume that under the rule the Senate will adjourn.

The VICE PRESIDENT. The hour of 11 o'clock having arrived, the Senate stands adjourned until to-morrow at 10 o'clock.

Thereupon (at 11 o'clock p. m.) the Senate adjourned until to-morrow, Tuesday, December 9, 1913, at 10 o'clock a. m.

HOUSE OF REPRESENTATIVES.

MONDAY, *December 8, 1913.*

The House met at 12 o'clock noon.

The Chaplain, Rev. Henry N. Couden, D. D., offered the following prayer:

Our Father in heaven, let Thy kingdom come and Thy will be done in our hearts, that our days may be days of usefulness and our years bear the full fruition of a well-developed character; that we may feel the thrill of an approving conscience and hear the music in our souls, "Well done, good and faithful servant." Thus may we live, thus may we achieve and pass on unperturbed to the reward of the faithful. In the spirit of the world's great Redeemer. Amen.

The Journal of the proceedings of Saturday was read and approved.

MESSAGE FROM THE SENATE.

A message from the Senate, by Mr. Tulley, one of its clerks, announced that the Senate had passed without amendment bill of the following title:

H. R. 7207. An act granting to the city and county of San Francisco certain rights of way in, over, and through certain public lands, the Yosemite National Park, and Stanislaus National Forest, and certain lands in the Yosemite National Park, the Stanislaus National Forest, and the public lands in the State of California, and for other purposes.

ENROLLED BILL SIGNED.

Mr. ASHBROOK, from the Committee on Enrolled Bills, reported that they had examined and found truly enrolled bill of the following title; when the Speaker signed the same:

H. R. 7207. An act granting to the city and county of San Francisco certain rights of way in, over, and through certain public lands, the Yosemite National Park, and Stanislaus National Forest, and certain lands in the Yosemite National Park, the Stanislaus National Forest, and the public lands in the State of California, and for other purposes.

IMMIGRATION.

Mr. GARDNER. Mr. Speaker, I move to discharge the Committee on Immigration and Naturalization from the consideration of the following resolution, which I send to the Clerk's desk, and move that the same be now considered by the House.

The SPEAKER. The gentleman from Massachusetts moves that the Committee on Immigration and Naturalization be discharged from further consideration of House resolution No. 324, and that the same be put upon its passage.

Mr. HAMLIN. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. HAMLIN. Under the unanimous-consent agreement made on Saturday last, or Friday afternoon, are we not to vote on the resolution No. 298, the Hensley resolution, immediately after the approval of the Journal to-day?

Mr. MANN. The previous question was ordered on it.

The SPEAKER. The gentleman from Massachusetts will suspend.

Mr. MANN. The House merely ordered the previous question on the Hensley resolution, and under the rules of the House this resolution is in order immediately after the approval of the Journal.

Mr. HAMLIN. My recollection is that the proposition was to vote immediately on the Hensley resolution after the approval of the Journal.

The SPEAKER. All these things are governed by the rules of the House.

Mr. MANN. I think that was not in the unanimous-consent agreement, but it would not make any difference if it was.

The SPEAKER. The previous question was ordered on the Hensley resolution in the usual way, and the Chair recognizes the gentleman from Massachusetts.

Mr. SHERLEY. Mr. Speaker, let us have the resolution read.

The SPEAKER. That is what the Chair was going to have done. The Clerk will read the resolution.

The Clerk read as follows:

House resolution 324.

Resolved, That the Secretary of the Department of Labor be directed, if not incompatible with the public interest, to send to the House of Representatives a statement showing the number of aliens arriving at ports or places in the United States during the month of October, 1913, who were certified by the surgeons of the Public Health Service as being physically or mentally defective; also a statement showing the nature of the defects so certified; also a statement of the final disposition of the cases as to admission or exclusion.

Mr. SHERLEY. Mr. Speaker, in the absence of any member of the Committee on Immigration and Naturalization, realizing that these resolutions of inquiry often require tremendous labor and frequently without any reason for it, I would like some statement from the gentleman from Massachusetts as to the importance of it, or I shall move to lay it on the table.

Mr. GARDNER. I make the point of order that the gentleman can not move to lay it on the table. The motion is a double motion, and under the rules of the House is not debatable.

Mr. SHERLEY. Well, Mr. Speaker, I make the motion to lay the motion of the gentleman from Massachusetts on the table.

Mr. GARDNER. I raise the point of order that the motion to lay the resolution on the table is not in order. The resolution is now in committee.

Mr. SHERLEY. I am not moving to lay the resolution on the table, but the gentleman's motion.

Mr. GARDNER. That is impossible; you may not lay a motion of that kind on the table.

Mr. FITZGERALD. The gentleman does not mean that.

Mr. GARDNER. It is a privileged motion.

Mr. HAMILL. Will the gentleman from Massachusetts yield for a question?

Mr. GARDNER. Yes.

Mr. HAMILL. Will the gentleman inform the House just what the purpose of this resolution which he presents is, and what purpose it is to serve?

Mr. GARDNER. Mr. Speaker, I ask unanimous consent to be permitted to explain the purpose of the resolution.

Mr. SHERLEY. Mr. Speaker, as long as the gentleman from Massachusetts makes the point of order that my motion to table is not in order, when I wanted to give him an opportunity to make a statement, I shall insist on my motion, which is not debatable.

The SPEAKER. The Chair will hear the gentleman from Massachusetts on the point of order.

Mr. GARDNER. Mr. Speaker, I withdraw the point of order.

Mr. MANN. Mr. Speaker, I ask unanimous consent that the gentleman from Massachusetts have five minutes to explain the proposition.

The SPEAKER. The gentleman from Illinois asks unanimous consent that the gentleman from Massachusetts have five minutes in which to explain his resolution. Is there objection? [After a pause.] The Chair hears none.

Mr. GARDNER. Mr. Speaker, this resolution has the consent of the chairman of the Committee on Immigration and Naturalization, Mr. BURNETT. It has not been considered in the Committee on Immigration for the reason that that committee is at the present moment engaged in a hair-pulling match on other matters. [Laughter.] This resolution is for the purpose of getting certain information as to the immigration figures for the month of October. The information is not available as to the number of rejections by the surgeons at the immigration stations in this country and as to the final disposition of such cases. It is information which we ought to have in the preparation of the bill which we are now at work on in the committee.

Mr. BURNETT. Mr. Speaker, I ask for two minutes.

The SPEAKER. The gentleman from Alabama, chairman of the Committee on Immigration, asks unanimous consent to address the House for two minutes. Is there objection?

There was no objection.

Mr. BURNETT. Mr. Speaker, I do not think there is any reflection on any department. This is a matter that the committee has not had opportunity to consider, because they could not get a quorum during the last session, and have not had an opportunity of doing it this session on account of the fact that we have been busy on another question more important ever since the session began. As far as I am concerned, I think it is proper and that it ought to pass.

Mr. HAMILL. Mr. Speaker, I ask unanimous consent for three minutes in which to address the House on this subject.

The SPEAKER. The gentleman from New Jersey asks unanimous consent to address the House for three minutes. Is there objection?

There was no objection.

Mr. HAMILL. Mr. Speaker, I think it is singularly unnecessary on the part of the gentleman from Massachusetts [Mr. GARDNER] or his cooperator in this movement, the gentleman from Alabama [Mr. BURNETT], to present this resolution to the House and ask for its adoption. The purpose of it is, I presume, to obtain information for the preparation of an immigration bill, which will be presented at this session. I think that whole project ought to be presented to the House at one time. The gentleman says that he can not get his committee together. That is a very drastic reflection upon the bill that he is going to present to this House, when the very committee charged under the organization of the House with the consideration of this project cares so little about its present consideration that the chairman can not whip together a quorum of the committee in order that they may agree upon a resolution which he considers important. I do not believe this resolution, at this time, if indeed at any time, ought to be adopted by this House.

Mr. BURNETT. Mr. Speaker, I ask unanimous consent for one minute in which to make a correction contained in the statement of the gentleman from New Jersey.

The SPEAKER. The gentleman from Alabama asks unanimous consent to proceed for one minute, to make a correction. Is there objection?

There was no objection.

Mr. BURNETT. Mr. Speaker, I did not say that I could not get the committee together at this session. The committee has been together for three days, but we have been at work on another proposition, which we did not want to set aside for anything. I said that during the extra session of Congress it was impossible to get together a quorum of the committee.

Mr. HAMILL. Then, does the gentleman want this House by special rule to help him do something which his committee is well organized and able to do under its regular course of procedure?

Mr. BURNETT. I do not think this would help me in the least.

Mr. HAMILL. Then why does the gentleman want the resolution if it would not?

Mr. MOORE. Mr. Speaker, I ask unanimous consent to proceed for two minutes.

The SPEAKER. The gentleman from Pennsylvania asks unanimous consent to address the House for two minutes. Is there objection?

There was no objection.

Mr. MOORE. Mr. Speaker, I want to use the two minutes to enter a mild protest against the method of bringing in resolutions as indicated in this particular instance. The gentleman from Massachusetts [Mr. GARDNER], having consulted, as he says, with the chairman of the Committee on Immigration, brings in this resolution, which he does not explain. He states that certain information is desired to pass a bill. The chairman of the committee states that he is in favor of the resolution. We are still without information, however, as to the purpose of the resolution. The Committee on Immigration has no information as to the purpose of the resolution, and as between the gentleman from Massachusetts [Mr. GARDNER] and the gentleman from Alabama [Mr. BURNETT], both of whom are of the same opinion with regard to the immigration bill, we are expected to pass this resolution. It seems to me the committee ought to have some information in a matter of this kind before it comes to the House, particularly when the committee has under discussion at the time a bill to which the resolution may have reference. The committee knows nothing about this resolution, except as stated here in a very brief and unsatisfactory way by the gentleman from Massachusetts [Mr. GARDNER], indorsed by the chairman of the committee [Mr. BURNETT]. The other members of the committee are in the dark as to what the resolution means.

Mr. SHERLEY. Mr. Speaker, I have not waived my right to move to lay this motion on the table. I have been permitting these gentlemen by unanimous consent to make various statements. I did make the motion, and to that motion the gentleman from Massachusetts made a point of order.

Mr. MANN. He withdrew the point of order.

The SPEAKER. He withdrew the point of order and the Chair understood the gentleman from Kentucky to withdraw his motion.

Mr. SHERLEY. By no means. I can not imagine a worse practice than to pass resolutions on the statement of individual Members without knowing what they are going to cost.

The SPEAKER. The question is on the motion of the gentleman from Kentucky, to lay the resolution on the table.

The question was taken; and on a division, demanded by Mr. MANN, there were—ayes 80, noes 74.

Mr. GARDNER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 130, nays 215, answered "present" 3, not voting 86, as follows:

YEAS—130.

Abercrombie	Deitrick	Johnson, Ky.	Peterson
Adamson	Dent	Keating	Phelan
Aiken	Donohoe	Kennedy, Conn.	Post
Ansberry	Donovan	Kennedy, Iowa	Prouty
Ashbrook	Doremus	Kennedy, R. I.	Raker
Bailey	Doughton	Kettner	Rauch
Baltz	Dupré	Kirkpatrick	Rayburn
Barchfeld	Dyer	Konop	Reed
Barnhart	Esch	Korbly	Rucker
Bartholdt	Estopinal	Lee, Ga.	Sabath
Beakes	Evans	Lee, Pa.	Sherwood
Booher	Faison	L'Engle	Small
Borchers	Fergusson	Lobeck	Smith, Md.
Borland	Fitzgerald	Lonergan	Sparkman
Brockson	Flood, Va.	McAndrews	Stafford
Buchanan, Ill.	Foster	McClellan	Stedman
Buchanan, Tex.	Francis	McCoy	Stephens, Miss.
Bulkley	George	McDermott	Stephens, Nebr.
Burgess	Gilmore	McGillicuddy	Stephens, Tex.
Burke, Wis.	Goldfogle	McKellar	Stevens, N. H.
Cantor	Gordon	Madden	Taylor, Ala.
Carr	Gorman	Maguire, Nebr.	Ten Eyck
Cary	Graham, Ill.	Manahan	Thomas
Casey	Greene, Mass.	Mitchell	Towner
Church	Gudger	Moon	Townsend
Clancy	Hamill	Moore	Vaughan
Clark, Fla.	Hammond	Murray, Mass.	Weaver
Claypool	Hardy	O'Brien	Whitacre
Cline	Hart	Oglesby	Williams
Coady	Henry	O'Hair	Witherspoon
Connelly, Kans.	Hill	O'Leary	Young, N. Dak.
Conry	Houston	O'Shaunessy	
Crosser	Igoe	Peters, Mass.	

NAYS—215.

Adair	Ferris	Kindel	Rubey
Allen	Fess	Kinkaid, Nebr.	Rupley
Anderson	Fields	Kitchin	Russell
Anthony	Finley	Knowland, J. R.	Saunders
Aswell	Fitzhenry	Lafferty	Scott
Austin	Floyd, Ark.	La Follette	Seldomridge
Avis	Fordney	Langham	Sells
Baker	Fowler	Lazaro	Shackleford
Barkley	Frear	Lenroot	Sharp
Barton	French	Lever	Shreve
Bathrick	Gard	Lewis, Pa.	Sims
Beall, Tex.	Gardner	Lindbergh	Sinnott
Bell, Cal.	Garner	Lindquist	Sisson
Bell, Ga.	Garrett, Tex.	Lloyd	Slayden
Blackmon	Gillett	Logue	Slemp
Bowdle	Glass	McGuire, Okla.	Sloan
Brown, N. Y.	Goeke	McKenzie	Smith, Idaho
Browne, Wis.	Good	McLaughlin	Smith, J. M. C.
Brumbaugh	Goodwin, Ark.	MacDonald	Smith, Minn.
Burke, S. Dak.	Goulden	Mann	Smith, Saml. W.
Burnett	Gray	Mapes	Smith, Tex.
Butler	Green, Iowa	Mondell	Steenerson
Byrnes, S. C.	Greene, Vt.	Morgan, La.	Stephens, Cal.
Byrns, Tenn.	Gregg	Morgan, Okla.	Stevens, Minn.
Callaway	Hamilton, Mich.	Morin	Stone
Campbell	Hamilton, N. Y.	Moss, W. Va.	Stout
Candler, Miss.	Hamlin	Mott	Sutherland
Caraway	Harrison	Murdock	Switzer
Carlin	Haugen	Murray, Okla.	Talbott, Md.
Carter	Hay	Neeley, Kans.	Talcott, N. Y.
Chandler, N. Y.	Hayden	Nelson	Tavenner
Clayton	Hayes	Norton	Taylor, Ark.
Collier	Heflin	Oldfield	Taylor, Colo.
Copley	Helgesen	Padgett	Temple
Covington	Helvering	Page, N. C.	Thacher
Cox	Hensley	Paige, Mass.	Thompson, Okla.
Cramton	Hinds	Palmer	Thomson, Ill.
Crisp	Hinebaugh	Park	Treadway
Curry	Hobson	Patton, Pa.	Tribble
Danforth	Holland	Payne	Underhill
Davenport	Howard	Peters, Me.	Underwood
Davis	Howell	Platt	Volstead
Decker	Hughes, Ga.	Plumley	Wallin
Dershem	Hulings	Porter	Walsh
Dickinson	Hull	Pou	Walters
Dies	Humphreys, Miss.	Powers	Watkins
Difenderfer	Jacoway	Quin	Whaley
Dillon	Johnson, S. C.	Ragsdale	Willis
Dixon	Johnson, Utah	Rainey	Wilson, Fla.
Doolittle	Johnson, Wash.	Reilly, Wis.	Wingo
Eagle	Kelley, Mich.	Roberts, Mass.	Woodruff
Edwards	Kelly, Pa.	Rogers	Woods
Elder	Kent	Rothermel	Young, Tex.
Farr	Key, Ohio	Rouse	

ANSWERED "PRESENT"—3.

Morrison	Sherley	Stanley

NOT VOTING—86.

Ainey	Dunn	Keister	Patten, N. Y.
Alexander	Eagan	Kiess, Pa.	Pepper
Bartlett	Edmonds	Kinkead, N. J.	Reilly, Conn.
Bremner	Fairchild	Kreider	Richardson
Britten	Falconer	Langley	Riordan
Brodbeck	Gallagher	Lesher	Roberts, Nev.
Broussard	Garrett, Tenn.	Levy	Scully
Brown, W. Va.	Gerry	Lewis, Md.	Smith, N. Y.
Browning	Gittins	Lieb	Stringer
Bruckner	Godwin, N. C.	Linthicum	Sumners
Bryan	Graham, Pa.	Loft	Taggart
Burke, Pa.	Griest	Mahan	Taylor, N. Y.
Calder	Griffin	Maher	Tuttle
Cantrill	Guernsey	Martin	Vare
Carew	Hardwick	Merritt	Walker
Connolly, Iowa	Hawley	Metz	Watson
Cooper	Helm	Miller	Webb
Cullop	Hoxworth	Montague	White
Curley	Hughes, W. Va.	Moss, Ind.	Wilson, N. Y.
Dale	Humphrey, Wash	Neely, W. Va.	Winslow
Dooling	Jones	Nolan, J. I.	
Driscoll	Kahn	Parker	

So the motion to lay on the table was rejected.

The Clerk announced the following pairs:

On this vote:

Mr. MORRISON with Mr. HUMPHREY of Washington.

Ending December 10:

Mr. SHERLEY with Mr. COOPER.

Until further notice:

Mr. BARTLETT with Mr. PARKER.

Mr. REILLY of Connecticut with Mr. WINSLOW.

Mr. DALE with Mr. MARTIN.

Mr. ALEXANDER with Mr. DUNN.

Mr. HELM with Mr. MILLER.

Mr. WILSON of New York with Mr. VARE.

Mr. NEELY of West Virginia with Mr. HUGHES of West Virginia.

Mr. BRODBECK with Mr. AINEY.

Mr. BROWN of West Virginia with Mr. BRITTEN.

Mr. CANTRILL with Mr. BRYAN.

Mr. CONNOLLY of Iowa with Mr. BURKE of Pennsylvania.

Mr. CULLOP with Mr. CALDER.

Mr. GALLAGHER with Mr. KAHN.

Mr. GARRETT of Tennessee with Mr. EDMONDS.

Mr. GODWIN of North Carolina with Mr. FAIRCHILD.

Mr. HARDWICK with Mr. FALCONER.

Mr. KINKEAD of New Jersey with Mr. GRAHAM of Pennsylvania.
Mr. LEVY with Mr. GRIEST.
Mr. LIEB with Mr. GUERNSEY.
Mr. MONTAGUE with Mr. HAWLEY.
Mr. Moss of Indiana with Mr. KEISTER.
Mr. PATTEN of New York with Mr. KIESS of Pennsylvania.
Mr. TUTTLE with Mr KREIDER.
Mr. WEBB with Mr. LANGLEY.
Mr. WHITE with Mr. ROBERTS of Nevada.
For the session:
Mr. SCULLY with Mr. BROWNING.

Mr. SHERLEY. Mr. Speaker, I find I am paired. I voted "aye." I desire to withdraw that vote and answer "present."

The name of Mr. SHERLEY was called and he answered "Present."

The result of the vote was announced as above recorded.

The SPEAKER. The question now is on the motion of the gentleman from Massachusetts.

Mr. SHERLEY. Mr. Speaker, I desire to be heard on the motion.

The SPEAKER. The gentleman from Massachusetts [Mr. GARDNER] is entitled to the floor.

Mr. SHERLEY. The gentleman did not claim the floor, and the Chair was about to put the motion.

Mr. GARDNER. Mr. Speaker, the motion to discharge the committee is not debatable.

Mr. SHERLEY. That is true. I did not want to discuss the motion, but I want to be heard for a minute or two.

Mr. GARDNER. An adverse vote having been taken on the gentleman's motion, I shall claim the floor after the question is put, if the committee is discharged.

Mr. HAMILL. Mr. Speaker——

The SPEAKER. For what purpose does the gentleman rise?

Mr. HAMILL. To make a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. HAMILL. Is it the opinion of the Chair that this resolution can now be voted upon without giving the Members opportunity to discuss it?

The SPEAKER. It is not the resolution; it is the motion.

Mr. MANN. Mr. Speaker, the motion offered by the gentleman from Massachusetts [Mr. GARDNER] is not to pass the resolution but to discharge the committee and bring it before the House.

The SPEAKER. Of course.

Mr. MANN. And that is not debatable.

Mr. SHERLEY. I understand that. I will take the floor at the right time.

The SPEAKER. The question is on the motion of the gentleman from Massachusetts [Mr. GARDNER] to discharge the committee, and, if that motion prevails, then the resolution comes before the House.

Mr. MOORE. A parliamentary inquiry, Mr. Speaker.

The SPEAKER. The gentleman will state it.

Mr. MOORE. Does not it require seven days in order to call up a resolution of this kind?

The SPEAKER. The Chair understands that the seven days have expired.

Mr. MOORE. That the seven days have expired?

The SPEAKER. Yes, sir. The question is on the motion of the gentleman from Massachusetts [Mr. GARDNER] to discharge the Committee on Immigration and Naturalization and to consider his resolution.

Mr. GOULDEN. Mr. Speaker, might we not have the resolution read again?

The SPEAKER. Without objection, the resolution will be again reported.

The resolution was again read.

The SPEAKER. Now, the vote that is to be taken is not on the resolution, but on the motion to discharge the Committee on Immigration and Naturalization from further consideration of it.

Mr. MOORE. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. MOORE. The Committee on Immigration and Naturalization has never considered this resolution at all. How can the committee "further consider" it?

The SPEAKER. That is the form in which they are put, and the only way they can get at it.

Mr. DONOVAN. Mr. Speaker——

The SPEAKER. For what purpose does the gentleman from Connecticut rise?

Mr. DONOVAN. To make a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. DONOVAN. This resolution was introduced on the 2d of December. When does the seven days' expiration take place?

The SPEAKER. To-day.

Mr. DONOVAN. Is to-day the 9th?

The SPEAKER. It is the custom to exclude either the first day or the day it is called up.

Mr. DONOVAN. Mr. Speaker——

The SPEAKER. There is no question about that.

Mr. HAMILL. Mr. Speaker——

The SPEAKER. Wait until we get through with the gentleman from Connecticut.

Mr. DONOVAN. As I understand it, it was introduced on the 2d day of December. Now, when does the seven days' expiration occur?

The SPEAKER. The seven days have expired. In the opinion of the Chair, it is a question of arithmetic.

Mr. DONOVAN. Mr. Speaker, the 2d day of December was on Tuesday last.

The SPEAKER. Of course.

Mr. DONOVAN. How can the seven days expire at this time?

Mr. GARDNER. I think the gentleman is correct and that I made a mistake.

Mr. MANN. This is not the 9th.

The SPEAKER. Let us see. The House will be in order, and all gentlemen will take their seats and refrain from conversation.

Mr. GOLDFOGLE. Mr. Speaker——

The SPEAKER. The Chair will not recognize anybody until he counts up the days. [Applause.] The seven days have not expired.

Mr. LAFFERTY. Mr. Speaker, I make the point of order that an objection can not now be raised, as the roll has already been called.

The SPEAKER. That was on the motion to table, so that it can not be considered.

ELECTION OF A MEMBER TO COMMITTEES.

Mr. UNDERWOOD. Mr. Speaker, I desire to move the election of Mr. MACDONALD, one of the Progressive Members of the House, to the Committee on Labor and to the Committee on Pensions.

I send the following letters to the Clerk's desk and ask to have them read, to explain how the nominations took place.

The SPEAKER. The Clerk will read the letters.

The Clerk read as follows:

UNITED STATES HOUSE OF REPRESENTATIVES,
OFFICE OF REPUBLICAN LEADER, CAPITOL BUILDING,
Washington, D. C., September 10, 1913.

Hon. OSCAR W. UNDERWOOD,
House of Representatives.

DEAR MR. UNDERWOOD: Under the agreed allotment of committee assignments to the different parties there is a Republican vacancy on the Committee on Labor and on the Committee on Pensions. I believe that Mr. MURDOCK has no committee vacancies due to him or the Progressive Party. In order to accommodate the committee assignments of Mr. MACDONALD, who has been recently given a seat from Michigan, I beg to yield to Mr. MURDOCK the Republican vacancy on each of the above committees, and to request you to move the election of such Member as will be suggested by Mr. MURDOCK.

Yours, very sincerely, JAMES R. MANN.

COMMITTEE ON WAYS AND MEANS,
HOUSE OF REPRESENTATIVES,
Washington, D. C., September 16, 1913.

Hon. O. W. UNDERWOOD, M. C.,
Washington, D. C.

MY DEAR MR. UNDERWOOD: I wish to nominate Hon. WILLIAM J. MACDONALD, of Michigan, for the vacancies on the Committee on Labor and the Committee on Pensions. These places were assigned to the Republicans, but have been transferred to the Progressives by Mr. MANN, according to a note to you by Mr. MANN, a copy of which Mr. MANN furnished me.

Yours, truly, VICTOR MURDOCK.

Mr. UNDERWOOD. Mr. Speaker, in compliance with the request contained in those letters, I move the election of Mr. MACDONALD as indicated.

Mr. FITZGERALD. Mr. Speaker, will the gentleman from Alabama yield?

The SPEAKER. Does the gentleman yield?

Mr. UNDERWOOD. I do.

Mr. FITZGERALD. Some time ago there was a discussion in the House regarding the selection of members of committees, and the gentleman from Kansas [Mr. MURDOCK] called attention to the fact that the so-called Progressive Representatives in this House had entered upon a method entirely different from that pursued by the other parties. He stated that the Progressive members of committees were selected in open public caucuses, in which every man had an opportunity to express his opinion and where the public were invited to look on without cost. I desire to inquire when the public, open, free caucus of the Progressive Members was held at which these committee selections were made?

Mr. MURDOCK. Mr. Speaker, will the gentleman allow me to answer, instead of the gentleman from Alabama?

Mr. FITZGERALD. I would be delighted if the gentleman could answer.

Mr. UNDERWOOD. I will yield to the gentleman from Kansas, as I do not know.

Mr. MURDOCK. These designations were made in full accordance with our new plan. The Progressive Members in the House were consulted and these places were filled after full conference with the members of the committees——

Mr. FITZGERALD. If the gentleman will permit me——

Mr. MURDOCK. So that we followed the new plan precisely, and the gentleman from New York [Mr. FITZGERALD] would have been welcome to our caucus.

Mr. FITZGERALD. That new plan to which the gentleman refers, and which he just seems to have discovered, is the old plan which has been followed by the Democrats in this House since they have had control of it. It is not the boasted plan which the gentleman from Kansas explained here at the opening of the session, when he said that all of the committee assignments of Progressive Members were selected, not after conferences with the Members, but in a public meeting where everyone was free to rise and nominate, and did nominate, the respective Members. I charged at that time that the whole proceeding was a farce.

Mr. MURDOCK. As a matter of fact—will the gentleman yield?

Mr. FITZGERALD. Not at present; let me finish. [Laughter.] I charged at that time that it was a farce, and that while ostensibly there was this open meeting, yet it was held only after these private conversations among the Members were had, at which the arrangements were made by which the committee places were to be parceled out. I wish now to congratulate the gentleman from Kansas upon the fact that——

Mr. MURDOCK. Mr. Speaker, will the gentleman yield?

The SPEAKER. Does the gentleman yield?

Mr. FITZGERALD. In just a moment. I congratulate the gentleman upon the fact that he has abandoned that farcical proceeding of holding open, free, untrammeled meetings at which every member of his party would have the opportunity to rise and make these nominations, and has adopted the plan so successfully followed for three years by the Democratic Party in the House of Representatives. [Applause on the Democratic side.]

Mr. MURDOCK. Now, will the gentleman yield?

Mr. FITZGERALD. I yield to the gentleman from Kansas.

Mr. MURDOCK. The Democratic Party, if it selects its men at all, as a party, selects them secretly.

Mr. FITZGERALD. No; it does not.

Mr. MURDOCK. Yes; it does; and we select ours in the open.

Mr. DONOVAN. Mr. Speaker, I rise to a point of order.

The SPEAKER. The gentleman will state his point of order.

Mr. DONOVAN. My point of order is that Members should address the Chair before taking the floor.

The SPEAKER. The point of order is well taken.

Mr. UNDERWOOD. Mr. Speaker, holding the floor, I yield five minutes to the gentleman from Kansas, if he wants it.

The SPEAKER. The gentleman from Kansas [Mr. MURDOCK] is recognized for five minutes.

Mr. MURDOCK. I should like to say to the gentleman from New York [Mr. FITZGERALD] that under the system here in the House there are three ways of selecting committees. The Republicans empower the gentleman from Illinois [Mr. MANN], the minority Republican floor leader, to designate the Republican members of a committee. The Democrats empower the Ways and Means Committee to make the selections——

SEVERAL MEMBERS. Oh, no.

Mr. MURDOCK. To make the nominations. In the Progressive Party, it is true we are few in numbers, but we get together with open doors and agree on committee assignments. All the committee assignments made in the Progressive Party are made openly. All of them are voted upon. Everyone has a full chance for discussion, and there is a complete agreement in the conference before the nominations are made.

Now, so far as this manner of making nominations is concerned, there is only one way in which I can make nominations. After the members of the Progressive Party have determined whom they want upon committees, then I submit the nominations to the gentleman from Alabama [Mr. UNDERWOOD] and he comes before the House and makes his nomination.

Mr. FITZGERALD. When was this meeting?

Mr. MURDOCK. In the Democratic Party the meeting is secret. In the Progressive Party it is not; and the difference is the difference between night and day.

Mr. FITZGERALD. Will the gentleman yield?

Mr. MURDOCK. If the gentleman really wants to reform the Democratic Party, let him have the Democratic caucus meet in the open and name the men on the committees by the full membership of an open caucus and not, as the system is at the present time, by a few men making the selections and then coming into the secret Democratic caucus for ratification.

Mr. FITZGERALD. Will the gentleman yield for a question?

Mr. MURDOCK. Certainly.

Mr. FITZGERALD. When was this open public meeting held at which all members of the Progressive Party had the opportunity to nominate members for these two committee places?

Mr. MURDOCK. We have held several.

Mr. FITZGERALD. When was one of them, and where was it held, with the doors open?

Mr. MURDOCK. One of the meetings was held in the office of the gentleman from Pennsylvania [Mr. KELLY], in the House Office Building.

Mr. FITZGERALD. When?

Mr. MURDOCK. I think it was in May or June.

Mr. FITZGERALD. I am talking about these two places.

Mr. MURDOCK. Newspaper men were present.

Mr. FITZGERALD. I am talking about these two nominations.

Mr. MURDOCK. I think this meeting was some time in September.

Mr. FITZGERALD. For these two committee places?

Mr. MURDOCK. For these two places.

Mr. GARNER. At what place?

Mr. MURDOCK. I think it was held in my office.

Mr. GARNER. Was there a quorum present?

Mr. MURDOCK. I think there were newspaper men present. Are newspaper men present in the Democratic caucus, where you make your selections?

Mr. FITZGERALD. They are when they are Members of Congress. But how could I be present, as the gentleman suggests?

Mr. MURDOCK. You would have been entirely welcome; and the next time we hold a conference for the purpose of designating a man for a committee I am going to take it upon myself to invite the gentleman from New York.

Mr. FITZGERALD. I hope the gentleman will, and that he will be able to remember where it is to be held more accurately than he can tell where this one was held, because I was going to ask the gentleman how it would have been possible for me to have been present when he does not know whether the meeting was held in May or September and can not tell whether it was held in his office or the office of the gentleman from Pennsylvania [Mr. KELLY].

Mr. MURDOCK. The gentleman misinterprets what I said, and I think rather willfully in that regard.

Mr. FITZGERALD. Oh, no.

Mr. MURDOCK. I thought the gentleman asked me when we had our conference, and I told him the first one was held in May and in the office of the gentleman from Pennsylvania [Mr. KELLY], in the House Office Building.

Mr. FITZGERALD. I mean for the filling of these particular vacancies.

Mr. MURDOCK. That meeting, as I remember it, was held in my office in this Capitol Building. The difference between the gentleman's party and my party is that we are trying to conduct affairs in the open, even to the naming of men on committees, and I recommend to the gentleman and his party the same course. It is practical and it is sensible.

The SPEAKER. The time of the gentleman has expired.

Mr. UNDERWOOD. I yield two minutes to the gentleman from Illinois [Mr. MANN].

Mr. MANN. Mr. Speaker, when the committees were made up the Progressive Party filled all the places which had been assigned to it by the Democratic leaders of the House. On behalf of the Republicans, with some idea of economy, I reserved a few vacancies, as the Democratic side had, on committees for contingencies. The Progressive Party having exhausted all its resources, spent all of its money, burned all of its oil, without knowing what demands were to be made upon it—although they ought to have known that Mr. MACDONALD was to be seated—found themselves in the position of having a Member of the House with no committee vacancies.

Mr. MURDOCK. Mr. Speaker, that is perfectly true, and I want to take this occasion to thank the gentleman for giving us those places.

Mr. MANN. I am glad that I have called out the facts from the gentleman from Kansas. I do not know when the Progressive Party had its meetings to select the two places for the gentleman from Michigan. If they had the meeting before I

promised the places they could not have known what places would be given to them. If they held the meeting after, they played a confidence game on me [laughter], because I gave up the two places for Mr. MACDONALD and no one else. [Laughter.]

Mr. MURDOCK. Mr. Speaker, will the gentleman yield?

Mr. MANN. Yes.

Mr. MURDOCK. Mr. Speaker, the gentleman will understand before he goes too far along that line of argument——

Mr. MANN. If the gentleman from Kansas will let me proceed, I will exonerate the gentleman.

Mr. MURDOCK. So long as Mr. MACDONALD was not a Member of the House, we could not include him in our proportional requirement for committee places, because we were lacking one Member, the inclusion of whom would have given us the other committee assignments. Afterwards, when Mr. MACDONALD was seated, we were entitled to committee places which we did not have, and the gentleman did give these places to us as a party, and I did not take it from his letter—and the letter will bear me out—that he gave them to us for Mr. MACDONALD. I think we could have made a reassignment or readjustment, and the gentleman would have acceded to it. Is not that true?

Mr. MANN. The letter indicates that I gave the places suggested by the gentleman from Kansas, and he had previously told me that he was going to assign them to Mr. MACDONALD. [Laughter.] That is perfectly proper. I have no doubt that the gentleman from Kansas had consulted the other Progressive Members of the House. The truth is, as long as the gentleman from Kansas is leader of a party that can meet in one tier of the seats without interrupting the business of the House, so long they can have a meeting and consult over every kind of a proposition; but when they rise to the dignity of having a real party, with real membership on the floor of the House, they will find that they can not make up committees in town meeting.

The SPEAKER. The question is on the nominations made by the gentleman from Alabama for Mr. MACDONALD, the gentleman from Michigan, to go on the Committee on Labor and the Committee on Pensions.

Mr. UNDERWOOD. Mr. Speaker, I yield five minutes to the gentleman from New York [Mr. FITZGERALD].

Mr. FITZGERALD. Mr. Speaker, the gentleman from Kansas——

Mr. DONOVAN rose.

The SPEAKER. For what purpose does the gentleman from Connecticut rise?

Mr. DONOVAN. A parliamentary inquiry.

The SPEAKER. The gentleman can not make a parliamentary inquiry when another Member has the floor.

Mr. DONOVAN. Then a point of order, Mr. Speaker.

The SPEAKER. The gentleman will state it.

Mr. DONOVAN. If there is no business before the House, the gentleman from from Alabama has no right to farm out time.

The SPEAKER. The gentleman from Alabama is acting entirely within his rights.

Mr. FITZGERALD. Mr. Speaker, the gentleman from Kansas asserts that there are three methods of selecting committee members in this House. The rules provide for one method, and that is an election by the House. The gentleman from Kansas calls attention to the fact that his associates have adopted an entirely new method for the selection of committee members. I wish to call the attention of the gentleman from Kansas and of the Members of the House to a very remarkable situation developed here. The gentleman from Illinois [Mr. MANN] who is selected by the Republicans as a candidate for Speaker and thus becomes their leader, without, so far as I know, having consulted anybody, turns over to the gentleman from Kansas [Mr. MURDOCK] two committee places which were assigned to the Republican Members in this House. There is no record of just how he was moved to do so, but he wrote to the gentleman from Alabama [Mr. UNDERWOOD] as follows:

I believe that Mr. MURDOCK has no committee vacancies due to him or to the Progressive Party.

Why Mr. MURDOCK should have any committee places due him I do not know. Then Mr. MURDOCK later wrote to the gentleman from Alabama [Mr. UNDERWOOD] as follows:

I wish to nominate—

"I wish to nominate" [laughter and applause]—

Hon. WILLIAM J. MACDONALD, of Michigan, for the vacancies on the Committee on Labor and the Committee on Pensions. These places were assigned to the Republicans, but have been transferred to the Progressives by Mr. MANN, according to a note to you by Mr. MANN, a copy of which Mr. MANN furnished me.

What right had Mr. MANN to enter into this deal with the gentleman from Kansas [laughter] and give away committee assignments which belong to the Republican Party in the House; and what right has the gentleman from Kansas to take any discarded materials from the Republican Party in order to bolster up the forlorn cause of the Progressives? [Laughter.] I had imagined that I had been informed by the gentleman from Kansas [Mr. MURDOCK] that the Progressive Party Representatives in this House did not intend to have any of these unholy alliances with the older parties, and that they would scorn those petty favors which Members of Congress had been seeking in the past from the Speaker, but which they now have to seek from the Republican and Progressive leaders in order to enable them to be full-fledged, untrammeled Representatives; and I am surprised that Mr. MURDOCK should condescend to tell Mr. UNDERWOOD that he proposed to nominate Mr. MACDONALD. What about all of this talk that was indulged in at one time about the inalienable right of a Member of this House to stand up as a "free and untrammeled" Representative and voice the wishes of his constituents and present to the House himself, not through somebody else, the things in which his people were interested?

Mr. Speaker, I am surprised at the simplicity of the gentleman from Alabama [laughter], but I suppose it is due to the fact that he occupies—I was going to say a position similar to that occupied by the gentleman from Kansas [Mr. MURDOCK]; but I shall refrain from bringing down the leadership of the Democratic Party to a level with the leadership of the Progressive Party. He occupies a position where he appreciates that the members of his party have full confidence in him. He does not have to call a public meeting, with public witnesses, in order to take any action as leader of the Democratic Party for fear he might be repudiated if he did not. I was surprised that he should, without further substantiation, accept as the action of the Progressives in the House a letter signed by VICTOR MURDOCK, in which he says "I wish to nominate." I wish to nominate!—not as a representative of the Progressive Party, but VICTOR MURDOCK wishes to nominate! Oh, Mr. Speaker, how the times have changed, how the times have changed! [Laughter and applause.]

Mr. UNDERWOOD. Mr. Speaker, I move the previous question on my motion.

The previous question was ordered.

The SPEAKER. The question is on the motion of Mr. UNDERWOOD, that Mr. MACDONALD be elected to fill the vacancies on the Committee on Labor and on the Committee on Pensions.

The motion was agreed to.

SUSPENSION OF NAVAL CONSTRUCTION.

Mr. HENSLEY. Mr. Speaker, I call up House resolution 298, which is the unfinished business.

The SPEAKER. The Clerk will report the resolution.

The Clerk read as follows:

House resolution 298.

Resolved, That in the opinion of the House of Representatives the declaration of the First Lord of the Admiralty of Great Britain, the Right Hon. Winston Churchill, that the Government of the United Kingdom is willing and ready to cooperate with other Governments to secure for one year a suspension of naval construction programs offers the means of immediately lessening the enormous burdens of the people and avoiding the waste of investment in war material.

SEC. 2. That a copy of this resolution be furnished the President with the request that, so far as he can do so, having due regard for the interests of the United States, he use his influence to consummate the agreement suggested by the Right Hon. Winston Churchill.

Mr. GRAY rose.

The SPEAKER. For what purpose does the gentleman from Indiana rise?

Mr. GRAY. I desire to offer the following amendment.

The SPEAKER. The previous question has been ordered on the resolution.

Mr. HAMILL rose.

The SPEAKER. For what purpose does the gentleman from New Jersey rise?

Mr. HAMILL. To make a request for unanimous consent.

The SPEAKER. The gentleman will submit it.

Mr. HAMILL. Mr. Speaker, I send to the Clerk's desk an editorial in this morning's Washington Post, and I ask unanimous consent that the Clerk be permitted to read it.

Mr. HENSLEY. Mr. Speaker, I object.

The SPEAKER. The gentleman from Missouri objects.

Mr. HAMILL. Mr. Speaker, I ask unanimous consent that I be permitted to insert it in the RECORD.

Mr. BORLAND. Mr. Speaker, I object.

The SPEAKER. The gentleman from Missouri objects.

Mr. GRAY. Mr. Speaker, a parliamentary inquiry.

The SPEAKER. The gentleman will state it.

Mr. GRAY. I desire to ask, the previous question having been ordered, if it is not in order that I may offer an amendment at this time?

The SPEAKER. An amendment may not be offered after the previous question has been ordered. The Chair will state, if the

gentleman desires to get at it, that his alternative is to move to recommit with instructions.

Mr. MOORE. Mr. Speaker, I offer the following motion to recommit, with instructions.

The SPEAKER. This is a simple House resolution, and the Clerk will report the motion of the gentleman from Pennsylvania [Mr. MOORE].

The Clerk read as follows:

Mr. MOORE moves to recommit, with instructions to report the following substitute for the resolution:

"*Resolved*, That the President be requested, so far as he can do so with due regard for the interests and dignity of the United States, to use his influence to consummate an agreement with foreign nations to secure for one year a suspension of naval construction."

The question was taken, and the Speaker announced the noes seemed to have it.

Mr. MOORE. Division, Mr. Speaker.

The House divided; and there were—ayes 40, noes 184.

So the motion to recommit was lost.

The SPEAKER. The question is on the adoption of the Hensley resolution.

Mr. HENSLEY. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 317, nays 11, answered present 6, not voting 101, as follows:

YEAS—317.

Abercrombie	Doughton	Key, Ohio	Reilly, Wis.
Adair	Dupré	Kinkaid, Nebr.	Roberts, Mass.
Adamson	Dyer	Kirkpatrick	Rogers
Aiken	Eagan	Kitchin	Rouse
Allen	Eagle	Knowland, J. R.	Rubey
Anderson	Edwards	Konop	Rucker
Ansberry	Elder	Korbly	Rupley
Ashbrook	Esch	Lafferty	Russell
Aswell	Evans	La Follette	Sabath
Austin	Faison	Langham	Saunders
Avis	Farr	Lazaro	Scott
Bailey	Fergusson	Lee, Ga.	Seldomridge
Baker	Ferris	Lee, Pa.	Sells
Baltz	Fess	L'Engle	Shackleford
Barkley	Fields	Lenroot	Sharp
Barnhart	Finley	Lieb	Sherley
Bartholdt	Fitzgerald	Lindbergh	Sherwood
Barton	FitzHenry	Lindquist	Shreve
Bathrick	Floyd, Ark.	Lloyd	Sims
Beakes	Fordney	Lobeck	Sisson
Beall, Tex.	Foster	Lonergan	Slayden
Bell, Cal.	Fowler	McAndrews	Slemp
Bell, Ga.	Francis	McClellan	Sloan
Blackmon	Frear	McCoy	Small
Booher	French	McDermott	Smith, Idaho
Borchers	Gard	McGillicuddy	Smith, J. M. C.
Borland	Garner	McGuire, Okla.	Smith, Minn.
Bowdle	Garrett, Tenn.	McKellar	Smith, Saml. W.
Brockson	Garrett, Tex.	McKenzie	Smith, Tex.
Brown, N. Y.	George	McLaughlin	Sparkman
Browne, Wis.	Gillett	MacDonald	Stafford
Brumbaugh	Gilmore	Madden	Stedman
Buchanan, Ill.	Goeke	Maguire, Nebr.	Steenerson
Buchanan, Tex.	Goodwin, Ark.	Manahan	Stephens, Cal.
Bulkley	Gordon	Mann	Stephens, Miss.
Burke, S. Dak.	Gorman	Mapes	Stephens, Nebr.
Burnett	Goulden	Mitchell	Stephens, Tex.
Butler	Graham, Ill.	Mondell	Stevens, N. H.
Byrnes, S. C.	Gray	Morgan, La.	Stone
Byrns, Tenn.	Green, Iowa	Morgan, Okla.	Stout
Callaway	Greene, Vt.	Morrison	Sumners
Campbell	Gregg	Moss, W. Va.	Sutherland
Candler, Miss.	Guernsey	Mott	Switzer
Cantor	Hamilton, Mich.	Murdock	Talcott, N. Y.
Caraway	Hamlin	Murray, Okla.	Tavenner
Carlin	Hammond	Neeley, Kans.	Taylor, Ala.
Carr	Hardy	Nelson	Taylor, Ark.
Carter	Harrison	Nolan, J. I.	Taylor, Colo.
Cary	Hart	Norton	Temple
Casey	Haugen	O'Brien	Ten Eyck
Chandler, N. Y.	Hawley	Oglesby	Thacher
Church	Hay	O'Hair	Thomas
Clancy	Hayden	Oldfield	Thompson, Okla.
Claypool	Heflin	O'Leary	Thomson, Ill.
Clayton	Helgesen	O'Shaunessy	Towner
Cline	Helvering	Padgett	Townsend
Coady	Hensley	Page, N. C.	Treadway
Collier	Hill	Paige, Mass.	Tribble
Connelly, Kans.	Hinds	Palmer	Tuttle
Covington	Hinebaugh	Park	Underhill
Cox	Holland	Patton, Pa.	Underwood
Cramton	Houston	Payne	Volstead
Crisp	Howard	Peters, Mass.	Wallin
Crosser	Howell	Peters, Me.	Walsh
Curry	Hughes, Ga.	Peterson	Walters
Davenport	Hulings	Phelan	Watkins
Davis	Hull	Platt	Whitacre
Decker	Humphrey, Wash.	Plumley	Williams
Deitrick	Humphreys, Miss.	Porter	Willis
Dent	Igoe	Post	Wilson, Fla.
Dershem	Jacoway	Pou	Wingo
Dickinson	Johnson, Ky.	Powers	Witherspoon
Dies	Johnson, S. C.	Prouty	Woodruff
Difenderfer	Johnson, Utah	Quin	Woods
Dillon	Johnson, Wash.	Ragsdale	Young, N. Dak
Dixon	Kelley, Mich.	Rainey	Young, Tex.
Donohoe	Kelly, Pa.	Raker	The Speaker
Donovan	Kennedy, Iowa	Rauch	
Doolittle	Kent	Rayburn	
Doremus	Kettner	Reed	

NAYS—11.

Barchfeld	Gardner	Kennedy, R. I.	Stevens, Minn.
Burke, Wis.	Hamill	Moore	Wilson, N. Y.
Conry	Kennedy, Conn.	Morin	

ANSWERED PRESENT—6.

Goldfogle	Lewis, Pa.	Reilly, Conn.	Talbott, Md.
Greene, Mass.	Logue		

NOT VOTING—101.

Ainey	Driscoll	Kahn	Patten, N. Y.
Alexander	Dunn	Keating	Pepper
Anthony	Edmonds	Keister	Richardson
Bartlett	Estopinal	Kiess, Pa.	Riordan
Bremner	Fairchild	Kindel	Roberts, Nev.
Britten	Falconer	Kinkead, N. J.	Rothermel
Brodbeck	Flood, Va.	Kreider	Scully
Broussard	Gallagher	Langley	Sinnott
Brown, W. Va.	Gerry	Lesher	Smith, Md.
Browning	Gittins	Lever	Smith, N. Y.
Bruckner	Glass	Levy	Stanley
Bryan	Godwin, N. C.	Lewis, Md.	Stringer
Burgess	Good	Linthicum	Taggart
Burke, Pa.	Graham, Pa.	Loft	Taylor, N. Y.
Calder	Griest	Mahan	Vare
Cantrill	Griffin	Maher	Vaughan
Carew	Gudger	Martin	Walker
Clark, Fla.	Hamilton, N. Y.	Merritt	Watson
Connolly, Iowa	Hardwick	Metz	Weaver
Cooper	Hayes	Miller	Webb
Copley	Helm	Montague	Whaley
Cullop	Henry	Moon	White
Curley	Hobson	Moss, Ind.	Winslow
Dale	Hoxworth	Murray, Mass.	
Danforth	Hughes, W. Va.	Neely, W. Va.	
Dooling	Jones	Parker	

So the resolution was agreed to.

The Clerk announced the following additional pairs:

On this vote:

Mr. GOLDFOGLE with Mr. COOPER.

Mr. LEVY (for Hensley resolution) with Mr. GREENE of Massachusetts (against Hensley resolution).

Mr. GRIEST (for Hensley resolution) with Mr. LEWIS of Pennsylvania (against Hensley resolution).

Until further notice:

Mr. TALBOTT of Maryland with Mr. MERRITT.

Mr. BURGESS with Mr. COPLEY.

Mr. GLASS with Mr. HAMILTON of New York.

Mr. GUDGER with Mr. SINNOTT.

Mr. HENRY with Mr. DANFORTH.

Mr. KINDEL with Mr. GOOD.

Mr. LEVER with Mr. HAYES.

Mr. SMITH of Maryland with Mr. VARE.

The SPEAKER. The Clerk will call my name.

The Clerk called the name of Mr. CLARK of Missouri, and he answered "Yea."

Mr. REILLY of Connecticut. Mr. Speaker, I voted "nay" on this resolution, not realizing that I was paired with the gentleman from Massachusetts, Mr. WINSLOW. If he were here, I would vote "nay," but I desire to change my vote and vote "present."

The name of Mr. REILLY of Connecticut was called, and he answered "Present."

Mr. GREENE of Massachusetts. Mr. Speaker, is the gentleman from New York, Mr. LEVY, recorded?

The SPEAKER. The gentleman is not recorded.

Mr. GREENE of Massachusetts. I voted "nay," and I wish to withdraw my vote and vote "present."

The SPEAKER. Call the gentleman's name.

The name of Mr. GREENE of Massachusetts was called, and he answered "Present."

The result of the vote was announced as above recorded.

On motion of Mr. RUSSELL, a motion to reconsider the vote by which the resolution was agreed to was laid on the table.

PAYMENT OF EMPLOYEES FOR DECEMBER.

Mr. JOHNSON of Kentucky. Mr. Speaker——

Mr. FITZGERALD. Mr. Speaker, I ask unanimous consent for the immediate consideration of the following joint resolution, which I send to the Clerk's desk.

The SPEAKER. The Clerk will report the resolution.

The Clerk read as follows:

House joint resolution 164.

Resolved, etc., That the Secretary of the Senate and the Clerk of the House of Representatives be, and they are hereby, authorized and instructed to pay the officers and employees of the Senate and House of Representatives, including the Capitol police, their respective salaries for the month of December, 1913, on the 20th day of December, and the Clerk of the House is authorized to pay on said day to Members, Delegates, and Resident Commissioners their allowance for clerk hire for said month of December.

The SPEAKER. Is there objection?

Mr. JOHNSON of Kentucky. Mr. Speaker, I object.

The SPEAKER. The gentleman from Kentucky objects. If the gentleman will withhold his motion for a minute, the

Chair will recognize the gentleman from Georgia [Mr. PARK] to offer a resolution.

Mr. FITZGERALD. Mr. Speaker, I understand the gentleman from Kentucky withdraws his objection.

Mr. JOHNSON of Kentucky. Mr. Speaker, I withdraw my objection.

The SPEAKER. The gentleman from Kentucky [Mr. JOHNSON] withdraws his objection, and the gentleman from New York [Mr. FITZGERALD] renews his request for unanimous consent. Is there objection? [After a pause.] The Chair hears none.

The question was on the engrossment and third reading of the joint resolution.

Mr. MANN (during the reading of the resolution). Mr. Speaker, the resolution must be read by title.

Mr. FITZGERALD. I move that a title be added to the resolution.

Mr. MANN. It is a joint resolution to authorize payment of the salaries for the month of December of the House and Senate employees on December 20.

The SPEAKER. The question is on the passage of the joint resolution. The Clerk will report the title.

The Clerk read the title, as follows:

House joint resolution No. 164, authorizing the Secretary of the Senate and the Clerk of the House to pay the officers and employees of the Senate and House, including the Capitol police, their respective salaries for the month of December, 1913, on the 20th day of said month.

The SPEAKER. The question is on agreeing to the title as an amendment.

The title as an amendment was agreed to.

The joint resolution as amended was passed.

THE LATE REPRESENTATIVE S. A. RODDENBERY.

Mr. PARK. Mr. Speaker, I ask unanimous consent for the present consideration of the order which I send to the Clerk's desk.

The SPEAKER. The Clerk will report the same.

The Clerk read as follows:

Ordered, That Sunday, the 8th day of February, 1914, at 12 o'clock noon, be set apart for addresses on the life, character, and public services of Hon. S. A. RODDENBERY, late a Representative from the State of Georgia.

The SPEAKER. The question is on agreeing to the order.

The order was agreed to.

RESIGNATION FROM COMMITTEE.

The SPEAKER laid before the House the following communication:

DECEMBER 5, 1913.

Hon. CHAMP CLARK, *Speaker*.

DEAR SIR: I beg to herewith tender my resignation as a member of the Committee on Railways and Canals.

Yours, respectfully, SAMUEL WALLIN.

The SPEAKER. Without objection, the resignation will be accepted.

There was no objection.

DISTRICT BUSINESS.

Mr. JOHNSON of Kentucky. Mr. Speaker, under the rules of the House this is District day. I move that the House resolve itself into the Committee of the Whole House on the state of the Union for the purpose of considering District bills.

The SPEAKER. The gentleman from Kentucky [Mr. JOHNSON] moves that the House resolve itself into the Committee of the Whole House on the state of the Union for the purpose of considering District bills.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the state of the Union, with the gentleman from California [Mr. RAKER] in the chair.

The CHAIRMAN. The House is in Committee of the Whole House on the state of the Union for the consideration of District of Columbia bills.

REPAYMENT TO THE FEDERAL GOVERNMENT OF INTEREST ON THE 3.65 BONDS OF THE DISTRICT OF COLUMBIA.

Mr. JOHNSON of Kentucky. Mr. Chairman, I desire to call up House joint resolution 107.

The CHAIRMAN. The Clerk will report the resolution.

The Clerk read the joint resolution, as follows:

Joint resolution (H. J. Res. 107) directing the Treasurer of the United States to transfer $1,003,257.24 upon his books from the District of Columbia to the credit of the United States.

Whereas, acting under H. Res. 154 and H. Res. 200, adopted during the first session of the Sixty-second Congress, the chairman of the House Committee on the District of Columbia appointed a subcommittee to investigate the account between the District of Columbia and the Federal Government; and

Whereas said subcommittee, so organized, selected one T. Scott Mayes as accountant and one J. R. Mayes as his assistant to check over said account; and

Whereas the Secretary of the Treasury, at the instance and request of said subcommittee, detailed from his department one T. A. Hodgson, the person who had had charge of the accounts between the United States and the District of Columbia for more than 30 years, for the purpose of going over the account with the said T. Scott Mayes; and

Whereas the said accountant, T. Scott Mayes, filed his report with the said subcommittee on the 15th day of February, 1913, showing that the District of Columbia is indebted to the United States in the sum of $1,003,257.24 on account of advancements made by the United States to the District of Columbia for the purpose of paying interest on the 3.65 bonds of the District of Columbia, which was not reimbursed to the Treasury of the United States as provided and required by the act approved July 31, 1876, appearing in volume 19, page 106, United States Statutes at Large; and

Whereas the said T. A. Hodgson, so detailed by the Secretary of the Treasury, fully verified and confirmed the said figures; and

Whereas the said subcommittee unanimously reported that there was due from the District of Columbia in said account the sum of $1,003,257.24 which had not been refunded or reimbursed to the Federal Treasury as by law required: Therefore be it

Resolved, etc., That the Treasurer of the United States be instructed to transfer the said sum of $1,003,257.24 upon his books from the District of Columbia to the credit of the United States, and that he take such other and further steps as may be proper and necessary to collect said sum from the District of Columbia for the use and benefit of the Treasury of the United States.

With the following committee amendment:

Strike out all of lines 3, 4, 5, 6, 7, 8, and 9, on page 2, and insert in lieu thereof the following:

"That the Secretary of the Treasury of the United States through the accounting officers of the Treasury Department be, and he is now, authorized and directed to charge to the District of Columbia the sum of $1,003,257.24 as a debt due the United States from the District of Columbia on account of money advanced by the United States to the District of Columbia with which to pay the interest on the 3.65 bonds of the District of Columbia for the fiscal years of 1877 and 1878; and, in stating the account between the United States and the District of Columbia, the accounting officers of the Treasury Department of the United States and the accounting officers of the District of Columbia shall charge the District of Columbia with said sum and with interest thereon at the rate of 3 per cent per annum from and after the date of the passage of this resolution; and the said sum of $1,003,257.24, and interest thereon, must be paid to the United States by the District of Columbia on or before June 30, 1915, out of the revenues of the District of Columbia derived from privileges and from taxation upon the taxable property in the District of Columbia."

Mr. JOHNSON of Kentucky. Mr. Chairman, I yield to the gentleman from Iowa [Mr. PROUTY] so much of my time as he desires, and retain the remainder.

The CHAIRMAN. The gentleman from Iowa [Mr. PROUTY] is recognized for an hour.

Mr. PROUTY. Mr. Chairman, at the first session of the Sixty-second Congress this House passed two resolutions, Nos. 154 and 200, the effect of which was to put upon the Committee on the District of Columbia the responsibility of examining into the accounts and conditions between the District of Columbia and the Federal Government. (As you perhaps all know, there is more or less of a partnership relation existing between the District of Columbia and the Federal Government, and there never had been, so far as I have been able to ascertain, a complete statement of account between the District of Columbia and the Federal Government.

In pursuance to the authority and direction of this House, the Committee on the District of Columbia undertook an investigation of the accounts, and the item that is presented in the resolution now before the committee is the first of a series of matters that this committee will call to the attention of this House, probably before the close of the present session.

This investigation began with the year 1874, and the first items that we present now for the consideration of the House are the items growing out of the interest on what is known as the 3.65 bonds, authorized in 1874.)

There has been a great deal of discussion in this House and more or less consideration by the department as to what relation the Federal Government sustains to the bonds known as the 3.65 bonds. It is not the purpose of this committee, nor is it in the scope of my resolution, to raise that question for reconsideration or consideration at all. This resolution of mine involves only the question as to the payment of interest for the years 1876 and 1877, about which there seems to me to be no question as to the liability of the District and no question as to the perfect right of the Government to reimbursement of the money that was paid out on that account.

Mr. CAMPBELL. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman yield?

Mr. PROUTY. With pleasure.

Mr. CAMPBELL. Without going into the question whether or not there ever was a legal liability on the part of the District to the Federal Government, as stated, does not the gentleman from Iowa think that another generation that has passed on should have been called on to make that payment, rather than the present generation? In other words, does he not think that

if there ever was any justification for the statute of limitations at all it would be in a case of this kind, where a former generation should have been called to an account if anyone should have been called to an account?

Mr. PROUTY. Mr. Chairman, answering that question, I will say, first, that the statute of limitations does not run against the United States. In the second place, in pure equity there is no occasion why this fund, which was clearly paid out by the Federal Government, should not be reimbursed to it by the District, because the bonds themselves have not yet been paid, and it is not a matter of generations. These bonds were issued, and the present and the past generation are both getting the benefit of these bonds and the money that accrued from their sale.

Speaking, however, just a little bit more specifically, and coming perhaps more closely to the point, no one who has examined the affairs between the District of Columbia and the Federal Government can fail to recognize the fact that for some strange reason, with rare exceptions, there has been nobody present to stand for and protect the rights of the Federal Government.

In other words, by some method which I do not now undertake to explain, the representatives of the United States, both in Congress and in the other official positions, have been hypnotized by the District of Columbia. Before we get through with this matter you will find this strange fact, that while our accountants will show error after error that has occurred, there has never been one error that has resulted to the benefit of the United States, but every error that we have so far detected has always accrued to the use and benefit of the District of Columbia; and I do not think it stands in the right of any man to say that Congress or the United States Government is now estopped to call to the attention of this House and of the country the true condition of the account between the District of Columbia and the Federal Government.

Now I will call attention to the law. In 1874——

Mr. CAMPBELL. Mr. Chairman——

Mr. PROUTY. I refuse to yield further just now.

Mr. CAMPBELL. Just on the very question the gentleman is discussing.

Mr. PROUTY. I will discuss the matter later.

Mr. CAMPBELL. I want to ask a question about it.

The CHAIRMAN. The gentleman declines to yield further.

Mr. PROUTY. I will give the gentleman time, but I want to state my proposition first.

Mr. CAMPBELL. The gentleman has made a very serious charge, and I want to make some inquiry about it.

The CHAIRMAN. The gentleman declines to yield.

Mr. PROUTY. In 1874 there was a law passed authorizing the District Commissioners to issue what was known as 3.65 bonds. There was no specific statement in that law as to who should be responsible for the payment of them, perhaps either the principal or interest. At least, there has been a great deal of controversy over that question. I myself personally believe that it was not intended that the Federal Government should be anything more than an indorser or guarantor of these bonds so as to strengthen and help the credit of the District. But in the matter which I am now about to call to the attention of the House there is no dispute, so far as I know, and no contention of anything other than what the law specifically says.

In the first session of the Forty-fourth Congress, found in volume 19, on page 106, is the following enactment:

That the Secretary of the Treasury shall reserve of any of the revenues of the District of Columbia not required for the actual current expenses of schools, the police, and the fire department, a sum sufficient to meet the interest accruing on the 3.65 bonds of the District during the fiscal year beginning July 1, 1876, and apply the same to that purpose; and in case there shall not be a sufficient sum of said revenues in the Treasury of the United States at such time as said interest may be due, then the Secretary of the Treasury is authorized and directed to advance, from any money in the Treasury not otherwise appropriated, a sum sufficient to pay said interest, and the same shall be reimbursed to the Treasury of the United States from time to time as said revenues may be paid into said Treasury until the full amount shall have been refunded.

Again, in the act of the second session, which you will find in the same volume, on page 346, it is provided:

That the Secretary of the Treasury shall reserve of any of the revenues of the District of Columbia not required for the actual current expenses of schools, the police, and fire department, a sum sufficient to meet the interest accruing on the 3.65 bonds of the District during the fiscal year beginning July 1, 1877, and apply the same to that purpose; and in case there shall not be a sufficient sum of said revenues in the Treasury of the United States at such time as said interest may be due, then the Secretary of the Treasury is authorized and directed to advance, from any money in the Treasury not otherwise appropriated, a sum sufficient to pay said interest; and the same shall be reimbursed to the Treasury of the United States from time to time as said revenues may be paid into said Treasury until the full amount shall have been refunded.

During these two years and operating under these two statutes the Federal Government advanced for the District of Columbia the amount set out in my resolution, $1,003,257.34. At that time the District of Columbia fully recognized its responsibility for this interest, and the District of Columbia, through its commissioners, levied a tax for the express purpose of paying it—a tax that, if my recollection serves me right, yielded sufficient revenue to pay it; but for some reason, which I hope the gentleman from Kansas [Mr. CAMPBELL] can explain, it was never so applied, and the District of Columbia did not pay a dollar of it. The Federal Government paid all of it, and never a dollar of it has been reimbursed to the Federal Treasury.

Mr. CAMPBELL. Does the gentleman want me to answer now?

Mr. PROUTY. No; I prefer you to do it in your own time.

Mr. CAMPBELL. I have no time.

Mr. PROUTY. I will give you some.

Mr. MANN. The gentleman will have all the time he wants.

Mr. PROUTY. The gentleman can have an hour if he wants it. So far as I know, the District of Columbia has never raised any question about this, other than that it is a bare possibility that it should only pay one-half of it.

I shall be pleased if any gentleman will show me any statute that made the Federal Government any more than an advancer of this money, with specific instructions of the statute requiring it should be reimbursed by the District of Columbia to the United States.

I may say in this connection that it would be perhaps entirely fair, from one point of view, that the District of Columbia should not only refund this money, but pay interest on it from the time it should have refunded it. The committee has, however, been a little more lenient in that matter, recognizing the fact that it was probably due to misunderstanding, negligence, or fault of some official of the Treasury Department that it was not so set aside; recognizing that that must in a sense be true, we felt that we would forego the question of interest, and only require them to pay the amount clearly and specifically advanced for their benefit.

I might suggest at this point, however, in anticipation of opposition that might develop, that if we should collect one-half the interest on this amount advanced for the 3.65 per cent bonds, it would amount to more than the amount the Government is claiming in this resolution. So I think no one can truthfully say that the committee has sought to be harsh or unreasonable or exacting or doing anything that would heap an unnecessary burden on the District. Because, mark you, now that during all these years the Federal Treasury has been deprived of this money, the Federal Treasury itself has been compelled to pay interest in a corresponding amount and the District of Columbia has escaped it. Even if you took the point of view that they should only pay one-half, they have escaped the payment of interest on the one-half of it, as well as the principal, during these long years.

Now I will yield to the gentleman from Kansas if he wishes to ask a question.

Mr. CAMPBELL. Mr. Chairman, a moment ago the gentleman from Iowa stated broadly that some one was grievously in fault because the Federal Treasury had been charged with more than its share upon the payment of the interest of these bonds.

Mr. PROUTY. If the gentleman will pardon me, I did not say that. I said that it had been charged with all of it.

Mr. CAMPBELL. Well, all of it. Does not the gentleman from Iowa know that the District of Columbia has no voice on the floor of this House, has no vote in any committee of this House, has no voice in the other branch of Congress; that every dollar appropriated out of the Treasury of the United States for the payment of these bonds has been voted upon the recommendations of the members of the Committees on Appropriations and by a vote of this House? When the gentleman has answered that question, I will ask him another.

Mr. PROUTY. I will answer that question with pleasure. I admit that the District of Columbia had no representative on the floor of the House when this law was passed, but Congress passed a law, in as specific terms as anybody can read it, that the Federal Government would advance the money, and that it should be reimbursed from the moneys of the District of Columbia to the Federal Treasury.

Mr. CAMPBELL. Has not Congress the power to appropriate, and does it not appropriate, the money out of the Federal Treasury belonging to the District?

Mr. PROUTY. I recognize that fact, but if you will turn to the commissioners' report in the distribution of the levy which they were required to make by law you will find this:

For interest on the District of Columbia 3.65 bonds guaranteed by the United States (act of Congress approved July 31, 1876), 52.7 mills.

Yet it is a fact that, notwithstanding that levy was made, the men in charge of the accounts between the District of Columbia and the United States never appropriated a dollar of that for the purpose of reimbursing the United States. The gentleman may think I am severe. I am not severe; I am telling the straight truth. The gentleman from Kansas can draw his own inference. Why did they not do it? There is not a line or a syllable, so far as I know, spread on the records of Congress or in the departments that explains why it was not done. That led me to make a remark—and I have not the slightest disposition to take it back—that somebody must have been hypnotized. I suppose the gentleman reads such articles as we see in the paper about this matter, the appeal to the House on the ground of common honesty. If you will read the articles you will find that there is not a word or a syllable in it to justify the District's claim, and there is not a thing that shows any dishonesty on the part of Congress. Congress has done its duty, except, perhaps, that it ought to have got after the matter long ago and not have allowed it to sleep so long.

I might say, by way of explanation, that few Members, of course, have the privilege of going and delving into these old books. I might say, by way of further information to this House, that when this investigation was started there was appointed from the Treasury Department a Mr. Hodgson, who for 30 years had charge of the accounts between the District of Columbia and the United States, and in order to find the records they had to go away back under the steps, away back in the dusty records of the Treasury, and there dig out these old books, and after they checked up the accounts Mr. Hodgson signed by himself a statement that this amount is exactly in accordance with the statement found by Mr. Mayes, a man employed by the District of Columbia Committee.

Mr. MANN. Mr. Chairman, will the gentleman yield?

Mr. PROUTY. With pleasure.

Mr. MANN. I think what is bothering some of us, at least, would be this proposition. Congress passes a law which the gentleman interprets by his resolution, and it may be that there is another interpretation.

Mr. PROUTY. I think not.

Mr. MANN. Of course, all advocates think that of their interpretation of anything.

Mr. PROUTY. I would like to hear the gentleman suggest another interpretation.

Mr. MANN. Oh, no; the gentleman would not, I am quite sure. Quite the contrary. I am not going to, and I have not recently examined the law. That is construed by the Treasury Department by officials who are unbiased one way or the other, certainly not in behalf of the District of Columbia, because they are officials of the General Government and not officials of the District of Columbia. That construction continued for 30 or 40 years—I do not remember the number—and meanwhile during all of that time apparently Congress ratifies the construction by the form of these appropriation acts. The gentleman says that somebody did grievously or something of that sort, but why? How could it happen that such a construction could be put upon an act of that sort in the presence of the gentlemen who enacted the law, and who accepted the construction without their knowing it? I ask the question for information.

Mr. PROUTY. Mr. Chairman, I do wish that I could give to the gentleman the information he asks. I have sought for it candidly and honestly, and have not been able to find why it was done. So far as we are able to find, there is not a single word, not one syllable. I will read to you, however, the testimony of Mr. Hodgson, and that may throw the only light on it that we have on the subject. It is a very glimmering light. We called him before the committee, and I read from his testimony:

The CHAIRMAN. Please give to the stenographer your full name and state your residence and occupation.
Mr. HODGSON. My name is Thomas A. Hodgson.
The CHAIRMAN. Where is your residence?
Mr. HODGSON. I reside at Falls Church, Va.
The CHAIRMAN. What is your occupation?
Mr. HODGSON. I am a clerk in the office of the Auditor for the State and Other Departments.
The CHAIRMAN. How long have you held that position?
Mr. HODGSON. I have held that position since 1894.

It will be understood that this was the man set apart by the Treasury Department to check with the man chosen by the District Committee.

The CHAIRMAN. How much longer than that have you been in the employment of the Government?
Mr. HODGSON. From 1881 up to that time I was a clerk in the office of the Comptroller of the Treasury.
The CHAIRMAN. How many years' service does that make for you in this employment?
Mr. HODGSON. A service of 32 years.
The CHAIRMAN. Has one of your duties been to state the account between the Federal Government and the District of Columbia?
Mr. HODGSON. Yes, sir.
The CHAIRMAN. For how long have you been doing that?
Mr. HODGSON. Since 1881; I have been on the District of Columbia work all the time.
The CHAIRMAN. Is that the first time this account was stated after the passage of the act of June 11, 1878?

All of you familiar with this legislation know that in 1878 we passed what is known as the half-and-half rule, and I raise no question now so far as this resolution is concerned, as to the payment of interest after that time, although it has been raised on the floor of this House, with some reasonable degree of consistency, that the Federal Government was responsible only for the guaranty of it, but I am not raising that question in this resolution.

Mr. HODGSON. The first time the account was stated was in the year 1886.
The CHAIRMAN. Was that the first time it was stated by anybody?
Mr. HODGSON. Yes, sir.
The CHAIRMAN. By the expression "stated" you are using a bookkeeper's term which the layman may not fully understand. Will you, therefore, please explain what you mean by "stating" the account?
Mr. HODGSON. That is assembling all the data in connection with the financial account between the United States and the District of Columbia. I might say that the cause of stating that account was that Congress passed an act requiring the District of Columbia to reimburse the United States $250,000 on account of advances made for the sewerage system of the District of Columbia. That was really the cause of the account being stated.
The CHAIRMAN. Under resolutions Nos. 154 and 200, passed by the House of Representatives during the first session of the Sixty-second Congress, accountants were authorized and put at the use of the Committee on the District of Columbia for the purpose of going through the accounts between the United States and the District of Columbia. Under that resolution Mr. T. Scott Mayes was appointed as accountant, and Mr. J. R. Mayes was appointed as assistant accountant; and the Secretary of the Treasury was asked to detail a bookkeeper or accountant for the purpose of going through the said accounts with the two accountants just named. Were you not designated by the Secretary of the Treasury for this work?
Mr. HODGSON. Yes, sir.
The CHAIRMAN. Do you recall about what time you first commenced the work of looking through these accounts with Mr. Mayes?
Mr. HODGSON. I think it was about 20 months ago. I am not sure as to the time, but I think it was about 20 months ago.
The CHAIRMAN. Have you not been almost constantly engaged with Mr. Mayes upon that work since that time?
Mr. HODGSON. Yes, sir.
The CHAIRMAN. When was that account completed and a statement of it made?
Mr. HODGSON. That was completed just yesterday, I think.
The CHAIRMAN. Day after day, through these months, have you not been with Mr. Mayes through the ledgers and journals which relate to this account since June 20, 1874?
Mr. HODGSON. Yes, sir; and night, too.
The CHAIRMAN. Do you mean by that that you have been with him day and night?
Mr. HODGSON. Yes, sir.
The CHAIRMAN. You do not mean by that all night, of course, but you mean that you have worked far more than the Government hours, and that you have gone into very much night work in order to complete the account?
Mr. HODGSON. Yes, sir.
The CHAIRMAN. As Mr. Mayes, in examining the books, came across item after item relating to the account between the United States and the District of Columbia, were you then and there consulted and advised with relative to just what each and every item meant?
Mr. HODGSON. Yes, sir.
The CHAIRMAN. Was each and every one of these items thoroughly analyzed by you?
Mr. HODGSON. Yes, sir; most thoroughly.
The CHAIRMAN. Was not, also, each and every one of these items, in being analyzed, traced to its origin, either by check, warrant, or original entry?
Mr. HODGSON. Yes, sir.
The CHAIRMAN. Is there any item stated upon this account by Mr. Mayes with which you, as the bookkeeper for the Government, failed to agree with him?
Mr. HODGSON. As an accountant?
The CHAIRMAN. Yes, as an accountant, failed to agree with him?
Mr. HODGSON. No, sir.
The CHAIRMAN. Not one item?
Mr. HODGSON. Not one. I do not think there was. I do not recall any.
The CHAIRMAN. And you now have before you his statement of this 20 months' work?
Mr. HODGSON. Yes, sir; a summary of the statement.
The CHAIRMAN. You now have before you a summary statement of this 20 months' work. Will you please take the consolidated summary or statement which is now before you and say whether or not there is any money due from the United States to the District of Columbia or from the District of Columbia to the United States?
Mr. HODGSON. There is money due from the District of Columbia to the United States.
The CHAIRMAN. How much?
Mr. HODGSON. Well, it would depend somewhat upon the interpretation that would be put upon it by Congress; that is, whether Congress will require the whole or one-half of the $1,003,257.24.
The CHAIRMAN. By Congress or the courts?
Mr. HODGSON. I should say by Congress. You have had considerable discussion relative to whether the District of Columbia should pay one-half or should pay all.
The CHAIRMAN. Please state how much money is due from the District of Columbia to the United States under the contention most favorable to the District of Columbia.
Mr. HODGSON. This statement here shows that there was $1,755,723.23 paid from June 24, 1874, to July 1, 1878, and of that sum the receipts from the United States Treasury on account of appropriations were $367,500, and the receipts from the Commissioners of the District of Columbia on account of a certain resolution were $198,622.79, and the receipts from the sinking fund commissioners and the First National Bank of New York, $186,343.20, leaving the amount paid by the United States out of that $1,755,723.23 the sum of $1,370,757.24. These are the actual amounts that were paid between those dates.

The CHAIRMAN. Do you mean to say that that is the amount paid or the amount due the United States from the District of Columbia?

Mr. HODGSON. That is the amount paid by the United States.

The CHAIRMAN. Mr. Hodgson, read the whole of that summary statement you have before you and then say whether or not it is correct or incorrect.

Then follows a very long statement, which I shall not include in the RECORD:

The CHAIRMAN. Is that statement correct?

Mr. HODGSON. Yes, sir.

The CHAIRMAN. And you know it is correct because you have gone through these various books and vouchers from the beginning of this investigation until the close of it, and because every item was verified as you went along through the account with Mr. Mayes?

Mr. HODGSON. Yes, sir.

I now have before me a summary statement made out by myself, in connection with which I would like to call the committee's attention to a memorandum statement that I made several years ago.

The CHAIRMAN. How many years ago?

Mr. HODGSON. This memorandum statement was made in 1886. As I told you a while ago, the cause of first stating the revenue account between the United States and the District of Columbia was due to the fact that the United States Government had furnished the District of Columbia $500,000 with which to build some sewers, or a sewerage system. Then, there was passed another act requiring it to reimburse——

The CHAIRMAN (interposing). Requiring the District of Columbia to reimburse?

Mr. HODGSON. Yes, sir; requiring the District of Columbia to reimburse the United States $250,000 out of the unappropriated surplus of the District of Columbia and the unexpended balance of appropriations, and in doing so it became necessary for me to search over the records of the department in order to find out what moneys the District had paid and what moneys it had not paid, and in going over the record from 1874 to 1878 I ran across some legislation that required the District of Columbia to reimburse the United States. Among such items I found that the District of Columbia had not reimbursed the United States in accordance with the act of June 20, 1874, in connection with the issue of the 3.65 bonds of the District of Columbia; and I presented it to the comptroller, being in his office at that time, but he declined to take any steps in the matter and refused to consider any reimbursements that were required by law prior to 1878. I am glad to say that this statement in connection with the 3.65 bonds was for certain interest periods—not as many as were covered by the report of Mr. Mayes—yet in the examination made by the expert, Mr. Mayes, the amounts that I reported to the comptroller as due on these interest periods were verified. That is about all there is to say in connection with the memorandum statement.

The statement made by me, which I now hold in my hand, shows the receipts from August, 1875, to August, 1878—that is, the interest periods, not including the interest due August 1, 1878.

The CHAIRMAN. What is the net result of that statement of your own?

Mr. HODGSON. It is that the amount received in exchange for board of audit certificates was $186,320.32. The act authorizing the issue of the 3.65 bonds made them exchangeable for board of audit certificates——

The CHAIRMAN. Exchangeable for board of audit certificates?

Mr. HODGSON. Yes, sir. The first and second comptrollers were the board of audit, and there was an error in the treasurer's office of $1.89; and the amount due from the District of Columbia—that is, the amount received on account of the District of Columbia—was $198,622.79. The amount received from the United States was $1,370,757.24, making a total of $1,755,723.23, which agrees with Mr. Mayes's statement. My own summary statement, from which I take these figures I have just given you, is as follows:

Mr. WILLIS. Mr. Chairman, will the gentleman yield?

Mr. PROUTY. With pleasure.

Mr. WILLIS. I desire to ask a question purely for information. I note on the second page of the gentleman's report, and also from his remarks, that this money was advanced only for the years 1877 and 1878. Does he know whether there was any sum advanced for years subsequent to that time?

Mr. PROUTY. The gentleman should say 1876 and 1877?

Mr. WILLIS. Well, 1876 and 1877, if that is correct. There were two years.

Mr. PROUTY. I would say this in answer to that question, that in 1878 Congress passed what is known as the half-and-half law, under which we are now operating. And it is claimed, and I think with a fair degree of a chance of sustaining it, that the Federal Government by that act expressly agreed to pay one-half of the interest. It is not so conceded by some people, and it is not so conceded by me, but there is a chance for a disagreement there, but in my opinion there is no chance in the years prior.

Mr. WILLIS. One further question. Does the gentleman know of any special circumstances connected with the finances of the District which made it necessary or desirable for the Government to take this action in these years? Does the gentleman know of any special reason why the finances of the District were in such condition as to require this action? The gentleman is familiar with all these things, and I am asking purely for information.

Mr. PROUTY. No, sir; I can see no real reason for it.

Mr. JOHNSON of Kentucky. If the gentleman will yield to me for one second?

Mr. PROUTY. With pleasure.

Mr. JOHNSON of Kentucky. I will suggest it was not entirely absence of revenue, but in the beginning the time for collecting the taxes did not fit the time for paying the interest on these bonds. The time for collecting the taxes was afterwards changed so that it would fit the time for payment of interest on the bonds. At the time this money was advanced I am not quite sure whether there was sufficient revenue on hand or not, but it was advanced upon the specific condition it was to be returned when collected.

Mr. WILLIS. Will the gentleman yield to me?

Mr. PROUTY. Let me further answer the same question, because I have my fingers on it:

The commissioners apportioned out of each $1.50 to be collected on account of said levy the sum of 52 cents and 7 mills—

"For interest on the District of Columbia 3.65 bonds guaranteed by the United States, act of Congress approved July 31, 1876."

This apportionment was adhered to in every tax collection reported during the fiscal year 1877, except the one reported December 30, 1876. In this collection of December 30, 1876, the entire apportionment was slightly changed from the published apportionment, each fund, except the general fund of the District, receiving a little less than it was entitled to receive, the fund for interest on the 3.65 bonds receiving $0.52432 instead of $0.527 out of each $1.50 collected. This irregular apportionment of the one collection was unquestionably due to an error in calculation.

There was collected for interest on the 3.65 bonds of the District of Columbia on account of the levy for the fiscal year 1877 and during the fiscal year 1877 the sum of $432,286.69, and from July 1, 1877, to October 31, 1877, the further sum of $34,968.69, and from October 31, 1877, to June 30, 1878, the further sum of $23,349.32, and in all, the sum of $490,504.70 to June 30, 1878.

Up to October 31, 1877, the apportionment was made of each collection reported, but after October 31, 1877, the apportionment was ignored and the collections thereafter were treated as general revenues of the District of Columbia.

Mr. WILLIS. Will the gentleman yield for one further question?

Mr. PROUTY. With pleasure.

Mr. WILLIS. Can the gentleman state whether similar action was taken in any years prior to this? What I am seeking to arrive at is whether the passage of this resolution will clean off the slate, as far as these interest payments are concerned.

Mr. PROUTY. I would say it does, because this was started in 1874 under a law of Congress, and it is these first two years that are brought out in this controversy. As to what occurred after 1878, as to what the law then meant, I will not now stop to discuss. It has been discussed upon the floor of this House pro and con several times. As to what will finally be the position of Congress upon the payment of bonds which were issued at that time for payment of debts of the District I make no prediction nor suggestion of my own course in that matter, but as to these years, so far as I have been able to find, no one suggests any excuse whatever.

Mr. SELDOMRIDGE. May I ask the gentleman a question?

Mr. PROUTY. With pleasure.

Mr. SELDOMRIDGE. I would like to know if there is any entry upon the books of the District of Columbia as to the receipt of this money from the Government?

Mr. PROUTY. The gentleman understands the way it is done. The general revenues of the District of Columbia are paid into the Federal Treasury.

Mr. SELDOMRIDGE. And paid out by the Federal Treasury.

Mr. PROUTY. And paid out by the Federal Treasury. Under the law creating the commissioners, the law authorizing the issuance of these bonds, it was expressly provided that the Federal Government should be responsible for them and that the funds should be paid into the Federal Treasury so it might know what was being done.

Mr. SELDOMRIDGE. There is no charge against this on the books of the Treasury?

Mr. PROUTY. Not a particle. That is what my resolution is, namely, that in restating the question they shall state this is a debt due from the District of Columbia to the United States.

Mr. BARTON. Will the gentleman yield?

Mr. PROUTY. I will.

Mr. BARTON. I would like to ask if in turning those funds in to the Government, are they turned in as one lump sum or segregated into different items supposed to be appropriated for, for instance, school funds, alleys, and so forth?

Mr. PROUTY. They are turned in in one lump, with a statement, however, as to how they are to be distributed. You are getting me into deep water now, because I am not an accountant.

Mr. CAMPBELL. While they are turned in in a lump sum, they are appropriated by Congress specifically out of the Treasury?

Mr. BARTON. But the appropriation does not take effect on these specific funds until after they are turned into the National Treasury?

Mr. CAMPBELL. Certainly not. The revenue or taxes paid by the District are paid into the Federal Treasury, just the same as revenues collected from internal revenue or any other source from which the Government collects taxes, and are paid out by appropriations specifically made by Congress.

Mr. BARTON. Right along that line I would like to ask, then, when the appropriation was made of this fund that was turned in from the District of Columbia and joined with the moneys of the United States was there any part set aside for the payment of this interest? Was that supposed to be paid for from a general fund?

Mr. CAMPBELL. That would be paid like any other obligation of the District of Columbia—by appropriations regularly made by Congress.

Mr. PROUTY. I think the gentleman is mistaken as to the manner in which the Treasury Department treats this. The original act creating the 3.65 bonds gave the Treasurer the power to make it his duty to pay this, and, so far as I have been able to find, there is no subsequent legislation making appropriations for the payment of this interest.

Mr. BARTON. That is the point I wanted to get.

Mr. PROUTY. I think I am stating it accurately.

Mr. BARTON. Thank you.

Mr. CAMPBELL. I assume that the reason it has not been paid is because there has been no appropriation made for it. The District Committee recommends legislation and brings it upon this floor. That legislation may authorize certain expenditures, but it remains for the Committee on Appropriations to bring in a bill making an appropriation to cover that expenditure, and, while the act of 1877 or 1878, as the case may be, may have made a liability on the part of the District, laid a foundation whereby certain funds were to be appropriated by Congress in the District appropriation bill without being subject to a point of order, the District appropriation bill has never evidently contained an item covering that authorization.

Mr. PROUTY. No. As I say, the law that authorized the issuance of these bonds directed the Treasurer to pay them out of any funds in his possession not otherwise appropriated. And now for nearly 30 years and over this law has been on the statute books and there has been no appropriation made, as the gentleman suggests, by Congress for covering these items. It has been wholly a question of bookkeeping between the District of Columbia and the United States. I am not here now to expatiate on the system of bookkeeping. I suppose before the Congress adjourns some member of the District Committee will call to the attention of the House the defective method by which these accounts are kept. It is not strange this item should be lost sight of.

Mr. Chairman, how much time have I remaining?

The CHAIRMAN. Fifteen minutes.

Mr. PROUTY. I would like to reserve the balance of my time, but also would like the gentleman from Kansas [Mr. CAMPBELL] to be recognized.

Mr. CAMPBELL. Mr. Chairman——

The CHAIRMAN. The gentleman from Kansas [Mr. CAMPBELL] is recognized for an hour.

Mr. CAMPBELL. Mr. Speaker, I shall not take that much time. I will further state that I do not hold a brief for the people of the District of Columbia nor for any of the officers of this District. It has been two or three years since I actively participated in the affairs of the District upon the floor of this House. Eight years of service on the District Committee and in hearings in that committee gave me some familiarity with District affairs upon this floor.

This resolution brings up a claim that reminds me of a claim that an old man mentioned to me on a rainy October day in my office soon after I began practicing law. He came to me and, calling me by my first name, said, "I have a claim that will make us both rich if you can collect it." "Well," I said, "what is the nature of the claim?" He went on to say that his grandfather owned every acre of ground that the city of Des Moines, Iowa, was built upon, and that the legal title had never passed from his ancestor or his heirs. He said if I could get the title to the plot of ground upon which Des Moines stood settled in him and his several cousins there would be enough in it to make us all very rich. I asked him if he had just awakened to the idea that he had a claim of that character. I asked him what his grandfather had done to assert his rights, and he admitted that his grandfather and his father and all his great uncles and his uncles down even until his own day had let pass any notion that they had any sort of claim such as he stated.

I said to him that I thought, under the rules of law governing in such cases, the city of Des Moines would probably retain the title to the land upon which it was built, notwithstanding the fact that there was no evidence, as he claimed, that the legal title had ever passed from his ancestors to the city.

This claim is as hoary with age as that. The gentleman from Iowa [Mr. PROUTY] says that the statute of limitations does not run against the Government of the United States. That may be literally true, but the rules of law and the principles of equity that govern between men in all their relations in life ought to have some bearing on a case when Congress takes action for the Government of the United States. The Government of the United States should not claim against a portion of its citizens what one citizen can not claim against another.

The reason for that rule of law and principle of equity—and there is an element of equity in it—providing for a time within which a claim can be asserted ought to have some bearing here; and indeed it seems to me it ought to have more bearing here than it would have in an ordinary case where the statute of limitation runs.

Here is a case in which, if there is a claim at all, that has been ours to pay in any year we had seen fit ever since 1878. The Committee on Appropriations of the House of Representatives could have included under the authorization of Congress an item in every appropriation bill since then providing an amount sufficient to have covered any claims that it might have against the District of Columbia on this account. The District of Columbia has had no voice in the matter. We have had the whole voice. There has been no one here saying that the District of Columbia should not be held to pay this amount. We have gone on ratifying one year after another any dereliction of duty, if there were any, on the part of the auditors in the Treasury Department. We have gone on every year, without making a specific appropriation, placing in the Federal Treasury from the account of the District of Columbia an amount sufficient to pay this interest account.

That not being done, the people of the District of Columbia have come to believe—and they have had a right to believe—that Congress had condoned the debt, if there were any; and for 40 years they have gone on making their levies and paying their taxes and placing them in the Treasury of the United States at our disposal, to be appropriated as we saw fit for their benefit, to pay their debts, to build their schools, to pay for their sidewalks, for the improvement and repair of their streets. They have had no voice, I repeat, in the matter and have left this all to us. All that they have done is to pay into the Treasury of the United States the money that has been available for appropriations to be made by us whenever we saw fit to make it.

And now I say here, in all justice to the people of this District—not to the District of Columbia, but to Jones and Smith and Brown and the widows of all of these, who own property here and are taxpayers here and who have purchased property here and have become taxpayers here long since—they have had the right to believe that this account was fully paid. Long since they have had the right to believe that the statute of limitations had run on this, with our acquiescence every year, passing by the opportunity of making an appropriation of a sufficient amount to pay this debt.

But now we have come upon a time when the District of Columbia is an easy target. It is the easiest thing in the world to assail a man when his back is turned or attack a helpless man who can not defend himself. The people of the District of Columbia have no one to speak for them. Therefore it is easy to denounce and to criticize and to make charges and to make insinuations against their honesty and integrity.

Mr. PROUTY. Will the gentleman yield?

Mr. CAMPBELL. Yes; I will be more courteous to the gentleman than he was to me.

Mr. PROUTY. I did not ask him that question.

The CHAIRMAN. Does the gentleman yield?

Mr. CAMPBELL. Yes; I yield.

Mr. PROUTY. Do you think the District of Columbia, under the law, owed any part of this money at the time? If so, how much?

Mr. CAMPBELL. I do not know; and I do not know what occurred before the Committee on Appropriations the next year. I do not know what was said, and the gentleman says he has not been able to find out. I would like to know if, in all the ramifications that have been made by this committee in an endeavor to find something discreditable to the people of this District, they took up the hearings before the Committee on Appropriations in 1878, 1879, 1880, and subsequent years on the District of Columbia appropriation bill?

Mr. PROUTY. I have said to you half a dozen times that we do not raise any contention, although there is a fairly good ground for contention that can be raised about the legislation of 1878 and subsequent years. While we are at it, if you will pardon me, I will call your attention to that particular statute.

Mr. CAMPBELL. I recall the statute.

Mr. PROUTY. That is where the whole difficulty came in.

Mr. CAMPBELL. I did not yield for the reading of the statute. I simply yielded for a question. The gentleman has

had an hour in which to read the statute. It is familiar to everybody. I take it that the statute of 1878 is the one to which the gentleman refers.

Instead of doing affirmative things for the District of Columbia that ought to be done by Congress, things that have been left undone that the people of this District have been appealing to have done, the archives have been ransacked to find some old claim against the District, and instead of taking up some matter of important legislation in the interest of people now living and entering upon a winter that does not promise to be the easiest that the people of this country have passed through in recent years, on the very first day available for the consideration of matters in which the people of this District are interested, an old outlawed claim, more than 40 years old, is given precedence, and I have no doubt will occupy the entire day, to the exclusion of all matters in which the people of this District may be interested.

I have been informed—I have not verified the statement—that the District tax last year paid into the Treasury of the United States amounted to something over $7,000,000, and that the portion paid out of the Federal Treasury last year under the half-and-half principle was in the neighborhood of $4,500,000. That is recent history. I wonder if gentlemen on the District Committee are as familiar with matters occurring last year as they are with matters occurring 45 years ago affecting the welfare of the people of this District. I await a reply.

Mr. PROUTY. We are not going to discuss anything except what is in this bill.

Mr. NORTON. Will the gentleman yield?

Mr. CAMPBELL. Yes.

Mr. NORTON. You state that $7,000,000 was paid in and about $4,500,000 was paid out. From a statement of that kind one would ordinarily be led to believe that the United States was not paying its share.

Mr. CAMPBELL. That it did not pay its half last year.

Mr. NORTON. Is it a fact or is it not, that the United States paid one-half of the expenses of the District? You can not make a fair comparison by comparing the amount of taxes received in any one year, because taxes that were overdue—that were due in prior years—might have been paid in. The only fair comparison would be as to the actual expenses paid by the United States and by the District.

Mr. CAMPBELL. I do not know. I said I had been informed, but I have not verified the information, and I am asking for information from men on the District Committee who are thoroughly conversant with the financial relations, bearing upon the half-and-half basis, running back for a period of forty-odd years. I am asking for information from them as to whether or not the amount of money paid out of the Federal Treasury last year was equal to the amount paid out of the District treasury for the maintenance of the District. I simply say again that the District, the people of the District, must stand acquitted of any dereliction of duty upon their part. The people in this District have the right to stand upon the same rules of law, and to have applied to them the same principles of equity, as the people of any other portion of our country, and there is no other people anywhere, under the circumstances under which we are now pressing this claim against the people of the District of Columbia, who would be required to pay in any court of the United States.

Mr. McKENZIE. Will the gentleman yield?

Mr. CAMPBELL. Yes.

Mr. McKENZIE. I would like to ask the gentleman from Kansas if this claim had been presented in 1879 or 1880, would he consider it a just claim then?

Mr. CAMPBELL. That is aside from the question. If the statute of limitations run in 15 years, I would say that it ought to be paid within that time, but if the claim were made for payment 16 years after it matured I would say that it ought not to be paid.

Mr. McKENZIE. Does the gentleman believe that if it was an honest debt in 1879 and 1880 and had never been paid that the mere lapse of time would justify a refusal to pay an honest obligation?

Mr. CAMPBELL. I go on the assumption that if the Congress of the United States had thought in 1878 or 1879 or 1882 or in 1883, 1884, or 1885 that this was a just claim against the District there would have been included in the District appropriation bill an item paying it. There would not have been any person here saying that that could not be done because it was authorized in the act of 1878. The gentleman from Illinois asked me if it was an honest claim. Evidently Congress has never looked upon it as a just claim, whether it was an honest claim or not. Evidently the Comptroller of the Treasury in 1886 did not consider it a just claim; and, as I recall it, Grover Cleveland was serving the people of this country as President of the United States in his first term, with a Comptroller of the Treasury who had come in on a platform to "put the rascals out," and they swept the floors of the Treasury looking for a dishonest penny. If there had been anything dishonest about withholding this amount in the Treasury of the United States from a specific appropriation to the United States, it seems to me that the comptroller would have directed the transfer of the money to the credit of the United States rather than leaving the amount to the credit of the District in the Treasury.

Mr. KAHN. Will the gentleman yield for a question?

Mr. CAMPBELL. Certainly.

Mr. KAHN. Did the gentleman listen to the testimony as it was read by the gentleman from Iowa [Mr. PROUTY], in which Mr. Hodsdon called to the attention of the District Committee that in 1886 he had brought the matter to the attention of the then comptroller, and that the comptroller said that he would not bother with it?

Mr. CAMPBELL. I heard that testimony. Evidently the comptroller did not think it was a proper claim. That was some eight years after the claim matured. It was fresh then as compared with the hoary condition of its years at this time. Now, why are we in this attitude toward the District as compared with the attitude of Congress and the comptrollers who had their attention called to the matter in other years?

There is evidence that the matter has not been overlooked; there is evidence that eight years after the basis of the claim arose it was called to the attention of the Comptroller of the Treasury, but he did not deem it worth while to give any attention to it, and did not. As I stated a moment ago, we had a strictly honest administration of the affairs of the Government at that time, because they admitted that they were honest and that they would conduct the affairs of the country upon an honest basis.

As I said, I have no brief for the people of this District, but I look upon this as an inopportune time to push what I regard as an outlawed claim. I would press this question before any court, as would the gentleman from Iowa, as would the gentleman from Kentucky, if the claim was made against a client, whether he came from Iowa, Texas, Kentucky, or Kansas.

Mr. GORMAN. Will the gentleman yield?

Mr. CAMPBELL. I will.

Mr. GORMAN. Does the gentleman believe that the lapse of time can wipe out any moral obligation?

Mr. CAMPBELL. This is not a moral obligation. If it is anything, it is a legal obligation.

Mr. GORMAN. Does not the gentleman recognize in this claim some element of a moral obligation?

Mr. CAMPBELL. Not any more than the outlawing of claims under the statute of limitations in the gentleman's State, whether it be the settling of title in real estate, the outlawing of an account, or the outlawing of a note of hand.

Mr. GORMAN. The statute of limitations runs against a legal obligation only.

Mr. CAMPBELL. This is a legal obligation, if it is an obligation at all, and it stands upon no higher plane than an open account.

Mr. GORMAN. Is it not also a moral obligation?

Mr. CAMPBELL. Not at all, any more than a grocery account, nor as much.

Mr. GORMAN. Does not the gentleman believe it ever at any time was a moral obligation?

Mr. CAMPBELL. Not at all. It always was a legal obligation, if it was an obligation at all.

Mr. GORMAN. I understand the gentleman's position now.

Mr. CROSSER. It may be both.

Mr. CAMPBELL. Yes; but there is no claim that there is any great moral obligation involved in this. As I understand it, this claim is presented because the statute of limitations does not run against the Government of the United States, and we are here controlling both sides of this case. We are here with all power to-day, as we have had all power for 45 years, with reference to this matter. I say that I regard it as an inopportune time to present this claim. It may have been a legal claim at one time, but certainly it is not a legal claim to-day as Members of this House understand legal claims in the jurisdictions from which they come.

Mr. Chairman, I reserve the remainder of my time.

The CHAIRMAN. The gentleman has consumed 30 minutes.

Mr. JOHNSON of Kentucky. Mr. Chairman, if the committee will indulge me for a few minutes, I may perhaps, although it will be a difficult task, throw a little more light on the subject than has the gentleman from Iowa [Mr. PROUTY], who has just preceded me. In my judgment he has argued this matter sufficiently to any man who came to the subject with an open

mind. I knew, however, in advance, that there would be some who would approach the subject whose minds would be made up in favor of the District not paying any kind of debt that could possibly be evaded.

I take to myself the credit of having discovered this million dollar item. When I stood upon this floor two years ago and called attention to it, the idea that the District had ever gotten any kind of money from the Federal Government and had never returned it was hooted at. The press here, so quick to jump upon anybody and everybody who would have the District of Columbia pay its honest debts, said that all that might be found could be put under one's little finger nail. More than a million dollars has been found, and there is no man to-day who will dispute the fact that the District of Columbia owes the Federal Government this money.

How did this matter grow into the condition in which we now find it? I will tell you. Under the act of June 11, 1878, it became the duty of the Commissioners of the District of Columbia to estimate and furnish that estimate to the Secretary of the Treasury, and the Secretary of the Treasury to transmit it to Congress, showing what their revenues are expected to be for the next year and also what their debts and expenses are. After the District of Columbia got this money the Commissioners of the District from that day to this have failed to estimate or to invite the attention of Congress to the fact that they owe it. And I say the fact that it has been forgotten and left asleep for these long years rests with the Commissioners of the District. Take your auditors' reports for the District of Columbia back to 1878 and I challenge any man to find in the statements of the auditors that this debt is one of the liabilities of the District of Columbia.

Mr. Chairman, that is not the only item of indebtedness on the part of the District of Columbia to the United States that has been hidden by the auditor of the District of Columbia.

Mr. TOWNER. Mr. Chairman, will the gentleman yield?

Mr. JOHNSON of Kentucky. Yes.

Mr. TOWNER. I find in the report that the statement is made on page 3 of the report to the effect that—

the Commissioners of the District of Columbia in its apportionment made provision for the payment of this interest by the District of Columbia in the following words:

"For interest on the District of Columbia 3.65 bonds guaranteed by the United States (act of Congress approved July 31, 1876), 52.7 mills."

The statement is made in the report of the committee that if that amount was collected by the District of Columbia it never, at least, was credited to the United States. Does the gentleman know as a matter of fact whether that was collected by the District of Columbia?

Mr. JOHNSON of Kentucky. I know from the statements of the accountant employed by the District Committee under authority of the House, and I know from the statement of Mr. Hodgson, the expert accountant in the Treasury Department, that that money was collected for the payment of this debt; that it was never used for the payment of this debt, but afterwards was transferred to another account and expended for another purpose.

Mr. TOWNER. Then, if it be true, that was not only an admission by the Commissioners of the District of Columbia that the District of Columbia did owe the Government this money, but they affirmatively took action for the purpose of collecting this money and did collect the money for the purpose of paying the debt, and then used it for some other purpose. Is that true?

Mr. JOHNSON of Kentucky. Yes; and they went further than that and failed from that day to this to put in a single auditor's report that they ever got this money or that they ever have had any transaction whatever with this money.

The commissioners, in making their estimates to the Congress, have from that day to this failed to invite the attention of the Congress to the fact that they had never paid this. They have set out their liabilities, they have set out their assets, but never once have they set out this as a liability. More than that, about the same time, if I recall correctly, in 1878 or 1879, an arrangement was made by which the District of Columbia should put her lunatics in the asylum owned by the Federal Government, commonly known as the St. Elizabeth Hospital, and to pay the same per capita for her patients that it costs the United States to maintain its patients. If I remember the figures correctly, the first year the District of Columbia fell short about $28,000 in paying for her lunatics, and every year since that time the District of Columbia has fallen short in paying her debt to this asylum for the District lunatics. You can search the auditor's report from that day until this, and you can not find any charge of any of these items as a liability of the District of Columbia. What business concern would stand for a bookkeeping system like that? Yet when this resolution was introduced, and when it was announced upon the floor of this House that this investigation would perhaps begin with the lunatic asylum, what came? They rushed in with a statement that the District of Columbia was then indebted to the Federal Government in the sum of $719,000, not one cent of which had ever been put in an estimate by the Commissioners of the District of Columbia to the Congress that it might find its way into an appropriation bill and be paid; and before we are through with this, their "winter of discontent," perhaps more items will be found that they owe to the Federal Government and that they have not paid.

First, they said they did not owe it. That was the great argument. Now, it is limitation. When does limitation commence to run? It begins to run with the maturity of the debt. When is the time fixed for this debt to be paid from which limitation would begin to run? The time of payment is fixed to begin when the District of Columbia has the funds with which to pay. That time has now arrived. It has just been said that the attention of Congress has not been invited to this item, that it has been allowed to sleep. The gentleman from Kansas [Mr. CAMPBELL] says that two years ago he retired from the District Committee, where he had served eight years. Ten years ago the gentleman from Kansas, if he had done his duty between man and man, whether he resided in the District of Columbia or in the States, would have then invited the attention of the Congress to the matter which is now being brought up. Ten years of alleged limitation would have been eliminated there if he had done what his successors upon that committee have sought to do. He refers to some charge that the people of the District of Columbia are not honest. I challenge it; I say that the people of the District of Columbia, the masses of them, are just as good as can be found elsewhere. No charge has been made against the people of the District of Columbia. The people of the District of Columbia know nothing of this great sum of money having been hidden away. A few men in the District of Columbia who, since the passage of the territorial act of February 21, 1871, until very recently have named every officer who handled the accounts of the District, and those officers in making statements of accounts by which Congress is to be guided have kept hidden from them this $1,003,257.24; and these same accounting officers have concealed from the Congress, to whom they have made reports, the fact that the District of Columbia owes the Federal Government $719,000 that they had not paid on account of the lunatics of the District of Columbia.

Mr. CAMPBELL. Will the gentleman yield for a question?

Mr. JOHNSON of Kentucky. I do.

Mr. CAMPBELL. This item of alleged indebtedness was not concealed in 1886, was it, eight years after——

Mr. JOHNSON of Kentucky. It has been concealed from the moment it was made until it was brought upon the floor of this House two years ago by me.

Mr. CAMPBELL. Is it not true that the Auditor for the Treasury Department had his attention called to it in 1886?

Mr. JOHNSON of Kentucky. It is true.

Mr. CAMPBELL. It was not concealed at that time.

Mr. JOHNSON of Kentucky. But the auditor of the District of Columbia could not compel the Commissioners of the District of Columbia to put this item in their estimates and say to the Congress that it should appropriate for the payment of this, their honest debt.

Mr. CAMPBELL. May I ask if the Committee on Appropriations could not have included an item in the bill without having an estimate from the commissioners?

Mr. JOHNSON of Kentucky. The Committee on Appropriations, if they had had the knowledge, could have done it, but they did as the gentleman did on the Committee on the District of Columbia, and that was nothing.

We return at last, gentlemen, to these facts: This money was gotten. There is no living human being to dispute that fact. It has not been repaid, and there is no man to dispute that. If you can blame past Congresses for not having had it paid, and this Congress does not have it paid, then future Congresses can say that the question was up at this time, and that this Congress did not pay it. Let us now order it to be paid. [Applause.]

The CHAIRMAN. The time of the gentleman from Kentucky [Mr. JOHNSON] has expired. The Clerk will read the bill.

Mr. TOWNER. Mr. Chairman, is the bill to be read now for amendment?

The CHAIRMAN. Yes; unless the gentleman desires to be heard.

Mr. TOWNER. I should like just a little time.

The CHAIRMAN. Very well. The gentleman is recognized for an hour.

Mr. TOWNER. Mr. Chairman, I think perhaps the form of the discussion may convey a wrong impression to Members of the House with regard to the real matter in controversy. It is not sought here to collect a debt due from the District of Columbia to the United States.

It is not the endeavor of this resolution to put a claim in such a way as that it can be said there is a debt due, and for this reason: There has always existed, there now exist, certain accounting relations between the District of Columbia and the Congress of the United States, if I may so put it. There are always debit items on one side and credit items on the other. As the account now stands, there has been omitted from the credits which are due to the United States the sum that is put in this resolution of over a million dollars. We are now saying that the account should be corrected. We are now claiming that in the statement of the account that sum should be placed to our credit. That is all. It is an assertion on the part of the Government of the United States that this is its claim, and so should be put, and so should be stated.

That it will be paid, of course, follows. But until this present arrangement of payment of the expenses of the District of Columbia shall be ended there never will be an account stated, there never will be a debt, as between one member of the partnership and the other member of the partnership. It is merely now an assertion on the part of Congress, if this joint resolution shall pass, that there ought to be credited as against the District of Columbia in the account between the District of Columbia and the United States a sum of money to which the United States is entitled for credit in the sum of a million dollars and over. Therefore the question regarding the statute of limitations has nothing whatever to do with the case. There can be no statute of limitation in a case of that kind.

Mr. DILLON. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Iowa yield to the gentleman from South Dakota?

Mr. TOWNER. Certainly; I shall be glad to yield to my friend.

Mr. DILLON. Does not the levy made in 1907 clearly recognize this statute?

Mr. TOWNER. Certainly; and that strengthens this claim. There was a clear recognition by the Commissioners of the District of the fact that the Government is entitled to this credit.

Mr. DILLON. And does not that levy destroy the theory of concealment on the part of the District of Columbia?

Mr. TOWNER. Well, I think, if I may be pardoned for so saying, it makes but little difference. It ought not to make any difference.

Mr. DILLON. Because the District of Columbia, with knowledge of the fact, made this assessment or made the levy, that shows that it is not concealing anything, so that it seems to me there is a clear recognition of this debt down to June, 1907, on both sides, practically.

Mr. TOWNER. Well, I think the gentleman is entirely correct about that. But it make no difference, in so far as the legal aspects of the case are concerned, and in so far as the United States Government is concerned, whether affirmatively there was an endeavor to conceal or not, because concealment or an endeavor to conceal has nothing really to do with the merits of the case.

Mr. CAMPBELL. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Iowa yield to the gentleman from Kansas?

Mr. TOWNER. In a moment. The only question now, and the only question we ought to consider, is, Ought we not now to assert and claim and state that our claim in regard to this account is that the District of Columbia does owe to the United States this amount? Or, to put it otherwise and in better form, ought we not now to declare that the United States is entitled to this credit?

Now I will yield to my friend from Kansas.

Mr. CAMPBELL. We have passed by, somewhat, the matter to which I wanted to refer. I merely wanted to say that it would have spoiled the mare's nest of the gentleman from Kentucky [Mr. JOHNSON] to have stated the fact that this item had not been concealed in some mysterious manner by somebody in the District.

Mr. TOWNER. Even if the gentleman from Kentucky were mistaken about that, this House ought not to let the matter, either affirmatively or negatively, influence its action. If it is right to assert this credit on behalf of the United States, then we ought to do it, and it is our duty to do it. We ought, in justice to the people whom we represent, to assert the claim, and these matters that are extraneous ought not to influence us at all in regard to the matter.

It occurs to me that there has been—and there can be no question with regard to the rightfulness of this claim—there has been no attempt to say that it is not well founded. We have been, it is said, sleeping on our rights. There is, or ought to be, a statute of limitations that bars us, it is asserted, but I think I have shown that there is and that there can be, under these conditions, nothing that ought to prevent our now asserting what is our right, and what ought to have been asserted long ago, that the United States is entitled to this million of dollars and over which has never been credited to it, and that provision ought to be made for an adjustment and payment of the account. [Applause.]

Mr. PROUTY. Mr. Chairman, I do not know, but I think I have 15 minutes in my own right.

The CHAIRMAN. No; the gentleman's time is exhausted. The gentleman from Kentucky [Mr. JOHNSON] took the 15 minutes that were left of the gentleman's time.

Mr. PROUTY. I aimed to speak in my own right.

Mr. CAMPBELL. Mr. Chairman, I will yield what time the gentleman may require. How much time does the gentleman require?

Mr. PROUTY. I would like 15 minutes.

Mr. CAMPBELL. I will yield to the gentleman 15 minutes.

The CHAIRMAN. The gentleman from Iowa [Mr. PROUTY] will proceed.

Mr. PROUTY. Mr. Chairman, the first point made by the gentleman from Kansas [Mr. CAMPBELL] was that this claim was barred by the statute of limitation, and he referred to what might be the situation if the title in the city of Des Moines rested technically in one of his ancestors when they had not asserted the title for a period of 30 years.

The gentleman is too good a lawyer to ask me that question. Let me ask him one: Suppose the title had never passed from the Federal Government and yet Des Moines had been built upon that ground. Would he go into court and say that the statute of limitations ran against the Federal Government? If he did, he would be the laughing stock of the bar and of the court.

Now, there is a good reason for the fact that in all legislation of States and nations the statute of limitations does not run against them. It is based upon a very wise principle. Officers in State and nation change. Now one set will be in and now another. One party may overlook and another party not find a situation. One may be collusive and intentionally overlook it, but it is the established policy of every government that the negligence and willful overlooking of these matters on the part of its agents shall not bar the equities that exist; but where a man owns real estate in his own right and neglects to protect his rights or overlooks them or delays, he is guilty of laches, and will therefore be prevented from recovering. Every lawyer who ever looked inside of a law book knows that there is that clear, well-defined distinction, and there never could be a better application of it than right here.

It is true that in 1877 the commissioners made a levy. For some reason it passed out of sight. This good friend of mine here, Mr. CAMPBELL, vigilant and active, although, as he says, for eight years standing not alone as the Representative of the District of Columbia, but as an accredited Representative from the sovereignty of the State of Kansas and representing its people, should have looked into this matter, but he did not. The more than 300 Members of this House never looked into it. They had no occasion to look into it, nothing to call their attention to it, and because some officials overlooked the matter and neglected their duty is that any reason why the great, sovereign Republic should entirely overlook and forget it?

Mr. CAMPBELL. Will the gentleman yield for a suggestion?

Mr. PROUTY. Certainly.

Mr. CAMPBELL. Does my good friend from Iowa make the modest claim that he and a few other members of the District Committee are the first in 40 years who diligently and earnestly advocated honesty upon the part of all the people of the United States, and especially the people of the District of Columbia?

Mr. PROUTY. No; I do not.

Mr. CAMPBELL. Are they the first men in all these 40 years who have known their duty, or who have seen their duty and done it?

Mr. PROUTY. No; I would not claim that; but I would not stand here upon this floor and claim what the gentleman claimed a few minutes ago—that during the eight years that he labored upon that committee he represented the District of Columbia.

Mr. CAMPBELL. I said I worked for the District of Columbia.

Mr. PROUTY. I took down your words, and I repeat what I said. I stand here as a Representative of the seventh district of Iowa to do justice and fairness to my people between them and the District of Columbia. I think I have at last detected the real cause of this delay, of this apparent overlooking of the rights of the Federal Government. In fact, my friend's speech revealed to me the whole situation. He stood here and pleaded for the widows and orphans of the District of Columbia until I had tears in my eyes and was almost willing to give to the District of Columbia the whole United States if they needed it. But let me remind my friend, as I was compelled to remind myself, that there are more orphans and widows in the United States that have to pay this burden than there are in the District of Columbia to receive its benefit. [Applause.]

Now, all I want is a square deal between the District of Columbia and the United States; and as the gentleman intimated that there were some things that were not fair—though he did not reveal what they were—I will say to him now that if he will come to our committee and show that the United States have ever received a penny that fairly and justly belonged to the District of Columbia or under the laws of Congress, I will be one of the best and strongest champions of the District of Columbia. [Applause.] But never while I am a Representative will I surrender my right to stand for the whole people of the United States, notwithstanding somebody from the District of Columbia may tickle me under the chin. [Laughter and applause.]

The CHAIRMAN. The Clerk will report the resolution for amendment.

The Clerk read as follows:

Resolved, etc., That the Treasurer of the United States be instructed to transfer the said sum of $1,003,257.24 upon his books from the District of Columbia to the credit of the United States, and that he take such other and further steps as may be proper and necessary to collect said sum from the District of Columbia for the use and benefit of the Treasury of the United States.

With the following committee amendment:

Strike out all the words just read and insert in lieu thereof the following:

"That the Secretary of the Treasury of the United States, through the accounting officers of the Treasury Department, be, and he is now, authorized and directed to charge to the District of Columbia the sum of $1,003,257.24 as a debt due the United States from the District of Columbia on account of money advanced by the United States to the District of Columbia with which to pay the interest on the 3.65 bonds of the District of Columbia for the fiscal years of 1877 and 1878; and, in stating the account between the United States and the District of Columbia, the accounting officers of the Treasury Department of the United States and the accounting officers of the District of Columbia shall charge the District of Columbia with said sum and with interest thereon at the rate of 3 per cent per annum from and after the date of the passage of this resolution; and the said sum of $1,003,257.24, and interest thereon, must be paid to the United States by the District of Columbia on or before June 30, 1915, out of the revenues of the District of Columbia derived from privileges and from taxation upon the taxable property in the District of Columbia."

Mr. JOHNSON of Kentucky. I move the adoption of the committee amendment.

The committee amendment was agreed to.

Mr. JOHNSON of Kentucky. Mr. Chairman, I move that the resolution as amended be laid aside, to be reported to the House with a favorable recommendation.

The motion was agreed to.

EXPENDITURES OF MONEY RECEIVED ON ACCOUNT OF LIQUOR LICENSES, WASHINGTON MARKET CO., AND FROM OTHER SOURCES.

Mr. JOHNSON of Kentucky. Mr. Chairman, I call up the bill H. R. 9411, relating to expenditure of money received on account of liquor licenses, Washington Market Co., and from other sources.

The Clerk read the bill, as follows:

Be it enacted, etc., That from and after the passage of this act no money collected or received by the District of Columbia on account of any license or concession to manufacture or sell spirituous, vinous, or malt liquors shall be expended in payment of any expense or in discharge of any debt or liability of the District of Columbia in the payment or discharge of which Congress has in any manner whatsoever committed the United States to participate.

SEC. 2. That no money collected or received by the District of Columbia on account of rental paid by the Washington Market Co.; or on account of tolls over the bridge across the Potomac River, which bridge is generally known as the Highway Bridge; or on account of the fish wharf or any other wharf; or on account of any rental or income whatsoever from any real estate, the legal or equitable title to which is in the United States, shall be expended in payment of any expense or in discharge of any debt or liability of the District of Columbia in the payment or discharge of which Congress has in any manner whatsoever committed the United States to participate.

SEC. 3. That no clerk or officer, either of the District of Columbia or of the United States, shall hereafter, in any statement of financial conditions or accounts, or in any estimate of revenues or of appropriations for the District of Columbia, furnished to the Secretary of the Treasury or made to Congress, treat any money collected or received by the District of Columbia in the manner set out and referred to in sections 1 or 2 of this act, as a revenue available or to be available with which to pay any expense, debt, or liability of the District of Columbia, to the payment of which or any part thereof Congress has in any manner whatsoever committed the United States.

SEC. 4. That this act shall take effect and be in force from and after its passage.

With the following committee amendment:

Page 2, line 5, after the word "States," insert the following: "or in which the United States has an estate of tenancy or for years, or an estate in reversion or remainder."

The CHAIRMAN. The question is on the committee amendment.

The committee amendment was agreed to.

Mr. JOHNSON of Kentucky. Mr. Chairman, I move that the bill as amended be laid aside with a favorable recommendation.

The motion was agreed to.

Mr. JOHNSON of Kentucky. Mr. Chairman, I move that the committee do now rise.

The motion was agreed to.

Accordingly the committee rose; and the Speaker having resumed the chair, Mr. RAKER, Chairman of the Committee of the Whole House on the state of the Union, reported that that committee had had under consideration House joint resolution 107, directing the Treasurer of the United States to transfer $1,003,257.24 upon his books from the District of Columbia to the credit of the United States, and had directed him to report the same back with an amendment, with the recommendation that the amendment be agreed to and that the resolution as amended do pass.

He further reported that the committee had had under consideration the bill H. R. 9411, relating to the expenditure of money received on account of liquor licenses, Washington Market Co., and from other sources, and had directed him to report the same back with an amendment, with the recommendation that the amendment be agreed to and that the bill as amended do pass.

The SPEAKER. The Chairman of the Committee of the Whole House on the state of the Union reports that the committee has had under consideration House joint resolution 107, and reports the same back with an amendment, with the recommendation that the amendment be agreed to and the bill as amended do pass. Also that the Committtee of the Whole House on the state of the Union has had under consideration the bill H. R. 9411 and has directed him to report the same back with an amendment, with the recommendation that the amendment be agreed to and the bill as amended do pass. The first question is on the amendment to House joint resolution 107.

The amendment was agreed to.

The House joint resolution as amended was ordered to be engrossed and read a third time, was read the third time, and passed.

Mr. GARDNER. Mr. Speaker, I suggest to the gentleman from Kentucky that an amendment should be made to the title of the bill, made necessary by the amendment, so as to direct the Secretary of the Treasury to make the change instead of the Treasurer of the United States.

On motion of Mr. JOHNSON of Kentucky, a motion to reconsider the vote whereby the joint resolution was passed was laid on the table.

The SPEAKER. Without objection, the change in the title will be made and the Clerk will report the title as amended.

The Clerk read as follows:

Joint resolution directing the Secretary of the Treasury of the United States to transfer $1,003,257.24 upon his books from the District of Columbia to the credit of the United States.

The SPEAKER. The question now is on the amendment to the bill H. R. 9411, reported favorably by the Committee of the Whole House on the state of the Union.

The question was taken, and the amendment was agreed to.

The SPEAKER. The question now is on the engrossment and third reading of the bill.

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

On motion of Mr. JOHNSON of Kentucky, a motion to reconsider the vote whereby the bill was passed was laid on the table.

LEAVE OF ABSENCE.

By unanimous consent, leave of absence was granted as follows:

To Mr. BROWN of West Virginia, indefinitely, on account of illness.

To Mr. ALEXANDER, indefinitely, because of his work on the commission of over-sea accidents, now in session in London, England.

To Mr. TAGGART, indefinitely, on account of illness.

INTERSTATE SHIPMENT OF COLD-STORAGE PRODUCTS.

The SPEAKER. Under a special order of the House made last Friday, the gentleman from Tennessee [Mr. MCKELLAR] is recognized for one hour.

Mr. MCKELLAR. Mr. Speaker, I will ask the Clerk to read the bill, which is short, before I undertake to discuss it.

The Clerk read as follows:

A bill (H. R. 9987) to prohibit interstate shipments or transportation of certain food products; to define and to prohibit transportation and sale of adulterated or misbranded food products; to regulate traffic therein; to define and regulate cold storage; to regulate dealing in cold-storage food products; and to fix penalties for violation, and for other purposes.

Be it enacted, etc., That all shipments from any point in one State or Territory to any point in another State or Territory within the United States of adulterated or misbranded food products, as defined in this act and in the regulations made under the authority of this act, are hereby declared unlawful and are prohibited.

SEC. 2. That any of the hereinafter-named articles of food which have been held in cold storage for more than the periods hereinafter designated, to wit:

Beef, or the manufactures or products thereof, seven months.

Veal, or the manufactures or products thereof, two months.

Pork, or the manufactures or products thereof, four months.

Sheep or goats, or the manufactures or products thereof, four months.

Lambs or kids, or the manufactures or products thereof, three months.

Poultry and game, or the manufactures or products thereof, three months.

Fish, or the manufactures or products thereof, two months.

Eggs, or the manufactures or products thereof, three months: *Provided, however,* That eggs held in cold storage not less than three months or more than seven months may not be classed as adulterated if they are upon inspection at the end of the three-month period sound and wholesome and are stamped or labeled as follows: "Second-period cold-storage eggs," such stamp or label to be on each container from which said eggs are sold, and shall be in plain view of the purchaser, or, on demand, produced for inspection by the purchaser.

Butter, or the manufactures or products thereof, three months.

Any other articles used for human food, which having been held in cold storage for any period of time and has been removed therefrom and returned again to cold storage, without reference to the time the same has been held in cold storage. Each and every of the said articles after being held in cold storage for the periods stated shall be deemed to be adulterated within the meaning of this act.

SEC. 3. That if any article of food which has been held in cold storage, or the package containing it, or from which it is sold, shall fail to bear a label plainly and correctly stating the date of production, killing, packing, or manufacturing, and the period of time during which the article has been held in cold storage, shall be deemed to be misbranded within the meaning of this act.

SEC. 4. That no adulterated or misbranded food products as defined in this act, and the regulations made under its authority, shall be sold, or offered for sale, within the District of Columbia, or within any District or Territory or possession of the United States, or within the United States when the same is used or intended to be used or to become a part of interstate commerce.

SEC. 5. That when any package containing such food products as above designated shall be broken and the contents sold by items, then the seller shall, at the request of the purchaser, correctly state the information above required to be placed upon the original package upon a tag to be attached to said item before delivering same to said purchaser. The container from which said article is sold shall be in plain view of the purchaser, or upon demand produced for inspection by the purchaser.

Every person who places any food product in a package or container bearing a false or fraudulent statement as to the quantity, quality, or character of the contents thereof, or as to date of production thereof, or in regard to time of placing of the same in cold storage, or its removal therefrom, or makes any false statement upon said package or container in regard to the contents thereof, or places or causes or allows to be placed any false or fraudulent brand, mark, or statement upon said package or container shall be deemed to be guilty of misbranding.

SEC. 6. That the term "cold storage" as used herein shall be construed to mean the deposit of food products in warehouses, buildings, or other receptacles for a longer period than 10 days where the temperature is artificially kept at 40° F., or below, except when the products are actually in transit and have not previous to such transit been in cold storage.

SEC. 7. That any of the hereinbefore-named articles which may have been frozen in cold storage shall not be sold or offered for sale except in a frozen condition, and any such products which having been once frozen has thereafter been thawed, inflated, injected, or in any other way manipulated so as to alter its appearance and make it resemble an unfrozen product shall be deemed to be adulterated.

SEC. 8. That no food products coming within the provisions of this act and enumerated above shall be placed in cold storage if diseased in any way, or if in unsound condition, or if not caught, handled, or slaughtered in a sanitary manner, or if not properly cooled as provided by the regulations herein provided to be made for the sanitary preparation of such products for storage; and any product not stored in conformity to this act and the regulations made in pursuance to this act shall be deemed to be adulterated and misbranded and subject the offender to all the penalties provided therefor.

SEC. 9. That the President of the United States be, and he is hereby, empowered and authorized to make, or cause to be made, such rules and regulations in conformity with the provisions of this act for the inspection and regulation of articles of food coming within the provisions of this act and in aid of its enforcement as shall be necessary from time to time to insure the full compliance therewith.

SEC. 10. That any person, persons, association of persons, partnerships, corporations, or their agents, guilty of misbranding or adulterating any food product or of the violation of any provision of this act shall, upon conviction therefor, be subject to a fine of not less than $500 or more than $5,000, and may also be sentenced to imprisonment for a period of not less than six months or more than 10 years.

SEC. 11. That any agreement, express or implied, verbal or written, so-called gentleman's or agent's, secret or open, by and between two or more persons, partnerships, firms, corporations, or association of persons or corporations, engaged in buying or selling said cold-storage products, or engaged in the cold-storage business, whether as owner of such cold-storage plants and engaged in dealing in said food products or whether as owners of said storage plants for hire, when such products are the subject of interstate commerce or are intended for interstate commerce, by which agreement or understanding any of the abovementioned and set forth articles of food kept in cold storage are to be stored for a longer or shorter period, or are to be sold or withheld from sale, in whole or in part, for the purpose of affecting the purchase price or selling price of such articles of food, is hereby prohibited and declared unlawful, and upon conviction shall subject the offender to a fine of not less than $1,000 or more than $10,000 and imprisonment of not less than one year or more than 10 years.

SEC. 12. That any agreement or direction, express or implied, by or upon the part of any person, persons, partnerships, firms, corporations, or association of persons or corporations engaged in buying or selling said cold-storage products or engaged in the cold-storage business, whether storing his, its, or their own merchandise, or storing for hire to a committee, board of trade, organization, or association, or individual, or the so-called "cornering" of the market of such foodstuffs, when such foodstuffs are or are intended to become the subject of interstate commerce, by which agreement or direction such person, persons, or association, committee, or individual is or are given the right, expressly or impliedly, actually or inferentially, to sell such cold-storage products or withhold the same from sale, or to fix the purchasing price or the selling price of such cold-storage products, or in any other manner interfere with the ordinary rules of competition in trade as to such articles, is hereby prohibited and declared unlawful, and upon conviction therefor shall subject the offender to a fine of not less than $1,000 or more than $10,000 and to imprisonment for a period of not less than 1 year or more than 10 years.

SEC. 13. That any agreement, express or implied, verbal or written, so-called gentleman's or agent's, secret or open, by and between two or more persons, partnerships, firms, corporations, or associations, whereby any territory in the United States in which the food products hereinbefore enumerated and coming within the provisions of this act are to be purchased or sold is to be divided up between or by any one or more of such persons, partnerships, firms, corporations, or associations, is prohibited and declared unlawful, and will subject the offender, upon conviction, to a fine of not less than $1,000 or more than $10,000 and to imprisonment for a term of not less than 1 year or more than 10 years.

SEC. 14. That any person, partnership, firm, corporation, or association which shall sell or offer for sale any cold-storage product coming within the provisions of this act as or for a fresh product shall upon conviction be fined not less than $100 or more than $1,000, and may be imprisoned for not less than three months nor more than six months.

SEC. 15. That all packers of beef, veal, pork, sheep, lamb, game, poultry, fresh fish, eggs, and butter using cold storage in connection with their business, and all cold-storage houses, whether those used for hire only or those used as an adjunct of the principal business, coming within the provisions of this act must furnish to the representatives of the United States a full, true, and accurate statement of goods on hand, receipts, and deliveries each day, and any such cold-storage houses failing or refusing to make such report shall, upon conviction, be fined not less than $100 or more than $1,000 for each offense, and may also be imprisoned for a term of not exceeding five years.

Mr. AUSTIN. Mr. Speaker, in view of the importance of this bill and the contemplated legislation, in which the people of this country are vitally interested, I am sure that a majority of the Members of the House would like to hear it discussed. I therefore make the point of no quorum.

The SPEAKER pro tempore (Mr. Cox). The gentleman from Tennessee makes the point of order that there is no quorum present. The Chair will count.

Mr. MCKELLAR. Mr. Speaker, I do not care to inflict anything upon the House particularly, and I do hope that the gentleman will withdraw his point of order.

Mr. AUSTIN. Mr. Speaker, I withdraw the point of order.

The SPEAKER pro tempore. The gentleman from Tennessee withdraws the point of order, and his colleague will proceed.

Mr. MCKELLAR. Mr. Speaker, so much has been written and so much has been said in the last few years about the high cost of living that I approach the subject with some degree of diffidence. So many elements enter into the cost of living, so widely diversified are those things upon which the American people feed, that it renders the whole subject very complex and very intricate. I do not think that any one measure will correct the evil system which now confronts us or altogether prove a panacea for the conditions that everybody realizes are bad. Therefore the remedy that I suggest, I do not claim for it that it is an absolute and certain cure, but I do believe it will more largely correct the present bad system than any other plan that has been suggested.

METHOD OF PROCEDURE.

I might say at the outset I had an idea of asking for a special committee to be appointed by the Speaker of the House to examine into all the questions relating to cold storage, but after finding that there had already been extensive investigations and hearings by a Senate committee on the same subject, and finding a large amount of printed literature and statistics on the subject, I concluded that it would probably be a great deal better to get the distinguished chairman of the Interstate and Foreign Commerce Committee to appoint a subcommittee of that committee to take this matter up. In this way there will practically be no cost attending this investigation, and it will probably get very much prompter action.

An examination of the Senate committee's report, and of the hearings upon which that report is based, will probably be all that is needed. I want here and now to express my thanks to

the distinguished chairman of the Interstate and Foreign Commerce Committee for promptly appointing the subcommittee to hear this matter. He has appointed a splendid committee, and I am sure a bill along the lines of my bill will be reported to this House without cost or expense to the American people and without unnecessary delay.

HISTORY OF COLD-STORAGE LEGISLATION.

Much has been said lately as to this plan. Many have spoken of it and written of it as if it was entirely an original idea. This is not correct. It will be interesting to the House to know that this question has already been thoroughly thrashed out before a special committee of the Senate. This was in 1910 and 1911. The cold-storage measure before the District Committee in this House applied only to the District, as I understand. One of the bills introduced in the Senate was introduced by Senator Lodge, of Massachusetts. His bill limited the time of cold storage to 12 months. My first bill limited the time of cold storage to 3 months. The Senate committee, of which the late Senator Heyburn was chairman, after exhaustive hearings, prepared a bill, many of the excellent features of which I have incorporated in my bill. This bill was unanimously reported to the Senate, but, strange to say, it was reported on March 3, 1911, and died a natural death the next day, since which time it seems to have been lost in the oblivion in which Senator Heyburn dropped it. It might be inferred that because of its having been filed just at the close of the session of Congress that probably it was not intended that anything should be done with the bill. In frankness, it is proper to say I can not join in this view, because of the splendid examination into the facts, with one notable exception, which was made, and Senator Heyburn most certainly made an excellent report on the bill. He has since died, which probably accounts for the inaction on the part of the Senate. Nothing has since been done along this line of any importance in Congress; though a number of bills have been introduced, none of them seems, however, to have been pushed.

In the report of the Senate committee the whole question of the effect of cold storage on public health and upon the effect on prices of food was gone into thoroughly, each item going into cold storage was considered, and the committee unanimously reported in favor of the passage of the bill.

STATE COLD-STORAGE LAWS.

It will be interesting also for the House to know that a number of States already have cold-storage laws. In March, 1911, the State of California passed a law making it a misdemeanor for cold-storage butter or eggs to be sold as or for fresh butter or eggs. Later on the same State enacted a law requiring all eggs and butter that had been kept in cold storage longer than three months to be labeled "Cold-storage butter or eggs."

The next State to pass a cold-storage law was the State of Delaware. This was passed in April, 1911. The Delaware act requires cold-storage products, with the exception of fruits and fish, to be branded with labels. It also provides that any kind of food can not be kept in cold storage longer than six months without the consent of the board of health. It requires reports of food in cold storage and gives the board of health jurisdiction to make rules and regulations concerning such food.

In 1907 the State of Kansas passed a law against refrigerated undrawn poultry. I am told, however, this law has been made nugatory by reason of outside concerns shipping it into Kansas as interstate commerce.

The next State to pass a cold-storage law was Indiana in March, 1911. This law required the goods to be marked and stamped. State board of health was given jurisdiction to regulate the business under the act.

In 1911 the State of New Jersey passed a cold-storage act requiring stamping and branding of food placed in cold storage, the date of placing of food in cold storage, and making it unlawful to keep any such food products in cold storage for a longer period than 10 months, but allowed the State board of health to say what should be done with this food after that time. This law also provided that food once placed in cold storage could not be taken out and then put back.

The State of New York, in June, 1911, also passed a cold-storage law requiring cold-storage food to be marked; requiring it kept in cold storage only 10 months; requiring reports from warehouses; regulating transfers from one warehouse to another; and prohibiting the sale of food kept in cold storage without representing said facts.

Since that time Massachusetts has passed a cold-storage law containing about the same provisions. Pennsylvania has lately been added to the list. The time limit in Pennsylvania is eight months.

The cold-storage people have had much to say about the Canadian act, by which the Government of Canada has undertaken to encourage cold storage by granting a subsidy to cold-storage warehouses. I do not know what the conditions are in Canada in reference to this, but I noticed in the papers recently, when the prime minister of Canada—Mr. Borden—was here, he said they were suffering in Canada from the same conditions of high prices, and seemed to think, from the newspaper reports, that cold storage might be responsible in some degree for it.

Bills regulating cold storage have been offered in the Legislatures of Colorado, Illinois, Michigan, Missouri, New Hampshire, and Virginia, but have not been passed. The District of Columbia also has a cold-storage law.

It will thus be seen that the cold-storage question is already a live issue in many of the States. However, my opinion is that up to date the cold-storage people have been able to really write the laws in the various States, as none of them are very regulating. No doubt they will soon be here, trying to modify or defeat this bill.

COLD STORAGE.

I want to say at the outset that in no possible sense am I opposed to cold storage, nor is it the purpose of this bill to hamper or interfere with any legitimate or proper use of cold storage. Any man with a thimble full of brains must know that it is one of the most important of modern discoveries. It was first brought into use about 40 years ago, or a little longer.

The discoverer or founder of it seems to have been a man by the name of Charles Tellier, who equipped the first cargo of frozen meats shipped across the ocean in vessels having cold-storage compartments. Mr. Tellier died a few days ago in poverty. Since that date the business has grown with gigantic strides, until now the value of foodstuffs going into cold storage annually amounts, probably, to the enormous sum of between $2,500,000,000 and $3,000,000,000, according to the testimony of Victor H. Becker, of Chicago, Ill., as shown on pages 181 and 182 of the Senate hearings of 1910 and 1911.

VALUE OF COLD STORAGE.

The value of cold storage honestly conducted and intelligently handled can hardly be overestimated. Take eggs and fruits, for example. About one-half of the year we have them in the greatest plenty; in the other half we have scarcely any at all. By means of cold storage these articles can be kept and the consumer furnished with them at all times of the season. In this way the available stock of food supply is greater. There is a natural economy in thus taking care of what would otherwise go to waste. So that the conclusion is inevitable that, if used properly and if such perishable food products are put in cold storage scientifically, under sanitary regulations, and regulated by the strong arm of the law until they come to the consumer, in this way cold storage is a great boon to mankind, not injurious to his health or victimizing to his pocketbook. But the difficulty comes from the greed of men for more money.

Mr. TOWNER. Mr. Chairman, will the gentleman yield?

Mr. McKELLAR. Certainly.

Mr. TOWNER. It may be that the gentleman will reach the matter to which I wish to refer, and if so, of course it can be referred to in proper order in his address, but will the gentleman be kind enough to give us the data or the reasons upon which he fixed these various dates, for instance, beef at seven months, and so forth.

Mr. McKELLAR. With a very great deal of pleasure. In 1910 and 1911 this special committee consisting of Senator Heyburn, as chairman, and Senator Frazier, of Tennessee, and a number of other gentlemen, had extended hearings, which are to be found in a book of 300 pages, in which proof was taken from various parts of the country. Witnesses were introduced here and sworn. Dr. Harvey W. Wiley was a noted witness in those hearings. Many experts from the Department of Agriculture were summoned as witnesses and testified—expert storage men. They tried to get the packers, but could not get them, as I will explain hereafter. The matter was painstakingly and laboriously gone into, most intelligently gone into, and upon that examination a bill was reported to the Senate, to which my bill largely conforms in the matter of time. I will come to that, as the gentleman says, a little more specifically hereafter. That bill was unanimously reported, but the session died the next day, and later on, as the gentleman knows, Senator Heyburn died, and the matter was lost in oblivion after that time.

Mr. TOWNER. Mr. Speaker, I hope the gentleman will understand that I am entirely in sympathy with his effort to secure this legislation. Before he leaves that branch of the subject, it may be said then that the provisions of the bill with regard to the times of these various products, is the result on his part of careful investigation of these hearings.

Mr. McKELLAR. The most accurate investigation that I have been capable of giving.

Mr. TOWNER. And in the gentleman's judgment they are entirely defensible upon the ground both of justice to the consumer and of the persons who are carrying the products.

Mr. McKELLAR. They can be defended on three grounds—first, justice to the producer; second, justice to the consumer; and third, a reasonable compensation to the middleman who conducts the business; but I want to say right here and now that the most drastic kind of regulations are made in so far as the speculator and the gambler in food products are concerned.

Mr. TOWNER. With entire justice that may be done. Then it may be said that there is now available sufficient data of facts on which to base a reasonable conclusion with regard to the time the different products may be kept, which would be such as would do justice to all parties interested.

Mr. McKELLAR. Mr. Speaker, I am glad the gentleman has brought this matter up. When I first started out with this bill, as I said before, my idea was to get a special investigating committee, but when I found not only these hearings but the hearings in these various State legislatures, all of which are printed and all of which can be secured and laid before the committee, and knowing that we had a perfectly fair Committee on Interstate Commerce, and knowing that the distinguished chairman of that great committee, my friend Mr. ADAMSON, would appoint a fair and disinterested subcommittee to hear the matter, and believing it could be done without cost to the American people, I came to the conclusion that there was no necessity for having a special committee, but that this whole matter could be referred to the Interstate Commerce Committee and a subcommittee to investigate practically without cost to the American people and without delay. For these reasons I have taken that course. Not only have we these hearings, but we have the hearings that were had before the various State legislatures, and anyone can read them and upon them have the expert testimony and the actual facts upon which to fix the time limits, and every other limitation or restriction in the bill which I have prepared.

Now, gentlemen, I want to say right here I am not opposed to cold storage. Why, it is one of the greatest discoveries that is known to man. That is not the idea of this bill, and it is not in opposition to cold storage. It is not in opposition to any legitimate enterprise of cold storage. It is intended to prevent the speculator and the gambler, the man or corporation who would corner the foodstuffs of this country and hold them in cold storage for the purpose of raising prices to the American consumer—it is against those it is aimed and against those who indiscriminately put these food products into cold storage at the time when they are unsound and unwholesome, because the wholesomeness and purity of foodstuffs placed in cold storage depends upon the condition at the time it is put in cold storage, even more than at the time it is taken out of cold storage, and there ought to be regulation of the sysem.

Mr. TOWNSEND. Will the gentleman yield?

Mr. McKELLAR. In one moment. So say these experts over at the Department of Agriculture, who have taken it up time and again and have tried to have regulation of putting foodstuffs in cold storage and taking it out, so that the consumer might have it pure. Now I yield to the gentleman.

Mr. TOWNSEND. In referring to the hearings, has the gentleman looked over the hearings before the committee of the New Jersey State Legislature in the preparation of a bill regulating cold storage?

Mr. McKELLAR. Only casually; it has not been examined with that care with which it ought to be examined. To what part of it does the gentleman refer?

Mr. TOWNSEND. I want to say, if the gentleman will permit me at this moment, that the bill of the New Jersey State Legislature, passed, I think, in 1911——

Mr. McKELLAR. 1911 is right.

Mr. TOWNSEND. That bill was submitted first to Dr. Wiley, who suggested some minor changes on this very point to which the gentleman referred and the condition of food products when they are placed in it is carefully covered, and under Dr. Wiley's suggestion the length of time is regulated with great care.

Mr. McKELLAR. I want to thank the gentleman and say to him and to the House that the New Jersey regulation is the best one that has come within my observation, as I now recall.

Mr. TOWNER. I beg the gentleman's pardon, but may I make an inquiry?

Mr. McKELLAR. I will yield to the gentleman.

Mr. TOWNER. I was going to ask just how does the time limit in the bill with regard to these foods compare with that of New Jersey?

Mr. McKELLAR. The time limit in New Jersey is fixed at 10 months, but after a certain period it is put under the board of health to determine whether they are in a good condition or not, and it is virtually placed under the restrictions of the board of health.

Mr. TOWNSEND. Subject to inspection at any time; in fact, when they are entered as to condition and subject to inspection at any time and there is a varying time in regard to different classes of food products. Different food products are permitted to remain only different lengths of time, beef perhaps longer than poultry and longer than eggs, and so forth.

Mr. McKELLAR. It is along the same line as this bill.

Mr. TOWNSEND. Very much so.

Mr. McKELLAR. If the gentleman will wait just a little until I get through——

Mr. PLATT. It is all a matter of health.

Mr. McKELLAR. Yes; it quite generally affects the health of the people. This bill really resolves itself into a question of public health and the effect of cold storage on prices. First, I want to submit a few views on the question of health.

TWO QUESTIONS INVOLVED IN COLD STORAGE.

The two questions involved in the cold-storage proposition are, first, its effect upon the public health, and, second, its effect upon the price of products thus put in cold storage.

INFLUENCE OF COLD STORAGE ON PUBLIC HEALTH.

Articles of perishable foodstuffs, which have been properly prepared for cold storage while in a sound and wholesome condition, can be taken out and used as wholesome and nutritious food for a certain length of time, which time varies with the different food products, as will hereafter be shown. Instead of being a menace to public health, if properly prepared and properly stored it is, indeed, a great agency for the conservation of healthful food products. It enlarges and diversifies the food supply of the people. Its value in large cities is of the utmost importance.

The Hon. James Wilson, former Secretary of Agriculture, says of it:

> It is a great blessing to be able to put meats, vegetables, and fruits into cold storage, where they will keep. There is no doubt about that.

Dr. Harvey H. Wiley, former Chief of the Bureau of Chemistry, takes a like view. So also is the view of Prof. Sedgwick, of the Massachusetts Institute of Technology, one of the greatest experts on the subject of health. Dr. Sedgwick says:

> So far as I am aware, there is no evidence whatever that cold storage is in any way prejudicial to the public health. On the contrary, it is one of the greatest aids to the public health in that it makes food more accessible and more abundant, and thus enables people to keep up their strength and to avoid such diseases as scurvy, from which the human race formerly suffered so intolerably.

REAL TROUBLE ON QUESTION OF HEALTH.

The real trouble on the question of health is that greedy speculators have obtained control of the cold-storage business. Again, using the egg product as an example, large concerns in the spring of the year divide up territory in which to send their agents to buy eggs at prices that are fixed by their principals themselves. These agents go into every egg-producing center and buy all kinds and conditions of eggs. They send these to the large centers of population, principally Chicago and New York and other large cities, and there, practically without examination, they are dumped into cold storage. They are kept for such periods as meet the wishes of their owners, when they are put on the market, principally as fresh eggs, with the result that the people are furnished all kinds and conditions of eggs, some wholesome, some unwholesome. The same is true, probably, to a greater extent of poultry and meats, game and fish.

LACK OF PREPARATION A MENACE TO PUBLIC HEALTH.

An illustration of what I say is shown in the researches of Dr. Mary E. Pennington, an expert in the Department of Agriculture, and probably the most gifted person in this whole subject of cold storage, in the case of poultry. After exhaustive examinations and long study and the application of scientific methods in the handling of cold-storage poultry, Dr. Pennington says that—

> In order to have wholesome and nutritious cold-storage poultry the following is essential: First, the bird should be killed and bled properly—and this means that the principal veins in the neck must be severed and the fowl bled completely. Second, that in removing the feathers the bird should be dry picked and not scalded. Scalding injures the skin and diminishes the keeping qualities. Third, the bird should be dry cooled; that is, the animal heat should be taken from the bird by being chilled in the open air, rather than being put in water or ice before being placed in cold storage. Fourth, the bird should be packed air tight. Fifth, when it is removed it should be dry thawed in cool air and not soaked in water.

It is needless to say none of these conditions are complied with among packers and storage men. They do not cut the head off, because they offer the bird for sale as fresh fowl, and

they leave the head on, and they are afterwards prepared so that the purchaser may be fooled into believing that it is a fresh fowl. In this way the bird is not properly bled. In the next place, it is not dry picked, because it would take too much time to pick it. They are put in hot water, so that the feathers can be taken off that much faster. In the next place, they are not put in cold air to take the animal heat out, because that takes too long, but they are put in artificially cooled rooms, because this could be done faster and at less cost. They are not kept air-tight, because that would take too much trouble and expense. Lastly, they are thawed not in the air but in water, for several reasons. In the first place, it is cheaper and quicker, and, then, the water is supposed to, and probably does, cause the fowl to look better for a short time, more like the fresh fowl, and is made somewhat heavier. They are often thawed in dirty water, also, as I am reliably informed and as Dr. Pennington intimates. For all of these reasons it is absolutely essential that a national law should be passed providing for the effective regulation of the manner in which the cold-storage products should be prepared for cold storage, handled in cold storage, and taken out of cold storage.

DRAWN OR UNDRAWN POULTRY.

A great question has arisen as to whether it is better to store fowl and game in an undrawn condition or in a drawn condition. One of the States, the State of Kansas, has passed a law against putting undrawn poultry in cold storage. On the other hand, a large number of experts, in so far as poultry is concerned, contend it keeps better in an undrawn condition, though they nearly all admit that unless the poultry is starved for two or three days before killing the fecal matter in the intestines always gives an unpleasant flavor to the meat. I myself believe that it should only be allowed to be stored in a drawn condition. The same holds true of fish, but this is a matter that can be fixed by the regulations provided for in the bill which I have introduced.

It is proper to say that practically all the poultry and all the fish are now put in cold storage in an undrawn condition. Practically all the experts agree, however, that game should be drawn. Experiments show there is a difference between game and poultry in this regard, perhaps on account of the method of killing.

THE TIME IN WHICH COLD-STORAGE PRODUCTS SHOULD BE KEPT.

The time in which cold-storage products can be kept in cold storage without deterioration or loss of wholesomeness is different for different articles of food. In my bill I have fixed the periods of time which, in my judgment, is in accord with the result of experiments and the opinion of experts. Dr. Wiley has made some most interesting experiments in the case of eggs. He rented a space down at Center Market for that purpose. Of course he got the best fresh eggs, and the storage was scientifically done. He got a jury to eat the eggs at the end of three months and also eat fresh eggs at the same time, and compared the two. At the end of three months the jury, as a whole, was unable to determine which were fresh and which were cold storage. At the end of six months a majority of the jury could always tell. At the end of nine months none of them would miss it, and Dr. Wiley was of the opinion that nine-months period was the limit. It must be remembered, though, Dr. Wiley operated under unusual conditions, and I believe from his experiments and from the testimony on the subject that six or seven months at the outside is the last limit for cold-storage eggs, and after three months should be marked "Second period cold-storage eggs," for the protection of the consumer. Dr. Pennington, as said before, had made most careful experiments of like nature with poultry, and finds about the same result.

If these are the facts, and they can not be disputed, why should we not follow the New Jersey law and the laws of other States on that subject? Why should we not follow the recommendations of the Department of Agriculture? Why should we not follow the dictates of what is right and put restrictions and regulations upon the manner in which this great food product and the other various food products are kept in cold storage for the consuming public? Do we not owe it to them? If we do not owe it to ourselves, do we not owe it to the young of our country that they have wholesome food? Ninety-five per cent of the food goes into cold storage——

Mr. MAPES. Will the gentleman yield right there?

Mr. McKELLAR. I will.

Mr. MAPES. Have you figures to show how much of that is handled in interstate-commerce shipments?

Mr. McKELLAR. A great part of it.

I wish to stop right here to tell the Members of the House a thing that struck me very forcibly. It was amazing to me to find that the greater portion of this poultry was placed in cold storage in an undrawn condition. There are experts who say it is better that it should be so, but they all agree there is some slight taste that arise from that fact. The State of Kansas by law prohibits it; but the law, as I stated before, has been made nugatory.

Now, as to game, the experts all agree that it should be put in cold storage in an undrawn condition. That is because of the lack of bleeding, and because the game is shot, and because, also, the bird is usually killed when its craw is full.

Mr. SLOAN. The gentleman says there is a taste. Is it an improvement or otherwise? The gentleman said there was a taste if the game was left there in an undrawn condition.

Mr. McKELLAR. It is quite a detriment, in my view. I think it is very evident to a great many people.

Now, I want to call the attention of the House to the remarkable facts deduced by the investigation. I never dreamed that the cold-storage business was such an immense business as it appears to be. There were then, in 1910, 3,016,000,000 of food products put up annually in cold storage.

Mr. TOWNER. Pounds?

Mr. McKELLAR. No; dollars in value. Meats led all of these, with $1,500,000,000; and eggs came next, with $45,000,000; and then various meats and other products amounting to the enormous sum of $3,016,000,000.

THE SENATE EXAMINATIONS.

As I have said before, there were exhaustive examinations made in this cold-storage question by a committee of the Senate to which I now wish to refer.

Mr. Becker, who was examined by Senator Heyburn, gives testimony that upholds the bill as drawn by me. He had been 36 years in the business, in all branches of refrigeration. He testified that the cold-storage interests of the country have at all times, and they do now, court the fullest investigation and the closest scrutiny by expert legislative, commercial, and scientific authorities into the methods and effects of their business. (See hearings, p. 178.)

He further announced "that foods should be safely guarded against speculative influences" (p. 179). He was opposed to the Lodge bill because it proposed a limit to the period of storage for perishable food indiscriminately and because its provisions imposed costly restrictions (pp. 178, 179, and 180).

It will be noticed that this bill has followed the suggestions of Mr. Becker. He further testified that there were over one thousand million of dollars invested in refrigerating plants of all kinds (p. 182). He further testified that only about 5 per cent of the total egg production was put in cold storage. That is to say, about 3,000,000 cases of 30 dozen each (pp. 182 and 183).

The figures as to the principal products going into cold storage are in detail as follows:

Meats chilled or preserved by cold by packers	$1,500,000,000
Goods placed in commercial cold-storage warehouses	350,000,000
Brewery products refrigerated	325,000,000
Dairy products in cold storage	30,000,000
Fish frozen or in cold storage	30,000,000
Eggs placed in cold storage	21,000,000
Poultry frozen or in cold storage	45,000,000
Apples placed in cold storage	15,000,000
Other fruits and vegetables handled under refrigeration	40,000,000
Ice cream and ices	45,000,000
Furs and fabrics held in cold storage	60,000,000
Ice, natural and manufactured	60,000,000
Goods stored in chilled rooms of produce merchants, wholesale meat and provision dealers, etc. (estimated)	250,000,000
Goods artificially chilled in bleacheries, dyehouses, oil refineries, powder works, chemical works, photographic plate works, etc. (estimated)	250,000,000
Total	3,016,000,000

Meats head the list, at $1,500,000,000 yearly; poultry comes next, with $45,000,000. (See p. 184.)

Mr. Becker further says that there was an association of warehouses comprising 301 cold-storage warehouses.

Mr. SLOAN. Mr. Chairman, may I ask the gentleman a question?

The SPEAKER pro tempore. Does the gentleman yield?

Mr. McKELLAR. Yes.

Mr. SLOAN. Has the gentleman figured out what difference it would make to the producers of this country in the matter of the probable price they would obtain for these products that they sell largely to these men and to people who enter those products in cold storage?

Mr. McKELLAR. Yes, I have; and while I would rather come to it in another place, yet I will come to it right now. Take eggs, for example. The editor of the Produce News, published in New York City, has sent me a statement. He is opposed to this bill. He sent me a statement, however, in which he says that about 30 per cent of the eggs of this country are

bought up by the meat packers at an average price of 6¾ and 10 cents a dozen. They are sold on an average from 25 cents to 30 cents a dozen. I think that this bill would have a very favorable effect upon the producers of the country. And that is not all.

Mr. CAMPBELL. Mr. Chairman, will the gentleman yield?

Mr. McKELLAR. In just one moment. My understanding is that the way they manage it now is to divide up the egg-producing territory of the United States and have agents who fix the price to the producer, and the producer can sell only at that price. Take, for instance, the east Tennessee district, which is a large poultry and egg-producing district. The packer and the egg gambler—because we have them under that designation now in this country—send their agents through the country and set the price, and nobody changes the price to the producer or consumer or anybody else. The same person or combination who fixes the price to the consumer also fixes it to the producer, and that is what this bill aims to prevent.

Mr. CAMPBELL. Is there an egg zone in Tennessee where eggs can be purchased for 6 cents a dozen?

Mr. McKELLAR. Oh, no.

Mr. CAMPBELL. Then, where do these packers get their eggs at that price?

Mr. McKELLAR. Throughout the United States.

Mr. CAMPBELL. For 6 cents a dozen?

Mr. McKELLAR. So Mr. Preston writes me, that the average price paid is from 6 to 10 cents a dozen.

Mr. CAMPBELL. He must have another guess coming.

Mr. McKELLAR. I am not guessisng about it. I am using the statistics of one of the greatest produce newspapers in this country, published at the market place that is the greatest of any, and that is in New York City.

Now, I want to say a word or two about this Senate examination. There was something peculiar about these hearings that were had before the Senate committee. By the way, there is an association of cold-storage men whose membership amounted in 1910 to 301. According to the testimony of Mr. Becker, the cold-storage men throughout the country are banded together in an association. The packers are banded together, as we all know. Now, when they had these hearings the cold-storage men all came up and testified—a great many of them, though not all of them. They testified in their own interest. But here is what happened in relation to the packers: Senator Heyburn and his committee tried in every way to get the packers to come, but they would not do it. Thereupon he got the committee to authorize a subcommittee to go to Chicago and get the great meat-packing concerns to give evidence about the passage of this proposed law. I make this statement just to illustrate the situation. They did not summon them. Why, I do not know. But just to elucidate what they finally concluded to do, I want to read letters and excerpts taken from the Senate hearings:

The CHAIRMAN (Mr. Heyburn). Now, before starting this morning, I want to put into the record a copy of a letter which I addressed, as chairman of the committee, to Mr. Arthur Meeker, who is one of Armour & Co., at Chicago, requesting them to be present and give the committee the benefit of such information as they had. The letter is as follows:

MAY 20, 1910.

Mr. ARTHUR MEEKER,
Care Armour & Co., Chicago, Ill.

DEAR SIR: Senate bill 7649, introduced as a result of the inquiry that is being made by a special committee appointed by the Senate to investigate the high cost of living, has been the subject of hearings before the committee. A number of representatives of those who conduct cold-storage plants, as well as chemists, have appeared before this committee and furnished information in reference to the alleged unwholesomeness of food kept in cold storage. By reason of your familiarity with the cold-storage business you could probably furnish valuable data which would be of interest and value to the committee in determining what action should be taken on the measure. Will you kindly indicate if you are willing to appear before the committee when a date will be set for the hearing?

Very truly, yours, ——— ———.

I have his reply under date of May 24, which is as follows:

MAY 24, 1910.

Hon. W. B. HEYBURN,
Chairman Committee on Manufactures,
Washington, D. C.

DEAR SIR: I beg to acknowledge receipt of your courteous invitation to appear before the special committee appointed to investigate the high cost of living. I would gladly appear if I thought I could furnish any information that would be of value to the committee but I have no special knowledge on the subject.

Thanking you, I am,

Very truly, yours, ARTHUR MEEKER.

I wish also to submit a copy of a letter which I wrote to Mr. T. J. Connor, general superintendent of Armour & Co., Chicago, requesting that they be present or have some representative to appear to give us any information which they have. The letter is as follows:

MAY 20, 1910.

Mr. T. J. CONNOR,
General Superintendent Armour & Co., Chicago, Ill.

DEAR SIR: For several weeks this committee has been considering Senate bill 7649, to prevent the sale or transportation in interstate commerce of articles of food held in cold storage for more than one year, and for regulating traffic therein, and for other purposes, which was introduced as a result of the inquiry before the special committee investigating the high cost of living. Quite a number of representatives of those engaged in cold-storage business, as well as chemists, have testified before the committee with reference to the alleged unhealthfulness of food kept in cold storage.

Thinking that because of your familiarity with the cold-storage business you would be able to furnish the committee valuable information on the subject, I write to inquire if you are willing to appear before the committee in the near future and give the result of your observations with reference to this subject and answer such inquiries as may be propounded by the committee.

Very truly, yours, ——— ———.

And I have his reply, which is as follows:

MAY 23, 1910.

Senator W. B. HEYBURN,
United States Senate, Washington, D. C.

DEAR SIR: Your letter of the 20th addressed to our Mr. T. J. Connor received. Mr. Connor is out of the city at present, and expected to be absent for some time, so that it will probably not be possible for him to comply with your request.

Yours, respectfully, A. E. GIFFEN,
Private Secretary.

It is thus seen that one had no knowledge of the subject and the other gentleman was out of the city, to be absent some time. I suppose another had gone to marry him a wife and possibly another had to play golf or to be away for his health, another had a lawsuit on his hands, and there were probably other excuses.

The subcommittee was sent to Chicago on the 7th of July, 1910, as shown by page 266 of the hearings, for the purpose of making further inquiry into the methods and manner of cold storage, and there meet and confer with the representatives of a number of the large independent concerns and also with the representatives of what is known as the packers and private cold-storage men (p. 266). But no packers came. They could not get them to testify.

The hearings further show, "after several conferences with representatives of the packing-house concerns in Chicago, Ill., it was agreed between the subcommittee and Mr. L. F. Swift, of Swift & Co., of Chicago, that the committee should submit in writing a list of the questions regarding which they desired testimony and information" (p. 268). It seems Mr. Swift had authority to act for all the packers in this delicate matter. And thereupon a list of the questions were submitted by the subcommittee, and six days thereafter answers to the questions were given, which showed absolutely nothing of what this committee wanted to know. Answers were made by Swift & Co. (p. 269), Sulzberger & Sons Co. (p. 272), and G. H. Hammond & Co. (p. 279). Armour Packing Co. did not respond at all.

It will thus be seen that the packers followed their usual course of business—absolutely disregarded any request made by this committee. In his answers Mr. Swift, who may be taken as an illustration of the packers, said he did not object to sanitary inspection of premises; that they could get along well on the time limit of 12 months for meat and certain time limits, which he fixed, for other commodities; he was willing to concede that cold-storage products once taken out of cold storage should not be taken back; he was not willing to report daily receipts and withdrawals; he was not willing to handicap his business with labeling or branding as to the time that the goods have been in cold storage, because he felt "quite sure it would mislead the public."

In the hearings before Senator Heyburn's committee, that committee in its report paid no attention to the packers. The packers would not come; and I want to say right here to this committee, if there are any members of the committee here, that I do not think this committee ought to pay any attention to any man who has anything to say about this subject unless he is willing to come before the committee and subject himself to cross-examination. [Applause.]

We have had too much private information given, like this that Mr. L. F. Swift undertook to give to this committee. After he had gotten it all worked out in that way, he sidestepped it—to use a slang expression—and after he had done that, here is what he said. He said the reason he would not give any information was because it might mislead the public. If they put brands or labels on these goods, it would mislead the public. If they told them what time the goods went into cold storage, it might mislead the public, according to Mr. Swift. When he had said that, here is what he said, quoting from his letter:

Senator Heyburn seems to be a very reasonable man, of great business experience, and I think will be very fair.

Down South, where I come from, we have frequently felt very unkindly toward Senator Heyburn, because of some unkind expressions that he has used about our people. I want to say, though, that I do not believe any man south of Mason and Dixon's line has ever said as unkind a thing about Senator Heyburn as is insinuated in this letter from Mr. L. F. Swift, of Chicago. I want to say in honor of Senator Heyburn's mem-

ory that he examined into this question faithfully and well, and has made a report that I think it would be well for the Committee on Interstate and Foreign Commerce to adopt in its entirety. I say that in all respect to the memory of this great man; and he certainly showed that he was a great man in the management of this matter.

Now, what about the power of Congress to regulate it? There is no doubt about it. It is right along the lines of the pure-food law. It is properly within the commerce clause of the Constitution.

It is going to be said by these packers and cold-storage men, who are coming here before this committee, that this is a State matter; that the States ought to regulate this matter; that it is a local question. Yes; and when they go before the State legislatures they say just the opposite. They go before the State legislatures and say, "We must have a uniform law; wait and let the United States Congress pass a uniform law that we will all know about and that we will all respect and about the enforcement of which there will be no doubt."

In other words, when the bills are before the State legislatures they say it is a national question, and when they are before Congress they say it is a local question for the States. I say that this Congress ought to pass a law without regard, not to the rights and interests of bona fide middlemen, but without regard to those who are gambling in the necessities of life.

Now, the only real argument I have heard against this bill is this: They say the cold storage is a great conservator of the foodstuffs of the country. That is absolutely true, provided it is honestly and intelligently conducted, where the products are scientifically stored and taken out and marketed and branded, so that the public may know how long they have been stored, and not to keep them beyond the period when they become unwholesome.

To illustrate what I am trying to drive at, I want to read to the House a letter to show what the other side claim about it.

Mr. MURDOCK. Of course, the gentleman intends to emphasize the necessity of uniform laws, does he not?

Mr. McKELLAR. I do.

Mr. MURDOCK. Can we have that under State regulations?

Mr. McKELLAR. We can not, only under Federal regulation. Now, I want to refer again to eggs, as they seem to be most in the public mind, and which will serve as an illustration to what I am trying to say. I want to read from a recent statement from the Produce News, the same publication I spoke of awhile ago, as it presents a condition I had no idea existed.

SILENT JIM IS HAPPY—WETZ THINKS HE AND MORAN ARE JOSEPH AND PHARAOH.

NEW YORK, *November 21.*

In a letter to the News from Chicago, under date of November 3, James E. Wetz, that indomitable speculator in eggs, writes: "The egg game is certainly getting to be a hummer, and the price will go higher than you ever saw it in your association with the produce business. I started in the other day and sold 21 cars and could make but $840 per car, so I concluded to wait until the trade thought better of the game and would pay more money. You remember several years ago when Joseph and Pharaoh had all the corn there was in Egypt; that when they made pilgrimages to get corn of Joe and Pharaoh they soaked them. That's what the trade is going to get from us when it is necessary for them to have a few eggs for their breakfast and custards for their dinners. It has been said the other fellow should be considered, but from the treatment that the other fellow has given me when he had the best of it has so embittered me that now since the opportunity presents itself I am going to fatten the grudge I have borne him for these many years."

In another paragraph Mr. Wetz says that he is very thankful for those who prophesied disaster early in the summer, causing the weak sisters to close out as soon as they could get a margin of profit. Closing the letter he says: "We shall not sell another car of eggs until they make $1,200 a car. When the deal is over (and there is nothing left now but the shouting) it will be the biggest deal that was ever pulled off in the United States. We have taken the chance all along to be laughed at or laugh at the other fellow, and now it looks as though he would get the laugh in great shape."

Gentlemen of the House, I want to say right here that there was a million more cases of eggs produced in 1913 than there was ever known in the history of this country before, according to the statistics furnished me from New York. That means 30,000,000 dozens of eggs more this year than ever before, and the price was and is away beyond anything that has ever been before.

What do we find? When every housewife in this country, when every man who has to pay the bills for his daily sustenance in this country, is complaining at these extortionate prices of eggs, we find a gambler in the market place of Chicago laughing at the other fellow and sending the price of eggs skyward. Now, he could not do it, this gambler could not send the price up in such a way, if it were not for the unjust and unfair and, I may say, the unlawful use of cold storage.

Mr. DIES. Will the gentleman yield?

Mr. McKELLAR. I will yield to the gentleman from Texas.

Mr. DIES. The gentleman will understand that eggs that have never been in cold storage reach prices beyond those that have been in cold storage.

Mr. McKELLAR. Of course.

Mr. DIES. Does the gentleman know of any instance where the price of cold-storage eggs went as high as those of fresh eggs that have never been in cold storage?

Mr. McKELLAR. I do not know of my own knowledge, but I was told by a gentleman in the House within the last hour that there are so-called egg producers in the neighborhood of Washington who come here and buy eggs from the cold storage, label them "fresh eggs," and sell them to the people of Washington as and for fresh eggs.

Mr. HAMLIN. Will the gentleman yield?

Mr. McKELLAR. Certainly.

Mr. HAMLIN. Does not the gentleman believe that if we could control the price of cold-storage eggs, that it would control the price of eggs that are not put in cold storage?

Mr. McKELLAR. It would, in the periods of scarcity, in October, November, and December, which everybody knows is the scarce period in the production of eggs, it would equalize those prices against the outrageously low prices in April, May, and June.

Mr. DIES. Does the gentleman mean between those who produce eggs and those who use eggs?

Mr. McKELLAR. Quite the contrary. If the gentleman had examined the statistics he would not have asked that question. The population in the United States has increased in the last 10 years 21 per cent, and the production of eggs has increased 23 per cent.

Mr. PLATT. Mr. Chairman, will the gentleman yield?

Mr. McKELLAR. Certainly.

Mr. PLATT. Is it not a fact that there are less eggs in cold storage by a considerable number of thousands of cases now than there were last year at this time?

Mr. McKELLAR. In the last few days it is claimed from the New York office of the Produce News that there are several thousand cases less at this time than at the same time last year, but as a matter of fact there are more cases of eggs that have gone into cold storage this year than ever before.

Mr. PLATT. But they have been sold before this time?

Mr. McKELLAR. Quite the contrary, and that is where the gentleman is wrong again. Of course the gentleman understands that this is largely informal, and interferes very greatly with the continuity of my speech, but I think we can get more good out of it this way. It is absolutely undisputed that the scarce period of eggs is October, November, and December. That applies from the 25th of November until the 8th of December. It would be absurd to single out the time between the 25th of November and the 8th day of December and say that thereupon the hens began to lay. No appreciable amount of eggs has been produced within that short period, and yet since this agitation about cold storage has started——

Mr. PLATT. The pullets have begun to lay.

Mr. McKELLAR. Yes; that is exactly what they have not done. This is the buncombe of the cold-storage people. The price of fresh eggs has gone down 6 cents since the 25th of November, and the price of cold-storage eggs has gone down in proportion. Why? Because the supply is greater? No. It is because the people hear the hue and cry that is made by an outraged public from one end of this country to the other, and that has caused them to lessen the price that they fixed for the eggs.

Mr. SLOAN rose.

Mr. McKELLAR. In just one moment. I want to say right here that the other day when I dropped this bill into the basket I never dreamed that it would be taken up as a matter of great public concern. It never crossed my mind that the public would be so interested until the newspaper people began to ask about it.

Since that time I have received letters from women's organizations and from men and women from one end of our country to the other—stacks of letters, nearly every one, except from two or three traders in New York and Boston and Chicago—ratifying the provisions of the bill. I have received newspaper clippings from almost every newspaper of any size in the country, and, with the exception of two or three trade papers, every news item and every editorial demands the passage of a bill somewhat like this. I do not mean to say that we ought to pass a bill because there is public clamor for it, but what I do mean to say is that these newspapers, these people throughout the country, know what the conditions are, and they are simply saying what they know to be the facts, and they need a remedy. I yield now to the gentleman from Nebraska [Mr. SLOAN].

Mr. SLOAN. Mr. Speaker, in the numerous letters and telegrams that the gentleman has received in favor of this bill, has he received any from the producers of eggs who favor it?

Mr. McKELLAR. Yes. I am sorry I can not read it to you, but I have one from Savannah, Ga., which I received this morning. That man said that he was at Morristown, Tenn., which is in one of the greatest egg and poultry producing districts in the country, last spring. He said that he found there eggs selling from 6 to 8 cents a dozen, and that that price was fixed by the agents of the combination. There were a number of agents, a number of concerns represented there in Morristown, and one of the agents would state what price would be given every day, and the producer could not get any more for his eggs than this agent fixed. He could not sell them anywhere except at the price fixed by the agent. That is the kind of effect it has on the producer.

Let me say right now that the object of this bill is, first, for the protection of the producer who produces these foodstuffs—and I am merely using eggs as an illustration—and, next, for the great body of the consumers, both as to health and pocketbooks. In the next place, no bill should be passed that is not absolutely fair and just to the middle man who stores the eggs. So far as these gamblers—like this man Wetz, who it is alleged has made over $300,000 in this corner of eggs recently in Chicago—these speculators and gamblers are concerned, Congress ought to see to it that they are put out of business for good and all, and that they be not allowed to speculate in the necessities of the life of every person in this country. [Applause.]

Mr. SLOAN. If the gentleman will permit just another question. As yet I have not heard from the gentleman of a statement coming from any producer of eggs who has been selling eggs at thirty-odd cents a dozen throughout the United States for the last few weeks. I mean the immediate producers. They are not demanding any action.

Mr. McKELLAR. No, sir; I have not heard from any.

Mr. SLOAN. No; I think not. Let me ask this question——

Mr. McKELLAR. Just one moment. I will say to the gentleman that the producer of eggs in October, November, and December is really almost a negligible quantity, for the reason, if my recollection serves me right, there is only about one-tenth of eggs produced in those months of the amount actually consumed. I want to say to the gentleman right now I have no doubt that these cold-storage people and packers will get some producer who happens to have a few eggs in those months to come up here and say it is a great hardship on him; but at the same time if this bill passes, while it may lower the price of fresh eggs in the fall it will raise the price of the same kind of eggs to the producer in the spring of the year. In this way matters will be evened up for the producer.

Mr. SLOAN. One further question and I will be through. I see the gentleman's point, so far as the health and preservation of food and all of that is concerned, but what is the necessity, so far as the lowering of the price is concerned? I thought we settled all that lowering of price when we cut the tariff on eggs in this country.

Mr. McKELLAR. Well, the gentleman has undertaken to introduce politics, and I will answer right here and now. I do not claim that this bill is a panacea, and I do not think that anybody ever claimed that the tariff bill was a panacea for all of our ills. The Democrats have ever said that the tariff was the mother of trusts, and you gentlemen have kept it in operation so long in this country that the old sow has got a number of pigs nearly as strong as the old sow, and the result is that we have got to curb the pigs a little. [Applause on the Democratic side.]

Mr. WILLIS. This is an egg bill, not a pork bill.

The SPEAKER pro tempore (Mr. Cox). The time of the gentleman has expired.

Mr. TOWNSEND. Mr. Speaker, I ask unanimous consent that the gentleman may be permitted to conclude his remarks.

The SPEAKER pro tempore. The gentleman from New Jersey asks unanimous consent that the gentleman be permitted to conclude his remarks. Is there objection? [After a pause.] The Chair hears none.

Mr. PLATT. Is it not true that since cold storage has come into operation the price of eggs in the slack period, or portion when they are mostly laid—April, March, and May—has been greatly increased, and the farmers have gotten more for their eggs at that time than ever before?

Mr. McKELLAR. I think not.

Mr. PLATT. I think they have.

Mr. McKELLAR. I think the record will show that I am right. I am glad the gentleman presented that matter, because of another statement I want to make right here. We find that all the statistics about eggs—here are two books of them, and I have numbers of other books in my office which give statistics of eggs and egg prices—are all about the prices of the dealer. There is not a word said in any of these investigations I have been able to find as to the effect on prices paid to the producer and none about prices charged to the consumer. In so far as these investigations are concerned, except one carried on by Senator Heyburn, they have dealt with the project entirely from the standpoint of the dealer or the packer or the cold-storage man and not at all from the two great classes of people who ought to be examined about, and that is the producer and the consumer of the product.

Mr. PLATT. I would like to say to the gentleman that I represent an egg-producing district, and where the farmers in my district used to sell eggs at 10 cents a dozen they now get from 18 to 20 cents always and never get less.

Mr. SWITZER. And the same with my district.

Mr. McKELLAR. I think the gentleman will find on examining into the facts that his 20 cents a dozen eggs come along only occasionally in the fall and that in the spring 20-cent eggs are few and far between.

Mr. PLATT. Now they are selling eggs for 50 cents a dozen.

Mr. WILLIS. I was very much interested in what the gentleman says, and I have not been able to read his bill——

Mr. McKELLAR. I will send the gentleman a copy.

Mr. WILLIS (continuing). And I would like to hear the gentleman explain what is the storage period for eggs provided for in the gentleman's bill.

Mr. McKELLAR. The storage period as provided for in my bill is this: There is an absolute period of three months, because Dr. Harvey Wiley——

Mr. WILLIS. What does the gentleman mean by "absolute"?

Mr. McKELLAR. I will explain that in a minute. As I have stated before, Dr. Harvey Wiley and his assistants went down here to Center Market and rented space. They got the very best quality of eggs and put them in cold storage scientifically. They saw that they were sound, and they put them in under the most favorable conditions, and at the end of three months they took them out. They had a jury to eat those eggs and to eat the eggs that were fresh to determine which ones were cold-storage eggs and which ones were not. The result of the first experiment was that most of the jury were unable to tell which were cold storage and which were not.

Then he let other eggs stay in cold storage for a period of six months, and he again took that jury down there. The greater portion of the jury very easily determined those that were cold-storage eggs. But the doctor testified, and others testified in like manner—and, by the way, Dr. Wiley, judging from his testimony, certainly is a man who knows what he is talking about, and I commend his testimony to anyone who wants to investigate this subject—he testified then that he put them in for nine months and had a jury to pass on them, and practically no member of the jury had any doubt about which were cold-storage eggs and which were not. At the end of the six-month period, however, most of those eggs were good. They were wholesome so far as being a food product was concerned. They had deteriorated in some ways, but still, so far as the doctor could determine, they constituted wholesome food.

Now, anyone who has studied this subject knows that in the months of April, May, June, and in July to a large extent—and a great many eggs are produced in August and September, because of the various latitudes of our country, and this is a question of latitude to a very large extent—anyone who has studied this subject knows there is an overplus in the production in those months and a great scarcity, as I have said, in October, November, and December. In January comes the great bulk of southern eggs from Texas and other places, which makes it about even. Everybody knows it is a great benefit to the country to be able to keep eggs long enough that are produced in periods of plenty and carry them over through periods of scarcity. In theory it is all right. Under proper restrictions it is all right, but the result has been that eggs are improperly stored in the spring or summer time without any restrictions, as it is now, and for an unlimited period. These gentlemen are allowed to put the eggs on the market when they please, cold storage eggs for fresh ones, without any regard to the length of time they have been in cold storage, whether eight months, nine months, a year, or even two years, and that is where the abuses come in. So this bill, following to some extent Senator Heyburn's bill, but going further than his bill, provides this, that for the first three months these eggs are not to be held as adulterated. They can then be examined, and, if found sound, a second-period cold-storage egg of four months is permitted for those sound eggs. But in order that the consuming public may be protected under the provisions of this bill, every basket, or carton, or box containing these eggs, and the eggs themselves, if the Department of Agriculture so demands, shall be stamped, showing when they were put in cold storage and showing

whether they are second-period cold-storage eggs or whether they are the first or genuine cold-storage eggs.

I want to say this—and this is based not upon scientific investigation but upon actual experiment: Why should not the American people be protected? Just ask yourselves. There is not any trouble about conservation of foodstuffs under the terms of this bill, because the limit of the bill goes over the whole thing; but, as a matter of right and as a matter of justice to the consuming public, ought it to be permitted to buy what is really sold to them? Ought these dealers to be allowed to go over the country and sell the cold-storage eggs that are six months or a year old as fresh eggs? I do not believe so.

Mr. MURDOCK. I would like to ask the gentleman if there would be any way of protecting a consumer in that respect save by marking each individual egg?

Mr. McKELLAR. Certainly; why not?

Mr. MURDOCK. By marking a case of eggs, would not that mean a mixture of eggs?

Mr. McKELLAR. If the gentleman will read my bill, he will find whenever they are put out for sale the seller is obliged to state to the purchaser what kind of eggs they are.

Mr. MURDOCK. That would not reach the man who actually consumed them. He is the chief object of charity.

Mr. McKELLAR. I will say this to the gentleman, that I believe that is true, and if he can devise some method by which it can be carried even further, so as to go right up to the consumer, I shall be glad to accept the amendment to my bill.

Mr. MURDOCK. I hope the gentleman in this legislation will not repeat the farce we have now under the guaranty of pure food and drugs. I hope that some remedy can be found to protect the actual consumer, who does not actually buy the eggs, but buys them after they are prepared at the boarding house and similar places. [Laughter.]

Mr. McKELLAR. I will do all I can in the direction the gentleman indicates.

Mr. TOWNSEND. Mr. Chairman, will the gentleman yield?

The CHAIRMAN. Does the gentleman from Tennessee yield to the gentleman from New Jersey?

Mr. McKELLAR. With pleasure.

Mr. TOWNSEND. I have no doubt that the gentleman from Tennessee has actually a clear distinction in his own mind between public warehousemen and the owners of private refrigerating plants, but he sometimes used the terms interchangeably—public refrigerators and packers. My information is that the owners of public cold-storage warehouses, where anything from furs and rugs to eggs and fruits and beef and poultry and anything else is stored, are never to any extent—certainly not in my own community—dealers in those products. They are merely the warehousemen. The gentleman has sometimes used the terms interchangeably, and I wanted to make that observation.

Mr. McKELLAR. The gentleman has made some very interesting observations, and if he and others who have questions to ask will permit me to go on now I will yield to them later. I wish now to respond to the implied question in the statement of the gentleman from New Jersey [Mr. TOWNSEND]. I will confess that there is a great deal of difference with respect to various products. Take eggs, for instance. I will use that as an illustration, because it is the best illustration we have, applied to these matters, and my bill applies to them all.

It is claimed by some that the packers now control only about 35 per cent of the cold-storage plants in the country and that these warehousemen that my friend from New Jersey speaks of control the remainder. I am informed by the Department of Agriculture that that is not correct. I am informed that the packers control about 55 or 60 per cent and that the warehousemen control about 40 or 45 per cent.

Mr. TOWNSEND. They store that amount.

Mr. McKELLAR. The officials of the Agriculture Department say this, that they have never had any trouble about getting information as to the receipts and deliveries and prices and various things of that kind that they have asked of the warehousemen, but that they can not get such information from the packers.

Mr. TOWNSEND. And they come forward for investigation?

Mr. McKELLAR. Yes. Some of the warehousemen claim that they court investigation. I do not know how that is, but we shall find out when we have hearings on this bill. On the other hand, they say that the packers are to blame for these high prices. I want to read right here a letter which I recently received from an editor who recognizes the question which the gentleman from New Jersey [Mr. TOWNSEND] has asked inferentially in a splendid way. He says this, in a recent letter to me:

> The latest statistics on eggs produced in the United States places the total amount at 40,000,000 cases, at 30 dozen to the case. These statistics cover 1911, and it is safe to add an increase of 1,000,000 cases for 1913, making a total of 41,000,000 cases. At 10 per cent going into storage, this would mean the storing of 4,100,000 cases.

He further stated that the Warehousemen's Association of the United States, consisting of 43 of the principal warehouses of the United States, carried 70 per cent of all eggs held.

Now, I am informed by the Agriculture Department that this is incorrect, and that the packers probably carry 55 per cent of the eggs held, and the Warehousemen's Association of the United States carries about 45 per cent of eggs held in cold storage. Thus it will be seen that the main supply of eggs in the time of scarcity is controlled by 43 associated warehousemen and by the meat packers.

Everybody knows that the meat packers are bound together by a tie that has not yet been broken, and if these warehousemen do not stand together, why is it they have formed an association? If they are permitting the principles of competition to go on, why is it necessary for them to organize? The answer is plain. They want to get these eggs in the spring and summer at the cheapest price possible. It is fair to assume that they have done just what every association has done—divided the territory in which eggs are produced, so as to prevent competition in buying, and then when they get the eggs in their warehouses they boost the price for their own benefit and sell when they concur the time is ripest.

There is no absolute proof about this matter, but the high price of eggs in the face of the greater production than ever before, according to the statement of Mr. Preston, is indicative that there is some understanding or agreement in reference to this prime necessity of life. But, according to Mr. Preston, who, in effect, represents the warehousemen, the warehousemen are not guilty, but the packers are. I quote again from his letter:

> One reason for the high price of eggs is the persistent buying of eggs by the meat packers, who it is believed will eventually control the egg business, as they do the meat trade. In every section of the country the greatest competition to the ordinary commission merchant are the speculators and the members of the meat combine.

This is the warehousemen's spokesman that is now talking. He says further:

> Swift, Armour, Morris, Sulzberger & Sons, and all the meat packers ran the price of eggs higher than ever before, and their holding and persistence in keeping the prices up has had much to do with the present stringency in the market. Eggs which cost the meat combine from $2 to $3 a case are being sold by this combine from $7.50 to $9 a case. The meat combine is operating extensive distributing plants in nearly every city of importance and charging the consumer the present high price of eggs that cost them less than half when originally stored. Eggs, as a rule, are gathered from the farmers by hucksters who are employed by the packers for that purpose.

Now, the situation is this: That the warehouseman says the packers are controlling the purchase price, and that they are controlling the selling price of eggs. They call them gamblers, and say that they, the packers, are going to take the entire business away from them; and I have no doubt that if we are ever able by the processes of this House to get Messrs. Swift and Armour and these other packers before us here, if they testify, they will be only too glad to lay the blame on the warehousemen.

Mr. TOWNSEND. If the gentleman will permit me——

Mr. McKELLAR. Yes.

Mr. TOWNSEND. A little investigation will show the gentleman that the writings from which he has read refer to warehousemen who are dealers and who have warehouses. That does not refer to the owners of public storage warehouses, who have no control whatever over the food products entered for storage.

Mr. McKELLAR. The gentleman is entirely correct about that.

Mr. TOWNSEND. I wanted to make that distinction.

Mr. McKELLAR. The gentleman is correct about that.

Mr. PLATT. Now, will the gentleman yield for a question?

The SPEAKER. Does the gentleman from Tennessee yield to the gentleman from New York?

Mr. McKELLAR. I do; and I owe the gentleman an apology for not yielding sooner, as he has been standing with a question in his mind for some time.

Mr. PLATT. I want to know how you are going to put down the price in December, when all the best eggs are stored in April and May, and your bill provides that they must be sold within seven months of the time they are stored, and so must all be sold before December?

Mr. McKELLAR. Many eggs are stored in June and July as well as in April.

Mr. PLATT. The best ones are stored in April.

Mr. McKELLAR. And if the best ones are required to be sold within three months you will find that there will more of them be stored in the months of August and September instead of earlier in the season.

Mr. PLATT. They will not be stored, because there are none to store them. They are consumed as fast as they are laid.

Mr. SWITZER. Will the gentleman yield for a question?

Mr. McKELLAR. Yes.

Mr. SWITZER. Does the gentleman think that eggs in any considerable quantity have been bought by dealers in eggs in the last year at 6 cents or 10 cents a dozen?

Mr. McKELLAR. I have this statement from the editor of the Produce News in New York.

Mr. SWITZER. I should like to know the place where they are buying them at any such price.

Mr. McKELLAR. I will give you his name. The man who makes this statement is H. L. Preston, whose address is the Produce News, New York City. I have his letter here, and I shall be glad to have the gentleman read it. While I am talking to the rest of the Members, if the gentleman will take the letter and read it I shall be very glad. I have this man's statement in black and white, and he ought to know.

Mr. SWITZER. From what point do they obtain eggs at that price?

Mr. McKELLAR. He did not say.

Mr. SWITZER. I guess not.

Mr. McKELLAR. Here is the letter [handing Mr. SWITZER the letter].

Mr. PLATT. I venture the prediction that if you pass this bill you will make the price of eggs a dollar a dozen in December.

Mr. McKELLAR. I differ with the gentleman. They were never a dollar a dozen, even when there was no such thing as cold storage dreamed of. We have only had cold storage for the last 40 years, and for eggs only the past few years; and prior to that time, according to the published prices, eggs never went up that high in December, when we did not have them at all—when they could not be carried over.

Now, I think this matter of cold storage ought to be probed to the bottom. We have practically got the proof before us.

The packers say that the warehousemen are the real offenders, and the warehousemen say that the packers are the real offenders, and I think we ought to find out who the real offenders are. It must be between them, because they control prices and they control the quantities of eggs. Cold storage gives them a peculiar power, because it is very inexpensive. If they undertook to keep poultry, for instance, that they had to feed and care for, it would be an expensive matter, and they could not do it, but with cold storage they can simply freeze it and keep it there indefinitely at a practically nominal cost.

Mr. BOOHER. Is it the gentleman's opinion that eggs would be lower than they are now if there were no cold storage?

Mr. McKELLAR. I think not.

Mr. BOOHER. Would they be higher?

Mr. McKELLAR. They would, at certain seasons of the year, be very much higher, and at other seasons very much lower.

Mr. BOOHER. Is it the gentleman's opinion that eggs would be lower right now if we had no such thing as cold-storage eggs?

Mr. McKELLAR. I believe, from my examination of this subject, that if there was no such thing as cold storage, and no speculators to influence the market, eggs would not be any higher than 60 cents a dozen, which they are now.

Mr. BOOHER. Is it not the gentleman's opinion that if there was no cold storage there would be no eggs at all and no market for them?

Mr. McKELLAR. Quite the contrary, because they sold eggs in the months of October, November, and December prior to 1870. As a matter of fact, until about 1900 there were no eggs held in cold storage, and yet we find prices much lower before that than they are now. They ought to be lower with cold storage than without, and would be if cold storage was honestly conducted. We find no such prices in the months of November, December, and October when there was no such thing as cold storage, when we had to depend on the supply of the hens in that time of year—no such prices as they are to-day.

Mr. BOOHER. Mr. Speaker, will the gentleman yield?

Mr. McKELLAR. Certainly.

Mr. BOOHER. Are there any eggs in the market at all to-day except cold-storage eggs?

Mr. McKELLAR. How could there be cold-storage eggs on the market prior to the time of cold storage?

Mr. BOOHER. I ask the gentleman if there are any eggs in the market now, to-day, at this time, except cold-storage eggs?

Mr. McKELLAR. Oh, yes, a great many; a great many eggs are produced in October and November and December.

Mr. BOOHER. But not to any great extent.

Mr. McKELLAR. Yes; to a considerable extent.

Mr. BOOHER. If you take the cold-storage eggs out of the market, does the gentleman think it would not create a scarcity and make the price of eggs higher?

Mr. McKELLAR. If cold storage is regulated, it will reduce the price. If you are going to put this instrument of cold storage into the hands of the speculators and the gamblers, they are going to keep the price of eggs up, because it is for their interest; they are going to buy cheap and sell high.

Mr. BOOHER. I am not trying to put them into the hands of anybody; I am just trying to get the gentleman's idea.

Mr. McKELLAR. I understand; but I want to say that these egg manipulators have got the eggs in their hands, and all they are trying to do is to hold them; they are willing to drop this matter. They are like the darkey that was charged with a serious offense and the judge said, "What do you want done with this case?" And he said, "I want to drop it right where it is." [Laughter.] That is the way with these storage people; they are not complaining, they have millions of dollars invested in cold storage, and they handle $3,000,000,000 worth of products annually in the country and make enormous profits. They are perfectly willing to drop the matter right where it is; they do not want any national legislation, and they do not want any interference; they do not want anything except to be let alone. I say, in all justice to my friend from Missouri, that if he will examine the statistics, he will find the price of eggs much lower in the three months of scarcity in the years when there was no cold storage than they are now with the immense supply of nearly 3,000,000 eggs in storage to-day.

Mr. PLATT. Does not the gentleman want the speculators to sell their eggs when they are high?

Mr. McKELLAR. I am frank to say that men like this man Wetz are blots or leeches on the body politic. Here is a man that corners the price, who is enabled to corner the price of eggs and hold them in cold storage, and when he gets the market cornered—one of the principal foodstuffs of the people—he laughs at the country; he laughs at what he calls "the other fellow," and makes every man, woman, and child in this country pay for what? Not for any honest effort or any honest labor on his part, but he sits around in the market of Chicago and has made a deal by which he makes $300,000 or $400,000 out of the price of eggs.

Mr. SWITZER. Mr. Speaker, if the gentleman will yield, I read from the letter which he handed me, this:

> It is impossible to tell what price the packer instructs his hucksters to pay for eggs.

Mr. McKELLAR. The matter I referred to is in another part of the letter.

Mr. SWITZER. In another part of this letter it says:

> Were it not for the fact that this 10 per cent of the product of the hen was put in cold storage and the great volume of production during the spring months, eggs would not be worth over 5 or 6 cents during that time.

But it does not say that they were bought at that price.

Mr. McKELLAR. Mr. Speaker, I will say to the gentleman what I said at the very outset, that this gentleman who wrote that letter to me is opposed to my bill, and was arguing against it, but he gave me the facts, which absolutely disproved his argument.

Mr. SWITZER. My question is, Where did he get the 6-cent eggs?

Mr. McKELLAR. It is in that letter there.

Mr. SWITZER. No; he says that they would be that if it were not for cold storage.

Mr. McKELLAR. I will read to the gentleman just what he says. The gentleman will have to indulge me for a few moment [taking the letter back from Mr. SWITZER].

Mr. SWITZER. I did not read the latter part of the letter.

Mr. McKELLAR. It is right in the first part. Here it is. I do not feel that I have made a mistake in respect to the matter. He says:

> In every section of the country the greatest competitors of the ordinary commission merchant or speculator were members of the meat combine. Swift, Armour, Morris, S. & S., and all meat packers ran the price of eggs higher than ever before, and their holding and persistence in keeping the price up has had much to do with the present stringency in the market. Eggs which cost the meat combine $2 to $3 a case are being sold by this combination as high at $7.50 to $9 a case.

Is this not just what I said was in the letter?

Mr. SWITZER. Where did he get them?

Mr. McKELLAR. He got them from the producer. Eggs that cost $2 to $3 a case, according to my arithmetic, would be 6⅔ to 10 cents a dozen, and they are now being sold, according to my arithmetic and this letter, from 25 to 30 cents a dozen.

Mr. FORDNEY. Mr. Speaker, will the gentleman yield?

Mr. McKELLAR. Certainly.

Mr. FORDNEY. Did the gentleman ever know a time in his life when eggs sold in this country for 6 cents a dozen. If so, he knows something that I never head of.

Mr. McKELLAR. Mr. Speaker, I was born and reared on a farm, and I have sold eggs myself at 5 cents per dozen at home.

Mr. FORDNEY. I never knew them to be sold for as low a price.

Mr. HAMLIN. Mr. Speaker, will the gentleman yield?

Mr. McKELLAR. Certainly.

Mr. HAMLIN. I simply want to ask the gentleman if he does not have in mind the price to the consumer, always?

Mr. McKELLAR. Always; and the price paid to the producer as well.

Mr. HAMLIN. What is the average difference in the price of the eggs paid to the producer and the price charged to the consumer?

Mr. McKELLAR. Mr. Speaker, I take great pleasure in again referring to the letter of this gentleman who is opposed to my bill, Mr. Preston, who says that the difference is from 100 to 200 per cent; that is, the difference between what the producer gets and what the consumer has to pay. We ought to be fair to the middleman, but we ought not to allow him by means of cold storage to reap an unfair and unjust profit. It is too much of a tax on the American people.

Mr. HAMLIN. If the gentleman will permit a moment, on that point I would like to say that there is a certain Member of Congress here, not myself, who is energetic and industrious, who tells me that he traced $5 worth of country produce, including eggs and butter, from a distance 25 miles out of this city, into the hands of the people who actually consumed that particular produce. The producers got $5 for it and the consumers paid eleven dollars and some cents.

Mr. McKELLAR. That is confirmatory of my statement.

Mr. AUSTIN. Mr. Speaker, will the gentleman yield?

Mr. McKELLAR. Certainly.

Mr. AUSTIN. I want to furnish my fellow standpat colleague from Michigan——

Mr. FORDNEY. A compliment, sir. [Laughter.]

Mr. AUSTIN. Some information as to the selling of eggs at 5 cents a dozen. Eggs sold for 5 cents a dozen in east Tennessee during the Cleveland administration when the Wilson tariff bill was in force.

Mr. FORDNEY. I can hardly remember back that far.

Mr. AUSTIN. In the last campaign I had present at a joint debate the largest produce dealer we had out there, and he confirmed my statement during that joint discussion that he had bought eggs at 5 cents a dozen from farmers in that county during that period.

Mr. McKELLAR. I sold them in 1883 and 1884, when Chester A. Arthur was President of the United States, at 5 cents a dozen, and afterwards bought them as a clerk in a country store at the same price—time out of mind—while Benjamin Harrison was President of the United States; so I do not see that any party in power governs the cost at all.

Mr. BOOHER. If the gentleman will permit, while you are talking about cheapness during certain administrations, I think we can prove by the gentleman from Nebraska and the gentleman from Kansas that during the Arthur administration corn was burned in Kansas and in Nebraska because it was cheaper than coal.

Mr. McKELLAR. That is not cold storage. [Laughter.] May I say this? Trade conditions have changed very much in the last 20 to 25 years in my memory. On the cotton plantations of the South we ginned our cotton and hauled the seed out in immense piles in the fields, there to rot year by year, and no other use was made of it, except for fertilizer and scarcely even for that. To-day the product of cotton seed and the by-products that come from it are worth in the neighborhood of $125,000,000 a year to the American people. There have been changes since then.

Mr. WILLIS. I do not like to interrupt the gentleman, but I want to get his opinion as one who has studied this carefully. In the gentleman's opinion, how would the enactment of this bill into law affect the price that is received by the producer? I am not looking for any politics, but I want to get at the facts.

Mr. McKELLAR. I am glad the gentleman asked that question.

WHAT OF THE PRODUCERS?

It is said the producers get the advantage of these high prices; that the producers of eggs, the producers of cattle, the producers of fish, all get advantage of these high prices, and if we legislate on this subject we are legislating against the producers. Nothing is further from the fact. Take eggs, for instance. I am told upon high authority that the average price paid the producer is about 12 cents; the middleman, under the present arrangements, gets all the profits. That this is true is shown by the wonderful profits that have been made out of the business; by the enormous increase of this cold-storage business in the last few years; by the enormous amount of capital that has been put in cold-storage products, as heretofore shown. It is a stupendous proposition, good in itself if properly carried out, but giving rise to the greatest evils when allowed to run regardless of restrictions.

All of us who have lived in the country know that the producers of eggs get, comparatively speaking, a very small price for them. Under the present arrangement the packers and the cold-storage association, or those who use the cold-storage warehouses, have their agents and representatives in every egg-producing community, and they buy up the eggs when they are cheap. They are indiscriminately thrown into cold storage, regardless of their condition, and held until the fall of the year, when they are sold at an enormous advance in prices, rarely less than 100 per cent and sometimes as much as 200 per cent.

Thus we see that cold storage which, if regulated, would produce incalculable good by conserving these food products, has been turned into an instrument of evil by permitting speculators and gamblers to fatten on one of the prime necessities of life. I have read a recent very excellent report on cold storage submitted by a committee of the Massachusetts Legislature. There are some remarkable statistics in this report. Wholesale prices of food products are given, but no retail prices and no purchase prices. In other words, the report has to do very largely with the case of the dealer, but has practically nothing in the world to say about the producers or the consumers. They compare wholesale prices in said report, but never have a word of comparison of the prices to the consumer or the prices to the producer. The object of my bill is to aid both the producer and the consumer, to limit the middleman to a reasonable profit, and to put the speculator and gambler out of business. I think of all the effrontery I ever heard of is the statement of Mr. Louis F. Swift, of Swift & Co., Chicago, in talking about the misleading effect of marking and tagging:

> We feel quite sure it would mislead the public, because some of our meats when put away in the season of prime quality will be better even though a month or two in storage than fresh goods put away that were not quite of so good quality.

If this statement is true, there could be no objection to marking or tagging. Marking or tagging the date of cold-storage meats just means that the purchaser knows what he is buying. It can not hurt him, and, if the seller is honest, it can not hurt the seller. What Mr. Swift intended to say was, instead of fearing that this marking and tagging might mislead the public, that he feared the marking might let the public know what it was buying, a fact that Mr. Swift, no doubt, and the other packers, desire to conceal.

In so far as the price of eggs paid the producer is concerned, I desire to quote the testimony of Mr. H. L. Preston, the editor of the Producer News, of New York, who, by the way, is opposed to my bill. In a letter to me he says:

> Eggs which cost the meat combine $2 or $3 a case are being sold by these combines as high as from $7 to $9 a case.

Now, $2 or $3 a case would be from 6 to 10 cents a dozen, 30 dozen being in a case, the selling price of the packers being from 25 to 30 cents a dozen. Can any producer say that when trade conditions in these products are such as here described that the producer is benefited?

But, says the cold-storage man, fresh eggs are now—in October, November, and December, months of egg scarcity—selling at enormous figures. Will you not hurt these producers? Why, not at all. How can regulation of the cold-storage product hurt the genuine fresh-egg industry? It might lessen the price during periods of scarcity, but it will make the price of fresh eggs more uniform during the whole year. I have also, as you gentlemen see—which I did not read, because it would take so much time—three very stringent antitrust regulations in this bill. Now, one of those provisions is aimed at this condition of affairs. Swift & Co., Armour & Co., and maybe the warehousemen who do business for themselves, send down to Kansas for eggs. Does your producer in Kansas fix the price of his eggs—taking eggs, for instance, again? Not at all; they do not fix it. These agents of these combines fix it, and this bill absolutely prohibits, not only by a fine but by imprisonment, the men who are guilty of it. Now the price in the various cities are fixed by the combines, and I have a provision in here against that.

I have a provision not only against an agreement but against the so-called gentlemen's agreement—directions, secret, open, expressed, or implied agreements—to fix the price of these food

products. And I want to say this, if you will let me make a prediction, and I am not a prophet at all, but I believe that the man in this House who votes against a reasonable regulation of food products kept in cold storage in this country and against these trust provisions which enforce the regulations is going to have serious trouble when he goes back home; and it does not make any difference to what party he belongs, for I find from my investigation that this country is aroused on this subject, and, after all, it is the people who spur us on and make us do right.

Mr. WILLIS. How does it——

Mr. McKELLAR. I want to say this——

The SPEAKER. The gentleman declines to yield.

PACKING BUSINESS OUGHT TO BE PROBED.

Mr. McKELLAR. Senator Heyburn no doubt, as seen in said hearings, did everything in his power to get testimony from these packers. They all treated him with contempt, treated this committee of the Senate with contempt, notwithstanding in making this examination he and it were representing the greatest and strongest Government on earth. The Government has had many bouts with these packers. It has gone to the courts with them many times, but sooner or later the packers have come out clear and free. No doubt they think they are stronger than the Government; otherwise they would not treat committees of Congress with this contempt or utterly disregard the plain rules of fair and square dealing. Doubtless their agents will soon be down here, when it becomes apparent to them that Congress means business on this cold-storage matter. I ask you, gentlemen, to bear in mind this prediction.

According to the testimony of these witnesses taken in these hearings 90 per cent thereof is controlled by the packers. Mr. Becker stated that 95 per cent or upward is held in storage by the packers themselves (p. 188).

The Government now says that the premises are sanitary and have inspectors for that purpose, but that is about all. Here are some one-half dozen or more concerns in Chicago controlling 95 per cent of the meats of the country. The public has no information whatsoever of how they manage their business. The Government practically has no control over them. They are not regulated. They defy the Government at will. They make no reports of receipts or deliveries of supply and demand. No one knows how they fix prices. Everyone believes they are in a combination; and yet, in this matter, which is probably the most vital matter to the consuming public, which is of vital interest to every man, woman, or child in the United States, the Government has no information, knowledge, or power in reference to this great source of food supply. I do not believe there is a reasonable disinterested man in this country who does not believe that Congress should pass a law supervising and controlling and regulating the business of meat packing and kindred subjects and the method by which this great system of food products is distributed to the consumer.

THIS BILL NOT DRASTIC.

It has been stated that this bill is drastic. This is incorrect. Its purpose is to be fair to the producer, to the consumer, and to the honest middleman. It is desired to bring about a wholesome, clean, up-to-date, cold-storage system, which will make for the more perfect preservation and distribution of our wonderful food supplies in all seasons of the year at reasonable and fair prices. Its provisions as to preparation of foodstuffs for cold storage are the result of scientific, expert, and actual experiments made by skilled and learned officers of this Government. Its provisions as to tagging, as to prohibiting cold-storage products from being re-stored, as to selling cold storage for fresh products, and, in part, as to time limits, are all based on laws of a number of States already passed or upon careful experiment and actual proof of expert witnesses.

The drastic features of the bill are only aimed at the corrupt and dishonest, at the gamblers and speculators, at the plunderbund of voracious vultures who stand around in the market places and reap where they have not sown and fatten on other people's food. This bill as to these people is drastic, and it ought to be drastic as to them. I do not believe there is a Member in this great House of Representatives of the plain American people who will stand up and defend any such plunderbund of food sharks.

Mr. FORDNEY. May I ask the gentleman a question just for information?

Mr. McKELLAR. Certainly.

Mr. FORDNEY. I am not disagreeing with the gentleman or agreeing with him.

Mr. McKELLAR. With pleasure.

Mr. FORDNEY. If the gentleman puts a restriction upon cold-storage plants that prevents them from purchasing eggs at a time when eggs are plentiful in the market, and there is a season of the year when eggs are plentiful and when they are scarce, are you going to aid or injure the man who produces?

Mr. McKELLAR. I am going to aid him.

Mr. FORDNEY. Are you going to aid him in getting a better price for his eggs when there is a surplus on the market by curbing cold storage which preserves them at a time when there are few fresh eggs on the market?

Mr. McKELLAR. We are going to aid him, if the gentleman will permit me to say.

Mr. FORDNEY. Surely; I asked for information.

Mr. McKELLAR. Whenever you fix and leave free the law of competition in the purchase of these eggs from the producer and put the man who fixes the price by combinations out of business, then you are going to increase the price at that particular time to the producer.

The effect of this bill, in my judgment, if the gentleman will permit me, will be to distribute and conserve the food products and to equalize the prices throughout the year. That is the object of it.

Mr. FORDNEY. Now, the principle of your bill, if it will do that, is a good principle, and makes it a good bill; but tell me how any man or set of men can control the price of eggs in a country town at a time of year when eggs are very plentiful on the market, when every merchant buys from every farmer, and every household has the privilege of buying from farmers on the street? Tell me how you are going to arrange the price then?

Mr. McKELLAR. I will just read what this gentleman says. I received this letter to-day. I do not know if it will answer the gentleman's query. He says:

SAVANNAH, GA., *December 6, 1913.*

Congressman McKELLAR,
Tennessee.

DEAR SIR: I spent the summer of 1912 in east Tennessee, between Mooresburg and Mooresburg Springs. I often saw the hotel people send to a near-by store and buy eggs at 14 cents, turkeys 10 cents, chickens 10 cents. The hucksters traveled through the country and bought from families and the cross-road stores their produce and hauled it to a near-by station and were met by the cold-storage men from Morristown, Tenn., who combined and bought it at a slight advance. They dressed the poultry and put everything in cold storage. Returning home in September, I stopped at Morristown and priced eggs from the cold-storage dealers and found them to be 23 cents. When I returned to this city they were 28 to 30 cents, and went on up to 35 and 40 cents, just what the cold-storage men chose to price them at. I am confident that you are right in placing the high cost of living to the cold-storage men, and that if you can restrict them to 90 per cent, or better still to 60 per cent, the bottom will drop out and the market will be governed by the supply and demand, as it used to be, and we will have legitimate prices on the necessaries of life. The supply is ample now, but the cold-storage plants restrict the offerings. By all means, control these cold-storage people, and thereby help the suffering poor throughout the entire country. There is no better illustration of the evil than is practiced at Morristown, Tenn. I beg to refer you to Mr. CHARLES G. EDWARDS, Member of Congress of first district of Georgia.

Very respectfully,

WM. B. STURTEVANT,
302 York Street West, Savannah, Ga.

Mr. FORDNEY. Taking it for granted that what he says is true, let me ask you this question: In April, May, and June, down in Tennessee and throughout the whole country, eggs are placed on the market which will not keep until September without being put into cold storage.

Mr. McKELLAR. That is correct.

Mr. FORDNEY. How is anyone going to control the price in April, May, and June unless they can keep those eggs until a later date when they are scarce in the market? It can only be done by cold storage?

Mr. McKELLAR. It ought to be done by cold storage. The only thing we want to do is to protect the consumer of eggs.

Mr. FORDNEY. I agree with you.

Mr. McKELLAR. Label them and show the consumer what he is buying when he purchases these eggs. We must act without fear or favor and without injustice or malice. The whole country has its eye on this Congress as to what it is going to do about this. There is no doubt about it. There is not any proposition that has come before this House in years that has so roused public interest as this particular one. I do not mean my people particularly——

Mr. FORDNEY. Is it the farmer or the consumer in the city that is aroused?

Mr. McKELLAR. I take it that the protest is from all classes of the people, because I know of no community in this country where the newspapers of the country are violating public sentiment. They nearly always photograph it rather than create it, according to my understanding. And I say that if there is nothing else but these publications, which have already done a great good, in my judgment, in bringing down the price of eggs and calling a halt on these monopolies, a great good has been done.

Mr. FORDNEY. I asked if those protests about high prices came from the producer or from the consumer in this country. I am asking for information and am not quarreling with the gentleman. A former Member of Congress made a statement once that he favored a law that would reduce the hours of a day's work from eight to six, and that law must be written. He said that he also favored a law that would increase that man's pay for a man's work, and that that law should be written. He said he also favored a law that would lower the cost and value of that labor. If I was the brother of a man who made that statement, I would disown him——

Mr. McKELLAR. I think I would, too.

Mr. FORDNEY (continuing). Because he is either a fool or a knave.

Mr. McKELLAR. Mr. Speaker, we must act without fear or favor, without injustice or malice. The whole country has its eye on this proposition and upon the attitude of Congress toward it. The noble women are organizing everywhere for the purpose of getting relief from unwholesome food and extortionate prices. The producer must be protected against combinations and trades and trusts which unjustly affect the prices at which his products are purchased from him. The consumer must be protected against rotten and unwholesome foods and against greedy "corners" which bring about extortionate prices. The careful conservation and distribution of all foodstuffs should be jealously guarded. The right of the honest middlemen to a reasonable compensation for the preservation and distribution of these foodstuffs must be scrupulously cared for. No injustice to any of these must be done. But the greedy speculator and gambler or violator of the law dealing in the necessities of life must be put out of business, even if he has to be put behind prison bars. We must not withhold the heavy hand of the law in the punishment of those who would fatten upon other people's hunger, or who would enrich themselves by extorting from honest toilers these extortionate prices for the prime necessities of life. [Applause.]

Gentlemen of the House, I thank you most cordially for your splendid attention and great interest in this question. Mr. Speaker, I ask unanimous consent to revise and extend my remarks in the RECORD.

The SPEAKER. The gentleman from Tennessee [Mr. McKELLAR] asks unanimous consent to revise and extend his remarks in the RECORD. Is there objection?

There was no objection.

Mr. McKELLAR. I wish to insert the following as an appendix to my remarks:

THIS BILL SECTION BY SECTION.

After making these general remarks, I now desire to take up the bill section by section and explain to the House as best I may its various provisions.

SECTION 1.

This section merely makes it illegal to ship adulterated and misbranded food products from one State to another. This is under the interstate-commerce clause of the Constitution, and need not be further dealt with.

SECTION 2.

Section 2 sets out in detail the periods in which the food products mentioned in the bill may be held in storage without becoming adulterated. I will take these up in their order.

Beef: The limitation for cold storage of beef is fixed in the bill at seven months. This is upon the following evidence:

Dr. Wiley, while not posing as an expert on this subject, thought four months was long enough to keep meats (p. 17). Mr. Murrell said three months (p. 28). Mr. Sinclair said six or eight months at the outside (p. 44). Mr. Webber, of Washington, D. C., said there was a deterioration of meats as shown by his experiments at the end of six months (p. 78). His experiments were made in the Center Market. Mr. Becker, who testified for the warehousemen, stated that beef in cold storage became rancid in eight or nine months (p. 186). Mr. Brownell, three or four months (p. 194). This was substantially the evidence before the hearings, and upon this evidence Senator Heyburn, unanimously supported by his committee, fixed the time at seven months, and I believe he was right about it.

Veal: The same general rules that apply to beef apply to veal, except that it is much more tender and much more subject to deterioration. Mr. Becker said, when asked about the time of cold storage of veal: "That is a detail that I would not be so well informed on. I do not think I would be qualified to answer that. I have seen veal in storage for long periods of time—I think as long as two or three months—that looked good. It is sound and healthful food if properly stored for four or five months." This is practically the only definite evidence about veal in the record, and Senator Heyburn places the limit at four months. I think, under the proof, this was entirely too long. I think the first statement of Mr. Becker, that he had seen it when it looked good as long as two or three months, was correct, and I have fixed the limit at two months in my bill. Possibly it ought to be fixed at a shorter period.

There is another reason why I have fixed it at two months. As we all know, the number of cattle in the United States has constantly been decreasing for a number of years, and one of the principal causes of this decrease is supposed to be the slaughter of young calves for veal. This looks like a very reasonable proposition, and I think, in so far as the time is concerned, we might well afford to err on the right side by fixing the time at a shorter period if we can thereby increase the number of cattle raised in our country.

Pork: Dr. Wiley was of the opinion that four months would be sufficient for meat (p. 17). Mr. Murrell said three months (p. 28). He did not have any objection to the four-months' period fixed by Senator Heyburn in his bill (p. 37).

Sheep and goats: Mr. Becker was of the opinion that sheep kept about as well as beef (p. 187). But other witnesses did not go this far, and Senator Heyburn fixed the time at four months, and it seems to me this is proper.

Lambs: Lamb was fixed at 3 months for the obvious reason the breaking down of the tissue would occur sooner in a lamb than in a sheep, just as the breaking down of the tissue of veal would occur more quickly than it would in beef.

Game and poultry: Game and poultry were fixed by Senator Heyburn and his committee at 3 months, and I have fixed the same period. Dr. Wiley testified as to experiments which he had made, and his account is very interesting. He and his assistants hired space in Center Market, which space was reserved solely for this use. He further testified:

> We make these determinations once every three months, supposing that was about the time when any changes which would be induced would be of sufficient magnitude to be discernible. The result of these examinations, briefly, are as follows: That at the end of the first three months the jury's verdict in regard to the taste of the articles was wholly unsatisfactory as to being able to discriminate between cold-storage bird and the freshly killed bird; about as many preferred the one as preferred the other. After a number of determinations of that kind on this, as well as other subjects, we came to the conclusion that there was no perceptible deterioration of flavor in the space of three months. In the second period of six months there was a very preponderating testimony in favor of the freshly killed bird, but there were still numerous instances where a juryman would select the six-months bird as being superior in flavor to the fresh bird, but there was a preponderating vote that we assumed from this fact that a considerable deterioration in taste had taken place at the end of the six months. At the end of nine months it was a rare thing for any man on the jury to make any mistake in regard to which was the cold-storage and which was not.

Mr. Gamble thought that poultry could be kept in cold storage for a period much longer than a year (p. 18). Mr. F. C. Cook, chemist in the Bureau of Chemistry, said there was a decided deterioration in six months (p. 61). Mr. Horne, of New York City, said it is the custom to carry poultry about four months in cold storage (p. 99). Mr. Mack said that poultry was usually carried in cold storage about six months (p. 236). This was, in substance, the evidence upon which the period was fixed at three months.

Dr. Mary E. Pennington, of the Department of Agriculture, says:

> The dictum of the warehousemen that there is no change in cold-storage poultry and that it may be kept for an indefinite period can not be accepted in its entirety. Both microscopic study and the taste of the cooked fowl confirm the fact that, microscopically, visible degeneration does take place.

Dr. Pennington further says:

> Although it is impossible to obtain exact statistics on the subject, it is estimated that approximately from 75 to 90 per cent of the poultry produced in the United States is for a longer or shorter period preserved in cold storage. While the number of ducks, turkeys, and geese is by no means small, chickens, of course, are greatly in the majority, and from the appearance of the cold-storage warehouses in our large cities it would seem to be almost a matter of routine that every chicken intended for market should sojourn there for a certain, or rather an uncertain, time.

Dr. Brownell said their time for cold storage of poultry was three or four months (p. 195).

Fish: As to fish, Mr. Field, the attorney representing the New York Wholesale Fish Dealers' Association, thought fish could be kept indefinitely. Lawyerlike, Mr. Field did so much talking that I hardly know what he did say about fish, except that it could be carried indefinitely, which does not mean much (p. 216).

Mr. Mack said there was no change so long as covered with ice (p. 242). Mr. Worden said nobody kept fish in cold storage any longer than they had to (p. 248). Mr. Prankard said fish would keep from three to nine months.

Everybody knows that fish deteriorate very rapidly, and inasmuch as they can be caught at any time of the year and are distributed all over the country, I think, probably, we have

made a mistake in making the time three months. There is more poisoning from eating fish than any other food product, and I think we ought to be very careful. Senator Heyburn and his committee fixed the time at three months. I believe it ought to be fixed at two months.

Eggs: We now come to the most talked of of all food products to-day. Likewise, there are more differences of opinion as to how long eggs may be kept in cold storage. It is likewise a most difficult proposition, because of the following facts: In February, March, April, May, and June the production of eggs tremendously exceeds the consumption. To illustrate what I mean, in those months the various cities receive probably four or five times as many eggs as they can consume. It is true that because of this glut of the market eggs are placed in cold storage. Now, the contention of the egg dealers is, if they can carry eggs in cold storage only three months, and would have to quit putting them in cold storage in June, that by the latter part of September the cold-storage supply would be out, and there would be an absolute dearth of eggs from October until January, because there are comparatively few eggs laid during these months. It is further claimed that eggs put in cold storage in hot weather, as in the latter part of June, July, August, and September, do not keep as well. I do not believe there is any reason for this latter contention, except they are not as carefully examined before putting in cold storage as they should be. If they are good eggs when put in cold storage, weather conditions could not have any effect on them, for they would remain exactly the same for a period of at least three months under this testimony. Senator Heyburn and his committee fixed the period in which eggs may be kept in cold storage at three months. Realizing there is more force in the contention of the egg dealers I have modified Senator Heyburn's provisions by exceptions to this effect:

"That eggs held in cold storage not less than 3 months, or more than 7 months, may not be classed as adulterated, if they are, upon inspection, sound and wholesome and are stamped or labeled as follows: 'Second period cold-storage eggs.'" I believe that the period of 3 months with this proviso will bring about equitable and just distribution of the egg supply throughout the 12 months of the year, and at the same time give to the consuming public wholesome eggs and cheaper eggs. As it is now no consumer knows or very few of them at any rate know whether eggs that he buys are fresh eggs or cold-storage eggs. It takes an expert to tell. Cold-storage eggs are sold in every season of the year. We have no statistics on them. No reports are to be found. No information is furnished by the dealer or the storage houses. We know that the egg supply has increased faster than the population up until the last two or three years. We have not been able to get the figures for the last two or three years, but there is no reason to believe the supply of eggs has decreased. Mr. Preston says it has decreased. On the contrary, we believe it has increased, and yet prices have steadily gone up. The only possible reason for this is that the prices have been manipulated.

Butter: The consensus of opinion is that butter can be kept in a fairly good state of preservation in cold storage for three months. Some witnesses testified that it can be held longer, some for a shorter period. After hearing all of the testimony Senator Heyburn and his committee unanimously reported upon a period of three months, and I think they were practically correct, and have so provided in my bill.

SO-CALLED EVIDENCE OF PACKERS NOT CONSIDERED.

I have not considered the statements of the packers to any of this matter for the reason I do not believe the statements given in the way they are given and under the conditions which they were given is worthy of belief or consideration. If these packers wanted the public to know the facts and wanted the public to know the truth, they would not object to appearing before the committee of Congress and stating the facts.

I want to suggest right here that I hope the subcommittee will require every packer or dealer who wants to be heard on this bill to appear in person and submit to cross-examination.

ARTICLES TAKEN FROM COLD STORAGE NOT ALLOWED TO BE RETURNED TO COLD STORAGE.

The evidence taken by the committee of the Senate was practically unanimous that when any of the above-mentioned articles of food had been frozen, or in cold storage for any period of time and taken therefrom, the process of deterioration was very rapid, and more rapid than it would be at first, and consequently it was improper to permit such articles to be restored to cold storage. It was shown by the proof that vast quantities of poultry, for instance, were taken from cold storage just before Thanksgiving and the Christmas holidays, and after each of said holidays the left overs were restored to cold storage. All the witnesses condemned this practice except the packers, and they need not be considered for the reasons heretofore stated.

SECTION 3.

Section 3 provides for the labeling of all articles of food or the package containing it; such labels to correctly state the time of production, killing, packing, or manufacturing and the period of time the article has been held in cold storage. This is the subject about which the witnesses disagreed, a majority of them, however, being of the opinion that these labels were right. A number of them claimed that it would be expensive. The packers, especially, made this claim. An expert as to the cost, however, was produced and it was shown that it could be done for a practically inconsequential cost. Mr. Carlin H. Reeves, of Chicago, the manager of the B. F. Cummings Co., of that city, manufacturers of perforating machinery, showed that his concern manufactured machines that would make the cost of labeling practically inconsequential.

SECTION 4.

Section 4 is a subject of more interest, as it provides broadly that no adulterated or misbranded food products shall be sold or offered for sale in any State of the United States when it is or intended for interstate commerce or territory or possession thereof. Of course the provision is good in so far as the District of Columbia and the Territories and possessions of the United States are concerned, but I have not yet had time to examine the constitutional question whether it is good under the Constitution without regard to the commerce clause; that is to say, whether it comes under the general-welfare clause governing the welfare of the country.

SECTION 5.

Section 5 provides that if packages containing food products shall be broken the seller shall give to the purchaser all proper information in regard thereto, and that all food products and the packages it contains they shall bear truthful statements as to the quantity, quality, and character thereof, the time of placing the same in cold storage, and its removal therefrom. All of which regulations are certainly right and proper for the protection of the consumer.

SECTION 6.

Section 6 defines what cold storage is. It is intended to include all the products named in section 2, ranging from eggs, which are never frozen but kept at about 33, down to fish which is kept below zero.

SECTION 7.

Section 7 provides that any of the above-named articles which have been frozen in cold storage shall not be sold or offered for sale except in a frozen condition, and they shall not be inflated or manipulated so as to alter the appearance of the product or make it resemble the unfrozen product. This provision is obviously for the protection of the consumer.

SECTION 8.

Section 8 provides that products when placed in cold storage shall not be diseased or unsound, and that they shall not be put there if caught, handled, or slaughtered in an unsanitary manner.

SECTION 9.

Section 9 gives the power to the President of the United States to make regulations in reference to the inspection of all articles of food coming within the provisions of this act, which is manifestly a proper provision.

SECTION 10.

Section 10 provides for the punishment of all parties found guilty of misbranding or adulterating any food product and the violation of the act. The fines are large and the punishment is severe, but certainly not more so than they should be. Anyone guilty of manipulating food of the country to the detriment of the consumer should be severely dealt with.

SECTION 11.

Proof in this record shows that the cold-storage people are practically all together—that is to say, they seem to be divided into two classes: First, those who store for hire; and, second, the packers. The warehousemen are joined together in an association. Evidently they are well organized, as shown from this proof. From the failure of the packers to come forward and testify, and from common understanding and knowledge, it is fairly certain they are organized. It is generally believed that the prices of all these are affected by an agreement existing between the various dealers as to when and how and for what price these products shall be put upon the market.

This section prohibits this agreement, with heavy fines and imprisonment, and I think it is a proper provision.

If these various cold-storage industries or packers are not joined and are not confederated together for the purpose of fixing prices of what they buy and of what they sell, and do not use cold storage to aid them in such agreement, then this provision will hurt no cold-storage concern or packer. On the

other hand, if they have joined for any such purpose, it is manifest this Government ought to prohibit just such a combination.

SECTION 12.

It is generally believed that one of the methods by which prices are controlled is by what is known as a gentleman's agreement, the common understanding and implied understanding of certain persons in certain localities to fix the prices at which all these dealers buy and sell at a particular time.

This practice is prohibited by section 12, and the same may be said of it as was said of section 11.

SECTION 13.

It is commonly believed that the territory of the United States is divided up between certain rival concerns, so as to do away with the principle of natural competition and thus enable the several members of the association to reap larger profits from the consumer. If this belief is erroneous, then no one will be hurt by this provision. On the other hand, if it is well founded, those engaged in this nefarious practice should be punished.

SECTION 14.

This section simply provides that cold-storage products must not be sold as a pure product. It is obviously a proper provision and no one could object to it.

SECTION 15.

Frankly this section is aimed more particularly at the packers. We ought to have exact statistics. We have not got them. The packers will not furnish them. They ought to be made to.

Dr. Pennington says, "The warehousemen association holds itself ready to give these figures to any who are interested, and they are published in a number of places. The warehouses in the city of New York also make their storage holdings of eggs public. Chicago refuses to do so" (p. 168). We have accurate statistics on cotton, on wheat, and on other articles of merchandise, and surely there are no reasons why we should not have these statistics on these articles of food. On what meat have these pork packers fed that they can say to our Government, "We will furnish this information, but will not furnish that"? We must regulate them. It will be better for everybody and for the packers themselves as well.

ADJOURNMENT.

Mr. CROSSER. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to; accordingly (at 6 o'clock p. m.) the House adjourned until to-morrow, Tuesday, December 9, 1913, at 12 o'clock noon.

EXECUTIVE COMMUNICATIONS.

Under clause 2 of Rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1. A letter from the Doorkeeper of the House of Representatives, transmitting an inventory of all property under his charge belonging to the United States (H. Doc. No. 430); to the Committee on Accounts and ordered to be printed.

2. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, reporting certain claims against the United States which have been adjusted and settled by that official and approved by me, under river and harbor act approved June 25, 1910 (H. Doc. No. 431); to the Committee on Rivers and Harbors and ordered to be printed.

3. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusion in the case of Henry W. Chester *v.* The United States (H. Doc. No. 432); to the Committee on War Claims and ordered to be printed.

4. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusion in the case of John Y. Hitt *v.* The United States (H. Doc. No. 433); to the Committee on War Claims and ordered to be printed.

5. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusion in the case of Trustees of the First Baptist Church of Chattanooga, Tenn., *v.* The United States (H. Doc. No. 434); to the Committee on War Claims and ordered to be printed.

6. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusion in the case of Elijah B. Bailey *v.* The United States (H. Doc. No. 435); to the Committee on War Claims and ordered to be printed.

7. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusion in the case of Andrew G. Fitz *v.* The United States (H. Doc. No. 436); to the Committee on War Claims and ordered to be printed.

8. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusion filed in the case of Ralph Rogers, son and sole heir of Dudley Rogers, deceased (H. Doc. No. 437); to the Committee on War Claims and ordered to be printed.

9. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the finding of fact and conclusion in the case of Preston P. Doughty *v.* The United States (H. Doc. No. 438); to the Committee on War Claims and ordered to be printed.

10. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the finding of fact and conclusion filed in the case of Frederick E. Ransom *v.* The United States (H. Doc. No. 439); to the Committee on War Claims and ordered to be printed.

11. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the finding of fact and conclusions filed in the case of William M. Gooding *v.* The United States (H. Doc. No. 440); to the Committee on War Claims and ordered to be printed.

12. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the finding of fact and conclusions filed in the case of Thomas W. Durham *v.* The United States (H. Doc. No. 441); to the Committee on War Claims and ordered to be printed.

13. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusions filed in the case of George H. Devol *v.* The United States (H. Doc. No. 442); to the Committee on War Claims and ordered to be printed.

14. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusion in the case of William Moore *v.* The United States (H. Doc. No. 443); to the Committee on War Claims and ordered to be printed.

15. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusions filed in the case of Philo J. Beveridge, son and one of the heirs of John L. Beveridge, deceased, *v.* The United States (H. Doc. No. 444); to the Committee on War Claims and ordered to be printed.

16. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusions in the case of Mary E. L. Callaway, widow of James E. Callaway, deceased, *v.* The United States (H. Doc. No. 445); to the Committee on War Claims and ordered to be printed.

17. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusion filed in the case of Ella S. Marsh, one of the heirs of Francis G. Sherman, deceased, *v.* The United States (H. Doc. No. 446); to the Committee on War Claims and ordered to be printed.

18. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusions filed in the case of Amanda Pierce, one of the heirs of Henry C. Pierce, deceased, *v.* The United States (H. Doc. No. 447); to the Committee on War Claims and ordered to be printed.

19. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusions filed in the case of Sarah Posey, sole heir of Thomas B. Posey, deceased, *v.* The United States (H. Doc. No. 448); to the Committee on War Claims and ordered to be printed.

20. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusion filed in the case of Green B. Turner *v.* The United States (H. Doc. No. 449); to the Committee on War Claims and ordered to be printed.

21. A letter from the assistant clerk of the Court of Claims, transmitting a certified copy of the findings of fact and conclusion filed in the case of Julia F. Yates *v.* The United States (H. Doc. No. 450); to the Committee on War Claims and ordered to be printed.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS.

Under clause 2 of Rule XIII, bills were severally reported from committees, delivered to the Clerk, and referred to the several calendars therein named, as follows:

Mr. LEVER, from the Committee on Agriculture, to which was referred the bill (H. R. 7951) to provide for cooperative agricultural extension work between the agricultural colleges in the several States receiving the benefits of an act of Congress approved July 2, 1862, and acts supplementary thereto, and the United States Department of Agriculture, reported the same

with amendment, accompanied by a report (No. 110), which said bill and report were referred to the Committee of the Whole House on the state of the Union.

Mr. WATKINS, from the Committee on the Revision of the Laws, to which was referred the bill (H. R. 5850) to amend section 162 of the act to codify, revise, and amend the laws relating to the judiciary, approved March 3, 1911, reported the same without amendment, accompanied by a report (No. 111), which said bill and report were referred to the House Calendar.

CHANGE OF REFERENCE.

Under clause 2 of Rule XXII, the Committee on Invalid Pensions was discharged from the consideration of the bill (H. R. 9892) granting an increase of pension to Isaac Zimmerman, and the same was referred to the Committee on Pensions.

PUBLIC BILLS, RESOLUTIONS, AND MEMORIALS.

Under clause 3 of Rule XXII, bills, resolutions, and memorials were introduced and severally referred as follows:

By Mr. MURRAY of Oklahoma: A bill (H. R. 10064) to provide for a per capita payment to the Chickasaws and Choctaws; to the Committee on Indian Affairs.

Also, a bill (H. R. 10065) authorizing persons holding title from or through an allottee of Indian lands in the State of Oklahoma and his assigns to recover such land; to the Committee on Indian Affairs.

Also, a bill (H. R. 10066) to provide for the purchase of homes for the Mississippi Choctaws; to the Committee on Indian Affairs.

Also, a bill (H. R. 10067) to provide for drainage of Indian allotments of the Five Civilized Tribes; to the Committee on Indian Affairs.

By Mr. TALBOTT of Maryland: A bill (H. R. 10068) for the relief of certain officers on the retired list of the United States Navy; to the Committee on Naval Affairs.

By Mr. STEPHENS of Nebraska: A bill (H. R. 10069) providing for the cancellation of an allotment trust patent and reallotment of the land to heirs of deceased allottee; to the Committee on the Public Lands.

By Mr. TAYLOR of Colorado: A bill (H. R. 10070) authorizing the Secretary of the Interior to designate certain tracts of land in the States of Arizona, California, Colorado, Kansas, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Washington, and Wyoming upon which continuous residence shall not be required under the homestead law; to the Committee on the Public Lands.

Also, a bill (H. R. 10071) providing for camping grounds along public highways through forest reserves and other public lands; to the Committee on the Public Lands.

Also, a bill (H. R. 10072) authorizing summer homestead entries; to the Committee on the Public Lands.

Also, a bill (H. R. 10073) extending the time and reducing the amount of annual payments to be made by entrymen upon reclamation projects; to the Committee on Irrigation of Arid Lands.

Also, a bill (H. R. 10074) to provide for the erection of a public building in the city of Montrose, Colo.; to the Committee on Public Buildings and Grounds.

By Mr. ADAIR: A bill (H. R. 10075) to authorize the payment of pensions monthly; to the Committee on Invalid Pensions.

By Mr. MURRAY of Oklahoma: A bill (H. R. 10076) for the regulation of the use of the mails by stock exchanges and their members, and to amend certain sections of the Criminal Code of the United States Compiled Statutes relating to lotteries, and for other purposes; to the Committee on the Post Office and Post Roads.

By Mr. TEN EYCK: A bill (H. R. 10077) to provide for a survey and estimate of cost of a deep-water channel in the Hudson River, N. Y., between the city of Hudson and the dam at Troy; to the Committee on Rivers and Harbors.

By Mr. EDWARDS: A bill (H. R. 10078) authorizing the Secretary of State to invite other nations of the world to participate in the drainage congress to be held at Savannah, Ga., 1914, and to appropriate $10,000 to help defray the expenses thereof; to the Committee on Foreign Affairs.

By Mr. EDMONDS: A bill (H. R. 10079) appropriating $642,000 for improvements at Frankford Arsenal, Philadelphia, Pa.; to the Committee on Appropriations.

By Mr. LINDQUIST: A bill (H. R. 10080) providing for the labeling, marking, and tagging of all fabrics, leather, and rubber goods, as hereinafter designated, and providing for the fumigation of same; to the Committee on Interstate and Foreign Commerce.

By Mr. PADGETT: A bill (H. R. 10081) to make the tenure of the office of the major general commandant of the Marine Corps for a term of four years; to the Committee on Naval Affairs.

By Mr. LEE of Georgia: A bill (H. R. 10082) authorizing the erection of a post-office building at Rossville, Ga.; to the Committee on Public Buildings and Grounds.

Also, a bill (H. R. 10083) to fix the compensation of letter carriers of the Rural Delivery Service at a salary of $1,500 per annum; to the Committee on the Post Office and Post Roads.

By Mr. JOHNSON of Washington: A bill (H. R. 10084) to authorize the changing of the names of the steamships *Buckman* and *Watson;* to the Committee on the Merchant Marine and Fisheries.

By Mr. KEY of Ohio: A bill (H. R. 10085) to pension the widows of the officers and enlisted men of the Civil War who married such officers and enlisted men subsequent to June 27, 1890, and to pension widow and minor children of any officer or enlisted man who served in the War with Spain or Philippine insurrection; to the Committee on Pensions.

By Mr. FERRIS: A bill (H. R. 10086) authorizing the Secretary of the Interior to sell to the city of Lawton, Okla., a tract of land to be used for watershed and water-supply purposes; to the Committee on the Public Lands.

By Mr. SUTHERLAND: A bill (H. R. 10087) providing for the appointment of a board for the purpose of selecting a suitable site for a naval armor plant in the Ohio Valley, in the Parkersburg manufacturing district, and to submit a report of the cost and availability of said plant; to the Committee on Naval Affairs.

By Mr. OGLESBY: A bill (H. R. 10088) to prevent and punish the desecration, mutilation, or improper use of the flag of the United States of America; to the Committee on the Judiciary.

By Mr. HOBSON: Joint resolution (H. J. Res. 163) proposing an amendment to the Constitution of the United States; to the Committee on the Judiciary.

By Mr. ADAMSON: Joint resolution (H. J. Res. 165) for recognition of the services of the late David Du B. Gaillard, lieutenant colonel, Corps of Engineers, United States Army, as a member of the Isthmian Canal Commission, and for the relief of Mrs. Katherine Davis Gaillard; to the Committee on Interstate and Foreign Commerce.

By Mr. MANN: Resolution (H. Res. 333) directing the Secretary of War to send to the House of Representatives information concerning the operations of the Washington-Alaska military cable and telegraph system for the fiscal year ending June 30, 1913; to the Committee on Military Affairs.

By Mr. CARY: Resolution (H. Res. 334) authorizing and directing the Committee on the District of Columbia of the House, by subcommittee or otherwise, to investigate the health department of the District of Columbia and report its findings; to the Committee on the District of Columbia.

By Mr. LAFFERTY: Resolution (H. Res. 335) to amend the rules of the House of Representatives by providing for record votes in committees, budget system for supply bills, authorizing two motions to recommit, providing for third reading of bills by title only, providing for yea-and-nay votes in Committee of the Whole House, limiting debate on private bills and bills on Calendar Wednesday, setting apart additional day for consideration of private bills and special days for motions to discharge committees, and providing for a committee on equal suffrage; to the Committee on Rules.

PRIVATE BILLS AND RESOLUTIONS.

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

By Mr. ADAIR: A bill (H. R. 10089) granting a pension to Catherine Rugg; to the Committee on Invalid Pensions.

By Mr. BURKE of Wisconsin: A bill (H. R. 10090) granting an increase of pension to Edgar S. Bullis; to the Committee on Invalid Pensions.

By Mr. CAMPBELL: A bill (H. R. 10091) for the relief of C. E. Moore; to the Committee on the Post Office and Post Roads.

Also, a bill (H. R. 10092) to correct the military record of Rankin A. Hutsell; to the Committee on Military Affairs.

Also, a bill (H. R. 10093) granting a pension to Lottie Baughman; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10094) granting a pension to C. W. Stanton; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10095) granting an increase of pension to Abram H. Birdsall; to the Committee on Invalid Pensions.

By Mr. DRISCOLL: A bill (H. R. 10096) granting a pension to Julia McDade; to the Committee on Invalid Pensions.

By Mr. FOWLER: A bill (H. R. 10097) granting a pension to Robert W. Goodrich; to the Committee on Invalid Pensions.

By Mr. FREAR: A bill (H. R. 10098) to authorize the Secretary of War to issue a certificate of service in the name of Charles B. Walworth; to the Committee on Military Affairs.

By Mr. GRAHAM of Illinois: A bill (H. R. 10099) granting an increase of pension to William F. McCoy; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10100) granting an increase of pension to Preston Denton; to the Committee on Invalid Pensions.

By Mr. HAMLIN: A bill (H. R. 10101) granting a pension to Emma J. Fitzwater; to the Committee on Invalid Pensions.

By Mr. HINDS: A bill (H. R. 10102) granting a pension to Annie H. Quill; to the Committee on Pensions.

By Mr. HAMILL: A bill (H. R. 10103) to correct the military record of John Smith; to the Committee on Military Affairs.

Also, a bill (H. R. 10104) granting an increase of pension to Fannie Wanamaker; to the Committee on Invalid Pensions.

By Mr. HULINGS: A bill (H. R. 10105) granting a pension to Margaret McGreevy; to the Committee on Invalid Pensions.

By Mr. KENNEDY of Connecticut: A bill (H. R. 10106) granting an increase of pension to Lucy M. Peck; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10107) granting an increase of pension to Lucia Barber Thorpe; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10108) granting an increase of pension to James McCarthy; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10109) granting an increase of pension to Margaret Ann Higgins; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10110) granting an increase of pension to Horace E. Jones; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10111) granting an increase of pension to Chancey M. Hall; to the Committee on Invalid Pensions.

By Mr. KENNEDY of Rhode Island: A bill (H. R. 10112) granting an increase of pension to Marion S. B. Sharps; to the Committee on Invalid Pensions.

By Mr. LANGLEY: A bill (H. R. 10113) granting a pension to William Wicker; to the Committee on Pensions.

Also, a bill (H. R. 10114) granting an increase of pension to Alexander Childers; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10115) for the relief of J. M. Potter; to the Committee on Claims.

By Mr. LLOYD: A bill (H. R. 10116) granting a pension to James D. Silman; to the Committee on Pensions.

By Mr. MOON: A bill (H. R. 10117) granting a pension to Frank V. Griffith; to the Committee on Pensions.

Also, a bill (H. R. 10118) granting a pension to George W. Pinion; to the Committee on Pensions.

Also, a bill (H. R. 10119) granting an increase of pension to James M. Lloyd; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10120) granting an increase of pension to William L. Lacewell; to the Committee on Invalid Pensions.

By Mr. MANN: A bill (H. R. 10121) to reimburse Samuel M. Fitch, collector of internal revenue, first district of Illinois, for cigar stamps lost or stolen in transit; to the Committee on Claims.

Also, a bill (H. R. 10122) to credit Samuel M. Fitch, collector of internal revenue, first district of Illinois, on the books of the Treasury Department with the sum of $1,500 for cigar stamps lost or stolen in transit; to the Committee on Claims.

By Mr. MURRAY of Oklahoma: A bill (H. R. 10123) granting a pension to Mary Van Duyne Evans; to the Committee on Invalid Pensions.

By Mr. POST: A bill (H. R. 10124) granting an increase of pension to James T. McCartney; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10125) granting a pension to Hannah Kizer; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10126) granting a pension to Hannah D. Underwood; to the Committee on Invalid Pensions.

By Mr. RAKER: A bill (H. R. 10127) to place the name of Capt. Charles E. Tucker on the unlimited retired list of the Regular Army of the United States, with rank and pay as a retired officer of the Regular Establishment; to the Committee on Military Affairs.

By Mr. RUSSELL: A bill (H. R. 10128) granting a pension to John T. Hensley; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10129) granting an increase of pension to William Husky; to the Committee on Invalid Pensions.

By Mr. SLOAN: A bill (H. R. 10130) granting an increase of pension to Andrew J. Bruer; to the Committee on Invalid Pensions.

By Mr. SPARKMAN: A bill (H. R. 10131) for the relief of William H. English; to the Committee on Claims.

By Mr. TALBOTT of Maryland: A bill (H. R. 10132) granting an increase of pension to J. Woodfin Minifie; to the Committee on Invalid Pensions.

By Mr. TAYLOR of New York: A bill (H. R. 10133) granting an increase of pension to Henry E. Johns; to the Committee on Invalid Pensions.

By Mr. TUTTLE: A bill (H. R. 10134) granting an increase of pension to Francis Kenstler; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10135) granting an increase of pension to Robert Bimson; to the Committee on Invalid Pensions.

Also, a bill (H. R. 10136) granting an increase of pension to Henry Hann; to the Committee on Invalid Pensions.

By Mr. McCOY: A bill (H. R. 10137) for the relief of Robert Hamilton McLean; to the Committee on Naval Affairs.

By Mr. TALBOTT of Maryland: Joint resolution (H. J. Res. 162) for the relief of the heirs of George B. Simpson; to the Committee on Claims.

PETITIONS, ETC.

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

By the SPEAKER (by request): Memorial of the Seattle Commercial Club, favoring an amendment to the seamen's bill; to the Committee on the Merchant Marine and Fisheries.

Also (by request), petition of Charles H. Clark, of Cleveland, Ohio, protesting against the passage of the seamen's bill in its present form; to the Committee on the Merchant Marine and Fisheries.

Also (by request), memorial of the Portland Chamber of Commerce, of Portland, Oreg., favoring passage of pending Senate bill 3063, relative to employment outside of the classified service of competent consulting architects in the Supervising Architect's Office in the Treasury Department; to the Committee on Public Buildings and Grounds.

By Mr. ALLEN: Memorial of the Business Men's Club of Cincinnati, Ohio, approving suspension for one year of naval construction; to the Committee on Naval Affairs.

By Mr. ASHBROOK: Evidence to accompany House bill 9698, for the relief of Farley Connerty; to the Committee on Claims.

By Mr. BARNHART: Petition of citizens of Michigan City, Ind., protesting against the passage of the seamen's bill in its present form; to the Committee on the Merchant Marine and Fisheries.

By Mr. BRITTEN: Memorial of the Chicago Post Office Clerks' Union, Local No. 1, National Federation of Post Office Clerks, favoring the passage of the Bartlett-Bacon antitrust bills (H. R. 1873 and S. 927); to the Committee on the Judiciary.

By Mr. DALE: Memorial of the Portland Chamber of Commerce, of Portland, Oreg., favoring approval of Congress of pending Senate bill 3063, relative to employment in the Office of the Supervising Architect of the Treasury Department outside of the classified service of consulting architects to relieve the congested condition of that office; to the Committee on Public Buildings and Grounds.

Also, petition of G. W. Van Slyke and Horton, of Albany, N. Y., favoring the passage of the Bartlett bill (H. R. 4322) for 1-cent letter postage; to the Committee on the Post Office and Post Roads.

By Mr. DOOLITTLE: Petitions of business men of St. Mary, Kans., favoring the passage of bill (H. R. 5308) relative to mail-order houses; to the Committee on Ways and Means.

By Mr. EDMONDS: Petition of the Philadelphia (Pa.) Produce Exchange, the Continental Exchange, and the Oil Trade Association, of Philadelphia, Pa., all favoring the passage of legislation for the establishment of a regional reserve bank in Philadelphia; to the Committee on Banking and Currency.

By Mr. ESCH: Memorial of the Portland Chamber of Commerce, of Portland, Oreg., favoring the approval by Congress of the pending Senate bill (S. 3063) relative to employment of consulting architects for the Supervising Architect's Office in the Treasury Department; to the Committee on Public Buildings and Grounds.

By Mr. GRAHAM of Pennsylvania: Petition of the Philadelphia (Pa.) Produce Exchange, favoring the passage of legislation for the establishment of a regional reserve bank in Philadelphia; to the Committee on Banking and Currency.

By Mr. JOHNSON of Washington: Memorial of the Commercial Club of Seattle, Wash., favoring the passage of Senate bill

(S. 136) relative to the protection of life at sea; to the Committee on the Merchant Marine and Fisheries.

Also, memorial of the Chamber of Commerce of Cordova, Alaska, favoring the passage of the bill providing for the construction of a railroad in Alaska by the Government; to the Committee on the Territories.

By Mr. LAFFERTY: Petition of the Portland Chamber of Commerce, Portland, Oreg., favoring the passage of bill (S. 3063) authorizing the employment of a sufficient number of competent consulting architects to relieve the present congested condition of the Supervising Architect's Office in the Treasury Department; to the Committee on Public Buildings and Grounds.

By Mr. MOON: Papers to accompany bill for the relief of William L. Lacewell; to the Committee on Invalid Pensions.

Also, papers to accompany bill for the relief of Frank N. Griffith; to the Committee on Pensions.

Also, papers to accompany bill for the relief of James M. Lloyd; to the Committee on Invalid Pensions.

Also, papers to accompany bill for the relief of George W. Pinion; to the Committee on Pensions.

By Mr. SCULLY: Petitions of citizens of the State of New Jersey, protesting against the passage of the seamen's bill unless amended to exempt vessels in the bay; to the Committee on the Merchant Marine and Fisheries.

SENATE.

TUESDAY, *December 9, 1913.*

The Senate met at 10 o'clock a. m.

Prayer by the Chaplain, Rev. Forrest J. Prettyman, D. D.

COE I. CRAWFORD, a Senator from the State of South Dakota; GILBERT M. HITCHCOCK, a Senator from the State of Nebraska; and WILLIAM P. JACKSON, a Senator from the State of Maryland, appeared in their seats to-day.

The VICE PRESIDENT. The Secretary will read the Journal of the proceedings of the preceding session.

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

The VICE PRESIDENT. The Secretary will call the roll.

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

Ashurst	Fletcher	O'Gorman	Smith, Mich.
Bacon	Gallinger	Owen	Smith, S. C.
Bankhead	Hitchcock	Page	Smoot
Bradley	Hollis	Perkins	Sterling
Brady	Hughes	Pomerene	Stone
Brandegee	James	Ransdell	Sutherland
Bristow	Johnson	Reed	Swanson
Bryan	Jones	Robinson	Thomas
Burleigh	Kenyon	Root	Thompson
Burton	Kern	Shafroth	Thornton
Chamberlain	Lane	Sheppard	Townsend
Chilton	Lea	Sherman	Vardaman
Clarke, Ark.	Martin, Va.	Shields	Walsh
Crawford	Martine, N. J.	Shively	Weeks
Cummins	Nelson	Simmons	Williams
Dillingham	Norris	Smith, Ga.	Works

Mr. SHEPPARD. I wish to announce the unavoidable absence of my colleague [Mr. CULBERSON]. He is paired with the Senator from Delaware [Mr. DU PONT]. This announcement may stand for the day.

The VICE PRESIDENT. Sixty-four Senators have answered to the roll call. There is a quorum present. The Secretary will read the Journal of the proceedings of the preceding day.

The Journal of yesterday's proceedings was read and approved.

ANNUAL REPORT OF THE COMPTROLLER OF THE CURRENCY (H. DOC. NO. 452).

The VICE PRESIDENT laid before the Senate the fifty-first annual report of the Comptroller of the Currency for the year ended October 31, 1913, which was referred to the Committee on Banking and Currency and ordered to be printed.

FRENCH SPOLIATION CLAIMS.

The VICE PRESIDENT laid before the Senate communications from the assistant clerk of the Court of Claims, transmitting findings of fact and conclusions of law filed under the act of January 20, 1885, in the French spoliation claims set out in the annexed findings by the court relating to the following causes:

In the cause of the brig *Adventure*, master, Benjamin Bioren (H. Doc. No. 458);

In the cause of the ship *Sally*, master, Daniel McPherson (H. Doc. No. 457);

In the cause of the brig *Almy*, master, Mitchell Cutter (H. Doc. No. 455);

In the cause of the brig *Delight*, master, John Glazier (S. Doc. No. 265); and

In the cause of the brig *Nancy*, master, Alexander Duguid (H. Doc. No. 456).

FINDINGS OF THE COURT OF CLAIMS.

The VICE PRESIDENT laid before the Senate the following communications from the assistant clerk of the Court of Claims, transmitting certified copies of the findings of fact and conclusions filed by the court in the following causes:

The cause of George B. Drake *v.* The United States (S. Doc. No. 267);

The cause of Elizabeth B. Beal, administratrix of George L. Beal, deceased, *v.* The United States (S. Doc. No. 268);

The cause of Guy C. Pierce *v.* The United States (S. Doc. No. 269);

The cause of F. G. Farrington, administrator of Stewart Hunter, deceased, *v.* The United States (S. Doc. No. 270);

The cause of Hattie L. Willis and Mollie T. Willis, daughters and sole heirs of Phlegmon W. Willis, deceased, *v.* The United States (S. Doc. No. 271);

The cause of Minerva A. McMillan, widow of James W. McMillan, *v.* The United States (S. Doc. No. 272);

The cause of Eliza J. Orr, widow of William A. Orr, *v.* The United States (S. Doc. No. 273);

The cause of Mary E. Smith, widow of John D. Smith, *v.* The United States (S. Doc. No. 274);

The cause of Willamina R. Allenbaugh, widow of Charles T. Allenbaugh, *v.* The United States (S. Doc. No. 275);

The cause of Sophia E. Keys, widow of Allen C. Keys, *v.* The United States (S. Doc. No. 276);

The cause of John Hobensack *v.* The United States (S. Doc. No. 277);

The cause of William M. Paul *v.* The United States (S. Doc. No. 278);

The cause of Thomas E. Camburn *v.* The United States (S. Doc. No. 279);

The cause of M. C. Marsh, executor of Eugene A. Marsh, deceased, *v.* The United States (S. Doc. No. 280);

The cause of Benjamin Hecht *v.* The United States (S. Doc. No. 281);

The cause of Rhode Island Hospital Trust Co., executor of Zephaniah Brown, deceased, *v.* The United States (S. Doc. No. 282);

The cause of Earl M. Rogers *v.* The United States (S. Doc. No. 283);

The cause of Ernest Lomler *v.* The United States (S. Doc. No. 284);

The cause of John F. Dumont *v.* The United States (S. Doc. No. 285);

The cause of Thomas M. Brady *v.* The United States (S. Doc. No. 286);

The cause of James A. Seebolt, administrator of the estate of John H. Seebolt, deceased, *v.* The United States (S. Doc. No. 287);

The cause of Mary G. Bright, executrix of George A. Bright, deceased, *v.* The United States (S. Doc. No. 288);

The cause of Christopher C. Andrews *v.* The United States (S. Doc. No. 289);

The cause of Lewis M. Jarvis *v.* The United States (S. Doc. No. 290);

The cause of Mary Lodwick, widow of Murty W. Lodwick, deceased, *v.* The United States (S. Doc. No. 291);

The cause of Adam Smith Leib *v.* The United States (S. Doc. No. 292);

The cause of Charles P. Wickham and Samuel A. Wildman, executors of estate of Frederick A. Wildman, deceased, *v.* The United States (S. Doc. No. 293);

The cause of Charles D. Armstrong *v.* The United States (S. Doc. No. 294);

The cause of Abbie A. Upson, widow of Henry Upson, deceased, *v.* The United States (S. Doc. No. 295);

The cause of Elise Brammer, daughter and sole heir of Henry Kroeger, deceased, *v.* The United States (S. Doc. No. 296);

The cause of Ludwell M. Cunard *v.* The United States (S. Doc. No. 297);

The cause of County of Jessamine, State of Kentucky, *v.* The United States (S. Doc. No. 298);

The cause of County of Newton, State of Missouri, *v.* The United States (S. Doc. No. 299);

The cause of The Curators of Central College of Fayette, Mo., *v.* The United States (S. Doc. No. 300);

The cause of James L. Wharton *v.* The United States (S. Doc. No. 301);

The cause of Nannie B. Smith, one of the heirs of Lemuel N. Bishop, deceased, *v.* The United States (S. Doc. No. 302);

The cause of Charles C. Adams *v.* The United States (S. Doc. No. 303);

The cause of Albert H. Lanphear *v.* The United States (S. Doc. No. 304);